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

FORM 10-K

[X]ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996
OR
[_]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM   TO
COMMISSION FILE NUMBER 1-9210

OCCIDENTAL PETROLEUM CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	95-4035997 (I.R.S. EMPLOYER IDENTIFICATION NO.)
10889 WILSHIRE BOULEVARD LOS ANGELES, CALIFORNIA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	90024 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (310) 208-8800

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

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

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

Indicate by check mark whether the registrant (l) has filed all reports required to be filed by Section 13 or l5(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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

At March 7, 1997, the aggregate market value of the voting stock held by nonaffiliates of the registrant was approximately $8.5 billion, based on the New York Stock Exchange composite tape closing price of $25.375 per share of Common Stock (assuming conversion of all outstanding shares of Occidental's $3.875 Cumulative Convertible Voting Preferred Stock, par value $1.00 per share) on March 7, 1997. Shares of Common Stock held by each officer and director have been excluded from this computation in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

At March 7, 1997, there were 329,754,982 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report for the year ended December 31, 1996, are incorporated by reference into Parts I and II. Portions of the registrant's definitive Proxy Statement filed in connection with its April 25, 1997, Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

ITEMS 1 AND 2 BUSINESS AND PROPERTIES

GENERAL

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

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

Occidental's principal businesses constitute three industry segments, the operations of which are described below. For information with respect to the revenues, net income and assets of Occidental's industry segments and of its operations in various geographic areas for each of the three years in the period ended December 31, 1996, see Note 17 to the Consolidated Financial Statements of Occidental ("Consolidated Financial Statements"), which are included in Occidental's 1996 Annual Report ("1996 Annual Report") and are incorporated by reference in Item 8 of this report, and the information appearing under the caption "Management's Discussion and Analysis," which is included in the 1996 Annual Report and is incorporated by reference in Item 7 of this report. Throughout this report, portions of the 1996 Annual Report are incorporated by reference. These portions of the 1996 Annual Report are included as Exhibit 13 to this report.

OIL AND GAS OPERATIONS

Exploration and Production

GENERAL Through Occidental Oil and Gas Corporation and its subsidiaries, and its approximate 30 percent equity interest in Canadian Occidental Petroleum Ltd. ("CanadianOxy"), Occidental produces or participates in the production of crude oil, condensate and natural gas in the United States, Canada, Colombia, Ecuador, the Dutch and United Kingdom sectors of the North Sea, Oman, Pakistan, Peru, Qatar, Russia, Venezuela and Yemen. Occidental is continuing its development programs for certain existing fields in certain of these countries and also is conducting exploration activities in several of these countries as well as in other countries.

COMPARATIVE OIL AND GAS RESERVES AND PRODUCTION

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

	1996			1995			1994		
	OIL	GAS	TOTAL*	OIL	GAS	TOTAL*	OIL	GAS	TOTAL*
International Reserves	694	840	834	734	639	841	700	354	759
U.S. Reserves	203	1,744	494	196	1,821	499	218	1,979	548
Total	897	2,584	1,328	930	2,460	1,340	918	2,333	1,307
International Production	84	42	91	78	46	86	65	19	68
U.S. Production	21	220	58	23	223	60	22	227	60
Total	105	262	149	101	269	146	87	246	128

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* Natural gas volumes have been converted to equivalent barrels based on energy content of six Mcf of gas to one barrel of oil. 1995 and 1994 amounts have been restated to reflect this methodology.

In 1996, Occidental added more oil to its reserves than it produced. However, overall reserves decreased due to the sale of its interest in 46 million barrels of royalty oil, acquired by Occidental in 1993, to the Republic of the Congo for $215 million. Occidental's consolidated worldwide net proved developed and undeveloped reserves of crude oil (not including those of CanadianOxy) were 897 million barrels at year-end 1996, compared with 930 million barrels at year-end 1995. Domestic reserves of crude oil were 203 million barrels at year-end 1996, compared with 196 million barrels at year-end 1995, while international crude oil reserves decreased to 694 million barrels from 734 million barrels at year-end 1995. Worldwide net crude oil reserve additions of 119 million barrels, mainly in the United States and Qatar, more than replaced Occidental's worldwide production of 105 million barrels. The calculation of net reserve additions does not take into account sales of reserves. Worldwide net proved developed and undeveloped reserves of natural gas were approximately 2.6 trillion cubic feet ("Tcf") at year-end 1996, with 1.7 Tcf attributable to domestic operations. Worldwide net proved developed and undeveloped natural gas reserves were about 2.5 Tcf in the previous year. Occidental's crude oil reserves include condensate. Estimates of reserves have been made by Occidental engineers. These estimates include reserves in which Occidental holds an economic interest under service contracts and other arrangements. The reserves are stated after applicable royalties. See the information under the caption "Reserves, Production and Related Information" and the information incorporated under the caption "Supplemental Oil and Gas Information" incorporated by reference in Item 8 of this report.

Net daily worldwide oil production averaged 286,000 barrels per day compared to 278,000 barrels per day in 1995, and net worldwide natural gas production averaged 716 million cubic feet ("MMcf") per day compared to 739 MMcf per day in 1995. International operations accounted for 80 percent of Occidental's oil production, while 84 percent of gas production came from the United States. On an oil equivalent basis, Occidental produced 405,000 net barrels per day in 1996 from operations in 12 countries, including the United States.

As a producer of crude oil and natural gas, Occidental competes with numerous other producers, as well as with nonpetroleum energy producers. Crude oil and natural gas are commodities that are sensitive to prevailing conditions of supply and demand and generally are sold at posted or contract prices. Among the methods that Occidental uses to compete are the acquisition of foreign contract exploration blocks in areas with known oil and gas deposits and the cost-efficient development and production of its worldwide oil and gas reserves. Specific strategies include the buying or selling of proved reserves and flexible and responsive marketing techniques, particularly for natural gas. Occidental has commenced the development process for its recent gas discoveries in the Far East. Occidental is also pursuing opportunities to increase production through enhanced oil recovery projects, similar to those in Qatar and Venezuela, and focusing on oil and gas exploration and strategic acquisitions.

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

In December 1995, Occidental entered into a transaction with Clark USA, Inc. ("Clark") under which Occidental agreed to deliver approximately 17.7 million barrels of West Texas Intermediate crude ("WTI")-equivalent oil over a six-year period. In exchange, Occidental received $100 million in cash and approximately 5.5 million shares of Clark common stock. As a result of this transaction, Occidental owns approximately 19 percent of Clark. Occidental has accounted for the consideration received in the transaction as deferred revenue which is being amortized into revenue as WTI-equivalent oil is produced and delivered during the term of the agreement. Reserves dedicated to the transaction were excluded from the estimate of proved oil and gas reserves in 1995 and 1996 (see the information incorporated under the caption "Supplemental Oil and Gas Information" incorporated by reference in Item 8 of this report). Occidental delivered approximately 2.2 million barrels of WTI-equivalent oil to Clark in 1996. At December 31, 1996, approximately 15.5 million barrels remain to be delivered.

Portions of Occidental's oil and gas assets are located in countries outside North America, some of which may be considered politically and economically unstable. These assets and the related operations are subject to the risk of actions by governmental authorities and insurgent groups. Occidental attempts to conduct its financial affairs so as to protect against such risks and would expect to receive compensation in the event of nationalization. At December 31, 1996, the carrying value of Occidental's oil and gas assets in countries outside North America aggregated approximately $1.924 billion, or approximately 11 percent of Occidental's total assets at that date. Approximately $722 million of such assets were located in the Middle East, and $639 million of such assets were located in Latin America. Substantially all of the remainder was located in the Netherlands (comprising in part the Dutch sector of the North Sea) and the Far East.

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

Net daily domestic production of crude oil averaged approximately 57,300 barrels in 1996, compared with 64,000 barrels in 1995. The 1996 production is net of approximately 6,000 barrels per day delivered to Clark. Net daily domestic production of natural gas averaged 601 MMcf in 1996, compared with 612 MMcf in 1995.

Occidental's average sales price for domestic crude oil was $18.98 per barrel in 1996, compared with $15.61 in the previous year. The average natural gas sales price in 1996 was $2.11 per thousand cubic feet ("Mcf"), compared with $1.51 per Mcf during 1995.

Occidental's largest concentration of gas reserves and production is the Hugoton area encompassing portions of Kansas, Oklahoma and Texas, where it produced an average of more than 207 MMcf of gas per day or approximately one-third of the domestic total. Occidental has approximately 933 billion cubic feet ("Bcf") of gas reserves and 5.5 million barrels of oil reserves in the Hugoton area. Occidental continued infill drilling in the Chase formation of the Hugoton field in 1996. In this program Occidental drilled and completed 54 wells, and 21 wells were stimulated by fracturing the Chase formation.

Sixteen additional wells were drilled in the Milne Point field in Alaska during 1996. These wells are expected to add up to 15,000 gross barrels of oil per day to the unit's production in 1997 in which Occidental has an approximate 8.8 percent interest.

Occidental continued to develop its interest in the deep, high-pressure Austin Chalk area of the Masters Creek field in Rapides Parish, Louisiana. In December 1995, the Murry A-1, a 14,700-foot total vertical depth dual-lateral horizontal well, was completed. The well was successfully tested at 3,200 barrels of oil and 10 MMcf of gas per day and was brought on production in early 1996. This paved the way for dual-lateral development of Occidental's interests in Masters Creek where Occidental has initial gross production of 5,450 barrels of oil and 14.7 MMcf of gas per day. During 1996, Occidental participated in nine successful development wells in the Masters Creek area, where Occidental has in excess of 100,000 acres under lease.

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

Additionally, Occidental has an agreement to supply CITGO, at CITGO's option, with a majority of its domestic lease crude oil production through August 31, 1998. During 1996, Occidental sold CITGO approximately 38,000 barrels of oil per day under this agreement. Occidental is currently disputing certain provisions of this agreement.

Occidental has various agreements to supply certain gas marketing companies with 69,400 MMBtu of natural gas per day in 1997 and with volumes ranging from 69,400 MMBtu down to 1,900 MMBtu per day from 1997 through 2003. Prices under the different agreements are based on energy equivalent crude oil prices, market-sensitive prices or contract prices, some with a yearly escalation provision. Occidental also has agreements with various public utility companies to provide approximately 40,000 MMBtu of natural gas per day through 1997 and approximately 19,100 MMBtu per day in 1998. The public utility agreements provide for market-sensitive prices. In addition, Occidental has entered into several other sales contracts of one year or more to industrial customers with a total volume of 18,100 MMBtu of natural gas per day in 1997, decreasing to 2,600 MMBtu per day by 1998.

CANADA Occidental owns an approximate 30 percent interest in CanadianOxy, which is accounted for as an equity investment. See Note 15 to the Consolidated Financial Statements.

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

At December 31, 1996, Occidental's proportional interest in CanadianOxy's worldwide net proved developed and undeveloped reserves aggregated approximately 33 million barrels of crude oil, condensate and natural gas liquids, 153 Bcf of natural gas and 46 million barrels of synthetic crude oil recoverable from tar sands.

BANGLADESH In early 1995, Occidental signed production-sharing contracts to explore a 3.4-million-acre area in the gas-producing northeastern region and to appraise the Jalalabad discovery made in 1989. Seismic exploration of the area is in progress and two exploratory wells will be drilled in 1997. Appraisal and development of the Jalalabad gas discovery is expected to result in gas production and sales before the end of 1998. A sale contract with Petrobangla, the national oil company, for the initial delivery of 100 MMcf per day of natural gas was signed in November 1996. Occidental has farmed-out 50 percent of its interest in this block to an affiliate of Unocal.

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

All of Occidental's share of production is exported through a trans-Andean pipeline system that carries crude oil to an export terminal at Covenas. Occidental has an 18.75 percent net ownership interest in the pipeline and marine terminal. The pipeline is subject to periodic attacks by insurgent groups, which from time to time disrupt the flow of oil.

Gross production from Occidental's Cano Limon area declined to approximately 190,000 barrels per day in 1996, compared with 197,000 barrels per day in 1995.

CONGO In July 1996, Occidental sold its entire royalty interest in the Republic of the Congo (the "Congo") to the Congo for approximately $215 million. Occidental's net royalty oil production for seven months of 1996 in the Congo averaged approximately 6,000 barrels per day.

ECUADOR Occidental operates the 494,000-acre Block 15, in the Oriente Basin, under a risk-service contract. Six oil fields were discovered from 1985 to 1992. Drilling will continue until the fields are fully developed. Gross production was approximately 21,500 barrels per day in 1996 compared to gross production of approximately 23,800 barrels per day in 1995. In late 1996, Occidental drilled a successful exploratory well in the southeastern portion of the block. Appraisal of the discovery is required to determine its commercial potential. In January 1997, the Ecuadorean government initiated discussions to convert Occidental's existing risk-service contract to a participation type of agreement.

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

NORTH SEA Through the purchase of Placid International Oil Ltd. (now Occidental Netherlands, Inc.) Occidental has interests in seven gas-producing licenses and one exploration license in the Dutch sector of the North Sea. Also acquired was a 38.6 percent interest in a 110-mile gas pipeline system that services the area. Net production for 1996 was approximately 73 MMcf of gas per day.

OMAN Occidental is the operator, with a 65 percent working interest, of the Suneinah Block, which contains the Safah field and six small fields along the southern border of the block. Exploration and field development will continue in 1997. Occidental's net share of production from the block in 1996 averaged approximately 13,400 barrels per day of crude oil, compared with 12,000 barrels per day in 1995.

PAKISTAN In southern Pakistan, Occidental has a 30 percent working interest in the Badin Block, which in 1996 produced a net share of 6,400 barrels of oil per day and 43 MMcf of gas per day, compared to 6,000 barrels of oil per day and 49 MMcf of gas per day in 1995. Exploration of the block resulted in two oil and gas discoveries that will help maintain production at current rates.

In addition, Occidental holds exploration rights for a 356,000-acre block in northern Pakistan and for two contiguous blocks in the Central Indus gas basin totaling 2.9 million acres. Seismic exploration of the Northern Pakistan Salt Range block has delineated several prospects, and drilling will occur in one such prospect in 1997.

PERU Occidental conducts exploration and production activities under four separate service contracts with the Peruvian government. One of these contracts, in which Occidental retains all the interest, covers continuing operations in the northern jungle and provides for Occidental to receive, as compensation for its services, fees, based on barrels of production, that vary with the value of a "basket" of international oils. All production is delivered to Perupetro, the Peruvian national oil company.

Occidental owns a 65 percent interest and a 50 percent interest, respectively, in two contiguous exploration blocks totalling 4.4 million acres. The remaining contract in which Occidental has a 100 percent interest covers a 2-million-acre block in the Hualluga Basin. The contract for the Talara producing operation in Peru expired in July 1996 and was not renewed.

Gross production from the northern jungle block averaged approximately 52,300 barrels per day in 1996, compared with 55,000 barrels per day in 1995. Occidental's net production in Peru amounted to approximately 53,700 barrels per day in 1996, compared to 58,000 barrels per day in 1995.

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

Under a production-sharing agreement, Occidental is the operator of the field and will complete development of the field's three main reservoirs using horizontally drilled wells in conjunction with pressure maintenance by both water injection and gas injection to effect a high recovery from the reservoir. Average production increased from approximately 20,000 net barrels per day for 1995 to approximately 38,000 net barrels per day for 1996. Proved developed and undeveloped project reserves are presently estimated by Occidental to be approximately 207 million barrels.

RUSSIA In 1992, Occidental and AAOT Chernogorneft Enterprise began operation of a 50 percent owned joint venture company, Vanyoganneft, which was formed to increase oil recovery and production from the Vanyogan and Ayogan oil fields and to sell the oil to foreign markets. The two oil fields are located 40 miles northeast of the city of Nizhnevartovsk in the western Siberian oil basin. During 1996, gross production averaged 50,800 barrels per day. Approximately 27 percent of such oil was exported in 1996. Occidental expects to continue exports of some of its oil production in 1997.

In 1992, Occidental was awarded the 1.5-million-acre Block 15 in the Russian Federation's Komi Republic. A joint venture, Parmaneft, was established between Occidental, which owns a 75 percent interest, and Ukhtaneftegasgeologica to explore for oil and gas and develop discoveries within the block. During the exploration phase, Occidental is paying 100 percent of the costs. In 1996 Occidental results included a $105 million charge, reflecting the write-down of its investment in Komi, although certain drilling has continued to satisfy contractual obligations.

VENEZUELA In November 1993, Occidental executed a 20-year operating services agreement with Maraven, an affiliate of the Venezuelan national oil company, to increase oil production and reserves from existing fields in the 968,000-acre unit just west of Lake Maracaibo. Occidental is the operator, with a 100 percent interest, and receives, as compensation for its services, fees based on barrels of production that vary with the values of a "basket" of international oils, inflation and accumulated production. A three-year work program, completed in early 1997, included the workover and repair of existing wells, the drilling of new wells, the installation of high-rate pumping equipment in all wells and the expansion of existing production facilities to accommodate increased production. Occidental achieved further production increases in 1996, with production averaging 27,200 barrels per day for 1996, compared to 20,900 barrels per day for 1995.

YEMEN In 1991, Occidental acquired an 18 percent working interest in the 310,000-acre Masila Block (although the block consisted at one time of 6.8 million acres, substantial territory was relinquished in 1995 and 1996), where CanadianOxy, the operator, with a 52 percent working interest, has made 12 oil discoveries. Production started in July 1993. Occidental's net share under a production-sharing contract was 14,700 barrels per day compared to 15,200 barrels per day in 1995. Drilling will continue until the fields are fully developed. Occidental also has a 100 percent working interest in a production-sharing contract in a central Yemen exploration block.

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

In 1992, a substantial oil and gas discovery was made in the Malampaya prospect on Block SC-38 offshore northwest Palawan Island in the Philippines. Appraisal wells confirmed that the 1989 Camago discovery by Occidental and the Malampaya discovery contain sufficient recoverable gas for a commercial project. Occidental has a 50 percent working interest in this project. Occidental and its partner, Shell Philippines Exploration Corporation, the operator, have signed a memorandum of understanding with the National Power Corporation of the Republic of the Philippines to investigate the repowering of an idle nuclear plant in Bataan with natural gas.

In East Malaysia, Occidental has made significant gas discoveries offshore Sarawak. In 1995, agreements were executed with its partners for the commercialization of these discoveries. A joint venture company will be owned by Occidental and its partners, PETRONAS, the Malaysian national oil company, Shell Gas B.V. and Nippon Oil Company to construct the country's third liquefied natural gas ("LNG") plant. Feedstock for the plant initially will come from the Jintan discovery containing recoverable gas estimated at 2.9 Tcf. Occidental is the operator, with a 37.5 percent interest in the gas discoveries. Occidental will have a 10 percent interest in the new LNG plant. The partners began the detailed upstream facility design in 1996. The estimated start-up date of the LNG plant is the year 2001.

In Indonesia, Occidental has a 22.9 percent interest in the Berau Block, offshore Irian Jaya, where appraisal of five major natural gas discoveries by ARCO, the operator, will continue into 1997 to determine if the natural gas reserves are sufficient to justify construction of an LNG plant on Irian Jaya.

In addition, Occidental acquired new exploration blocks in Albania, Peru and Papua New Guinea. During 1997, exploration activities are planned in these areas as well as on previously acquired blocks in Albania, Bangladesh, China, Colombia, Gabon, Hungary, Indonesia, Ireland, Oman, Pakistan, Papua New Guinea, the Philippines and Russia.

Special Item in 1996

Financial results for 1996 included a charge of $105 million, reflecting the write-down of Occidental's oil and gas exploration project in the Republic of Komi in the former Soviet Union.

Reserves, Production and Related Information

Reference is made to Note 18 to the Consolidated Financial Statements and the information incorporated under the caption "Supplemental Oil and Gas Information" incorporated by reference in Item 8 of this report for information with respect to Occidental's oil and gas reserves, the production from and other changes in such reserves, the discounted present value of estimated future net cash flows therefrom, certain costs and other financial and statistical information regarding Occidental's oil and gas exploration and production operations. Estimates of reserves have been made by Occidental engineers and include reserves under which Occidental holds an economic interest under service contracts and other arrangements. The definitions used are in accordance with applicable Securities and Exchange Commission regulations. Accordingly, proved oil and gas reserves are those estimated quantities of crude oil, natural gas, and natural gas liquids that geological and engineering data demonstrate with reasonable certainty will be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Unless otherwise stated, all references to reserves are made on a net basis. On March 31, 1996, Occidental reported to the U.S. Department of Energy (the "DOE") on Form EIA-28 the same proved oil and gas reserves at December 31, 1995, as are set forth for that date in the information incorporated under the caption "Supplemental Oil and Gas Information" contained in Occidental's 1995 Annual Report.

NATURAL GAS TRANSMISSION OPERATIONS

General

Through MidCon Corp. ("MidCon"), Occidental engages in interstate and intrastate natural gas transmission and marketing and electric power marketing. MidCon's subsidiaries purchase, transport, store and process gas and sell gas to utilities, municipalities and industrial and commercial users.

The principal subsidiaries of MidCon are Natural Gas Pipeline Company of America ("Natural"), which owns a major interstate pipeline transmission system; MidCon Texas Pipeline Operator, Inc. ("MidCon Texas"), which operates an intrastate pipeline system in Texas, now owned by other Occidental subsidiaries (see "MidCon ESOP" below); MidCon Gas Services Corp. ("MidCon Gas"), which engages in the purchase and sale of gas and arranges for the transportation and storage of such gas; and MidCon Power Services Corp. ("MidCon Power"), which purchases electricity from electric utilities and other electric power producers and marketers, resells electricity to wholesale customers and arranges for the transmission of such power. Another subsidiary of MidCon processes natural gas. Through subsidiaries, MidCon also owns interests in several gas pipeline joint ventures.

Natural is subject to extensive regulation by the Federal Energy Regulatory Commission (the "FERC"). The FERC regulates, among other things, rates and charges for transportation and storage of gas in interstate commerce, the construction and operation of interstate pipeline facilities and the accounts and records of interstate pipelines. Certain of MidCon Texas' rates and other aspects of its business are subject to regulation by the Texas Railroad Commission.

A series of orders (collectively, "Order 636") were adopted by the FERC in 1992 to address certain marketing advantages purportedly enjoyed by interstate pipelines over other resellers of gas, mandates that interstate pipelines no longer provide a "bundled" service using their gas transportation and storage facilities as part of marketing gas to sales customers. As a consequence, Natural eliminated its traditional gas sales service to customers effective December 1, 1993, and no longer needed gas supplies to meet sales requirements. Thus, Natural incurred gas supply realignment ("GSR") costs in order to terminate or otherwise resolve its obligations under its gas supply contracts. Natural reached settlement agreements with former customers providing for recovery of a significant amount of its GSR costs. Under these settlements, which were approved by the FERC, Natural, through monthly demand charge billings, recovers GSR costs allocated to these customers over a 48-month period that began in December 1993. The FERC also permitted Natural to implement a tariff mechanism to recover additional portions of its GSR costs in rates charged to transportation customers that are not party to the settlements.

MidCon ESOP

In November 1996, Occidental established the MidCon Corp. Employee Stock Ownership Plan (the "MidCon ESOP") for the benefit of employees of MidCon. Pursuant to the MidCon ESOP, Occidental has issued 1,400,000 shares of its Cumulative MidCon-Indexed Convertible Preferred Stock (the "CMIC Preferred Stock") to the MidCon Corp. ESOP Trust.

The CMIC Preferred Stock is designed to track the value of MidCon, which remains a wholly-owned subsidiary of Occidental. The MidCon ESOP paid for the CMIC Preferred Stock with a $1.4 billion 30-year promissory note (the "ESOP Note") guaranteed by MidCon. Dividends on the CMIC Preferred Stock are payable at an annual rate of $21 per share, when and as declared by Occidental's Board of Directors. It is anticipated that MidCon will make annual contributions from its operating cash flow to the MidCon ESOP which, together with the annual dividends, will be used to repay the ESOP Note due to Occidental.

Properties

Natural's principal facilities consist of two major interconnected transmission pipelines terminating in the Chicago metropolitan area. One line, which extends from west Texas and New Mexico producing areas, includes approximately 6,600 miles of main pipeline and various small-diameter lines. The other line extends from the Gulf Coast areas of Texas and Louisiana and comprises approximately 4,900 miles of main pipeline and various small-diameter lines. These two main pipelines are connected at points in Texas and Oklahoma by Natural's 240-mile Amarillo/Gulf Coast ("A/G") Pipeline. A 105-mile pipeline runs from the Arkoma Basin gas producing area of eastern Oklahoma to the A/G Pipeline.

Nine underground storage fields are operated in four states to provide services to Natural's customers and to support pipeline deliveries during the winter, when space heating demand is higher.

MidCon Texas operates an intrastate pipeline system, located primarily in the Texas Gulf Coast area, which it leases from an affiliate under a 30-year lease. The system includes approximately 2,600 miles of pipelines, supply lines, sales laterals and related facilities. A subsidiary of MidCon Gas owns a separate Texas intrastate pipeline system (the "Palo Duro System") that includes approximately 400 miles of pipeline and related facilities. The Palo Duro System is leased to a nonaffiliate. MidCon Texas operates a gas storage facility in south Texas that it leases from a partnership in which a subsidiary of MidCon Gas owns an interest.

Markets, Sales, Transportation, Storage and Processing

The location of MidCon's pipelines provides access to large market areas, to most other major pipeline systems and to nearly all major North American producing areas. This permits delivery of natural gas directly or by displacement to pipeline systems serving most of the United States.

Deliveries of gas by MidCon's pipelines include both volumes sold by the pipelines and their marketing affiliates and volumes owned by others which are transported. The following table sets forth in Bcf the gas volumes sold to, or transported for, nonaffiliates by Natural, MidCon Texas and MidCon Gas for each of the last three calendar years:

	1996	1995	1994
Natural			
Transportation	1,284	1,318	1,318
MidCon Texas			
Sales	239	238	198
Transportation	271	215	215
MidCon Gas			
Sales	460	410	351

Sales volumes shown in the foregoing table for MidCon Texas include sales deliveries by a marketing affiliate to nonaffiliates. The table does not include gas transported by Natural for affiliates for sale to nonaffiliates of approximately 220 Bcf in 1996, 221 Bcf in 1995 and 220 Bcf in 1994. The table also does not show volumes of gas that have been auctioned by Natural following the termination of its traditional gas sales service on December 1, 1993.

As a consequence of Order 636, Natural's sales service agreements were replaced in December 1993 principally with service agreements for combined transportation and storage services provided to former customers. These combined transportation and storage agreements, in turn, terminated on December 1, 1995. Contracts for new services that included new combined transportation and storage service options were entered with those customers, but several were renewed at reduced service levels and reduced rates. Customers purchasing this combined service pay monthly demand charges irrespective of gas volumes actually transported and stored. In addition, Natural is authorized to assess separate monthly demand charges to these customers to recover a portion of Natural's GSR costs.

Approximately 85 percent of Natural's pipeline capacity to Chicago remains subscribed for long-term firm transportation service. Natural was able to sell on a short-term basis substantially all of the remaining unsubscribed capacity during the 1995-96 and 1996-97 winter heating seasons.

In June 1995, Natural filed a general rate case with the FERC to allow Natural to institute tariff changes to reflect the new transportation and storage services it planned to institute in December 1995 and to approve rates for these new services. By orders issued by the FERC, these new rates became effective on December 1, 1995, subject to potential adjustment upon final resolution of issues in the rate case. In May 1996, Natural filed a settlement with the FERC to resolve all rate case issues. Natural currently is engaged in negotiations with one intervenor group in an effort to obtain unanimous support for the proposed settlement.

Pursuant to transportation agreements and FERC tariff provisions, Natural offers both firm transportation service and interruptible transportation service. Under Natural's tariff, firm transportation customers pay reservation charges each month, irrespective of volumes actually transported. Interruptible transportation customers pay a monthly commodity charge based upon actual volumes transported. Reservation and commodity charges are both based upon geographical location, time of year and distance of the transportation service provided. In addition, as in the case of the combined service described above, Natural is authorized to assess separate monthly demand charges to firm transportation customers to recover a portion of the GSR costs.

Natural also provides firm and interruptible gas storage service pursuant to storage agreements and FERC-approved tariffs. Firm storage customers pay a monthly demand charge irrespective of actual volumes stored. Interruptible storage customers pay a monthly commodity charge based upon actual volumes of gas stored.

Natural transports a substantial portion of the natural gas delivered into its principal market, the Chicago metropolitan area. The Chicago area deliveries were primarily to three major gas distribution utility companies.

Natural's transportation competitors in the Chicago metropolitan area consist of other interstate pipelines that own facilities in the vicinity. Natural faces increased competition in this market as other pipelines consider expansion projects to increase their capability to serve the Chicago area. In August 1996, Natural received preliminary approval, subject to environmental review, from the FERC to expand its existing pipeline system from Harper, Iowa, to Chicago. This expansion, plus existing capacity, would accommodate more than 500 MMcf per day of new gas supplies to be delivered through a proposed expansion of the system of Northern Border Pipeline Company ("Northern Border"), a competitor, that transports gas originating in western Canada. Northern Border has also received preliminary approval, subject to environmental review, from the FERC for its pipeline expansion as well as an extension of its pipeline system from its existing terminus near Harper to the Chicago area. Natural is opposed to the "rolled-in" rate structure proposed for the Northern Border extension and also argues that, from an environmental standpoint, the Northern Border extension is less favorable than a further expansion of Natural's system. In December 1996, Alliance Pipeline L.P. filed an application with the FERC for authority to construct a new pipeline from the Saskatchewan/North Dakota border to the Chicago area. Natural has opposed the application. If Northern Border builds its proposed extension into the Chicago area, service may begin within two to three years. Natural expects to mitigate any negative impact over time with additional market growth and expansion of capacity to move volumes east.

Natural also furnishes transportation service for others to and from many other locations on its pipeline system and, in recent years, has increased transportation deliveries to markets outside the Chicago metropolitan area. Competition for such service may be provided by one or more other pipelines, depending upon the nature of the transportation service required. Transportation rates, service options and available pipeline capacity and, in some cases, the availability of, and rates for, storage services are the key factors in determining Natural's ability to compete for particular transportation business.

In 1996, Trailblazer Pipeline Company ("Trailblazer"), a partnership in which a subsidiary of Natural owns a one-third interest, signed 10-year agreements with six shippers for additional firm transportation service. To accommodate these additional service requirements, Trailblazer has sought approval from the FERC to install compression to increase pipeline capacity by approximately 104 MMcf per day. The new compression facilities are anticipated to be in service during the summer of 1997. Trailblazer's system runs from eastern Colorado to eastern Nebraska and transports gas produced in the Rocky Mountains. Natural is the operator of the pipeline. Trailblazer moved approximately 194 Bcf of gas in 1996, a record for the 14-year old line.

In January 1997, Natural and a subsidiary of NIPSCO Industries, Inc. completed construction of a 100-MMcf-per-day pipeline interconnection in the Chicago metropolitan area between their respective pipeline systems. The interconnection provides Natural an additional connection to pipelines serving markets east of Chicago.

MidCon Texas makes sales principally to customers located in the Houston-Beaumont and Port Arthur area of Texas and provides transportation service within the State of Texas. Intense competition exists among numerous suppliers for sales of gas to customers in MidCon Texas' sales markets. Price is the primary competitive factor. At most locations on its system, MidCon Texas faces competition from other pipelines for gas transportation business. Transportation rates and available pipeline capacity are generally the key factors in determining MidCon Texas' ability to compete for transportation business.

The rates for MidCon Texas' city-gate sales are subject to regulation by the Texas Railroad Commission. Other sales and transportation rates are determined by prevailing market conditions and are largely unregulated. Transportation service is provided by MidCon Texas on both a firm and an interruptible basis. In January 1996, MidCon Texas entered into agreements with a major south Texas producer to purchase and transport 274 billion cubic feet of gas over a five-year period. In August 1996, MidCon Texas completed construction of a 68-mile pipeline to connect its existing pipeline system to these gas reserves.

MidCon Gas makes sales of gas to local distribution companies, other marketing companies and large commercial and industrial end users. Sales prices received by MidCon Gas are established by negotiation. MidCon Gas uses gas futures contracts, options and swaps to hedge the impact of natural gas price fluctuations. MidCon Gas also offers a variety of fuel management services to utilities and other large volume gas users. During 1996, MidCon Gas provided gas portfolio management services to four large local distribution companies and to a large steel company. MidCon Gas has formed a new marketing subsidiary, "mc2", to target gas sales to commercial and small industrial customers. Initial product marketing begins in the Chicago and New York City metropolitan areas in 1997.

MidCon was granted a permit by Mexico to construct approximately 100 miles of pipeline from the United States to Monterrey, Mexico. This is the first pipeline transportation permit since Mexico amended its Constitution to provide for private ownership of gas pipelines and storage systems. When built, this pipeline will deliver up to 270 MMcf per day of gas to local distribution companies, industrial customers and electricity generators.

In 1996, MidCon Power sold approximately 600,000 megawatt hours of electricity to wholesale customers. In 1997, MidCon Power anticipates participating in several electric sales pilot programs initiated by various state utility regulators as initial steps toward opening up retail electric sales markets to competition.

During 1996, MidCon subsidiaries sold approximately 174 million gallons of natural gas liquids obtained through gas processing operations.

Gas Supply

As a part of its service restructuring pursuant to Order 636, Natural reduced substantially the amount of gas supplies it has under contracts expiring over the next several years.

MidCon Texas purchases its gas supplies from producers and, to a lesser extent, from other pipeline companies or their subsidiaries. MidCon Gas purchases gas supplies from Natural at auction and from producers and other gas marketers. MidCon Gas maintains inventories of gas supplies in storage facilities of its affiliates and other pipeline companies. It had approximately 100 Bcf of working gas storage capacity available under various arrangements at the beginning of the 1996-97 winter heating season.

Pipeline Ventures

Through subsidiaries, MidCon owns interests of 20 to 50 percent in three pipeline ventures that operate approximately 530 miles of pipeline in the Gulf of Mexico and interests, of varying percentages, in approximately 260 miles of jointly owned supply laterals that also operate in the Gulf of Mexico. The ventures transport gas onshore from producers in the offshore Louisiana and Texas areas for various customers. Other subsidiaries of MidCon own interests of 18 and 33 1/3 percent, respectively, in two onshore pipeline ventures. These ventures operate approximately 520 miles of pipelines in Wyoming, Colorado and Nebraska.

CHEMICAL OPERATIONS

General

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

A substantial portion of OxyChem's products are principally commodity in nature, i.e., they are equivalent to products manufactured by others that are generally available in the marketplace and are produced and sold in large volumes, primarily to industrial customers for use as raw materials. Many of OxyChem's manufacturing operations are integrated, and many of its products are both sold to others and further processed by OxyChem into other chemical products. As a counterbalance to the commodity business, Occidental organized the Specialty Business Group in 1995. The Specialty Business Group focuses on smaller volume specialty and intermediate chemical markets where OxyChem's product may be more readily differentiated and enjoy a particular market niche. Demand for specialty chemical products is less cyclical than commodity products and specialty products are expected to provide a more steady source of earnings.

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

In April 1996, OxyChem completed the acquisition of a 64 percent equity interest (on a fully-diluted basis) in INDSPEC Holding Corporation, and, indirectly, its sole operating subsidiary INDSPEC Chemical Corporation ("INDSPEC") for approximately $92 million, with $87 million in common stock and the balance in cash. Under the terms of the transaction, INDSPEC's management and employees have retained voting control of INDSPEC. INDSPEC is the largest producer of resorcinol in the world and the sole commercial producer in the United States. Resorcinol is a chemical used primarily as a bonding and stiffening agent in the manufacture of tires and tread rubber. In addition, resorcinol is used in the manufacture of high-performance wood adhesives, ultraviolet stabilizers, sunscreens, dyestuffs, pharmaceuticals, agrichemicals, carbonless paper and fire retardant plastic additives.

Also in April 1996, OxyChem completed the sale of certain international phosphate fertilizer trading operation assets. These assets were sold for notes receivable of approximately $20 million and did not result in a material gain or loss.

In August 1996, OxyChem acquired three specialty chemical units: Laurel Industries, Inc.; Natural Gas Odorizing, Inc.; and a plant from Power Silicates Manufacturing, Inc. ("Power Silicates"). These acquisitions were made in separate transactions for approximately $149 million, through the issuance of 5,512,355 shares of Occidental common stock with a value of approximately $130 million, with the remainder paid in cash. Laurel Industries, Inc. was acquired from private investors, and is North America's largest producer of antimony oxide at its LaPorte, Texas, facility. Antimony oxide is used as a polymerization catalyst in the manufacture of polyethylene terephthalate resins and as a flame retardant in plastics, where it complements an OxyChem flame retardant synergist, DechPlus(R). Natural Gas Odorizing, Inc. was purchased from Helmerich & Payne, and is the leading U.S. producer of mercaptan-based warning agents for use in natural gas and propane. The plant is located in Baytown, Texas. In addition, a plant in Augusta, Georgia, was purchased from Power Silicates, which produces sodium silicates for use in soap and detergent formulating, paper manufacturing and silica-based catalysts and will augment OxyChem's five existing silicates plants by its presence in the growing southeast U.S. market.

OxyChem's operations are affected by cyclical factors in the general economic environment and by specific chemical industry conditions. The chemical industry in the United States was characterized in 1996 by lower sales prices and higher feedstock and energy costs resulting in lower margins for many chemical products, including those manufactured by OxyChem. The integration strategy adopted by OxyChem permitted it to maintain relatively high operating rates in 1996, with similar operating rates expected to continue for 1997.

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

Principal Products

OxyChem produces the following chemical products:

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

(Table continued on next page)

	Principal Products	Major Uses
Polymers and Plastics	Vinyl chloride monomer	Raw material for polyvinyl chloride
	Polyvinyl chloride	Calendering and film, pipe, wire insulation, flooring, footwear, bottles, siding, home construction products

Based in part on statistics in chemical industry publications, Occidental believes that during 1996: it was the largest United States merchant marketer of chlorine and caustic soda; including OxyMar (OxyChem's joint venture with Marubeni) the second-largest United States producer of vinyl chloride monomer; the fourth-largest producer of PVC resins in North America (and will, upon completion of the Pasadena PVC plant expansion in mid-1997, be the third largest producer of PVC resins in the United States); the largest producer of chrome chemicals and phenolic molding compounds; the second-largest producer of sodium silicates; including its PD Glycol joint venture with DuPont, the third-largest producer of ethylene glycols; the seventh-largest producer of ethylene; and the largest supplier to the DOT-3 brake fluids aftermarket in the United States. Additionally, Occidental believes it was the world's largest producer of potassium hydroxide and chlorinated isocyanurate products and the world's largest marketer of ethylene dichloride.

Raw Materials

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

Patents, Trademarks and Processes

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

Sales and Marketing

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

Competition

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

Properties

OxyChem, which is headquartered in Dallas, Texas, operates 32 chemical product manufacturing facilities in the United States. Many of the larger facilities are located in the Gulf Coast areas of Texas and Louisiana. In addition, OxyChem operates 11 chemical product manufacturing facilities in seven foreign countries, with the most significant foreign plants being in Brazil. A number of additional facilities process, blend and store the chemical products. OxyChem uses an extensive fleet of barges and railroad cars and owns and operates a pipeline network of over 950 miles along the Gulf Coast of Texas for the transportation of ethylene, propylene and feedstocks.

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

Special Items in 1996

Chemical division earnings included the pretax gain of $170 million related to favorable litigation settlements, and a charge of $75 million for additional environmental reserves relating to various existing sites, and the related state tax effects.

CAPITAL EXPENDITURES

Occidental's oil and gas operations, based on depletable resources, are capital intensive, involving large-scale expenditures. In particular, in the search for and development of new reserves, long lead times are often required. In addition, Occidental's other businesses require capital expenditures to remain competitive and to comply with safety and environmental laws. Occidental's capital expenditures for its ongoing businesses totaled approximately $1.2 billion in 1996, $979 million in 1995 and $1.1 billion in 1994, exclusive of the noncash consideration for acquisitions. The 1996 amount included capital expenditures aggregating $762 million for oil and gas, $262 million for chemical and $147 million for natural gas transmission. Occidental's total capital expenditures, exclusive of acquisitions, if any, for 1997 are expected to approximate $1.34 billion, with $900 million for oil and gas, the majority of which is for international oil and gas operations.

EMPLOYEES

Occidental and its subsidiaries employed a total of 14,270 persons at December 31, 1996, of whom 10,070 were located in the United States. 4,470 were employed in oil and gas operations, 1,730 in natural gas transmission operations and 7,520 in chemical operations. An additional 550 persons were employed at corporate headquarters. Approximately 1,500 U.S.-based employees are represented by labor unions.

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

ENVIRONMENTAL REGULATION

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

("PRPs"), or as both defendants and PRPs under the federal Superfund law. These proceedings seek remediation, funding for remediation, or both, and, in some cases, compensation for alleged personal injury or property damage, punitive damages and civil penalties, aggregating substantial amounts.

Occidental has accrued reserves for its environmental liabilities. As of December 31, 1996 and 1995, Occidental had environmental reserves of approximately $566 million and $582 million, respectively. Occidental provided additional reserves of approximately $100 million in 1996, $21 million in 1995 and $5 million in 1994 for costs associated with expected remediation efforts at a number of sites. The 1996 and 1995 amounts related primarily to the chemical division. The 1994 amount related primarily to the oil and gas division.

Occidental's estimated operating expenses in 1996 relating to compliance with environmental laws and regulations governing ongoing operations were approximately $105 million, compared with $111 million in 1995 and $114 million in 1994. The 1996 amount included $59 million in the chemical division, $41 million in the oil and gas division and $5 million in the natural gas transmission division. In addition, capital expenditures for environmental compliance were $89 million in 1996, compared with $74 million in 1995 and $67 million in 1994. The 1996 amount included $54 million in the oil and gas division, $27 million in the chemical division and $8 million in the natural gas transmission division. Occidental presently estimates that divisional capital expenditures for environmental compliance (including environmental control facilities) will be in the range of $90 million to $100 million for each of 1997 and 1998.

ITEM 3 LEGAL PROCEEDINGS

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

On July 22, 1996, Occidental announced that a judgment of $742 million had been entered in favor of its OXY USA Inc. ("OXY USA") subsidiary against Chevron USA by the state district court in Tulsa, Oklahoma. The unanimous verdict was for approximately $229 million in compensatory damages for breach of a 1982 merger agreement and interest on these damages from 1982 to the date of judgment. Interest has continued to accrue from July 19, 1996, in an amount of approximately $6 million per month. Chevron has appealed the decision to the Oklahoma Supreme Court, and, in connection with that appeal, has obtained an appeal bond to secure payment of any final judgment and accrued interest as required by Oklahoma law.

In 1991, Continental Trend Resources obtained a jury verdict against OXY USA in the U.S. District Court for the Western District of Oklahoma for $269,000 in actual damages and $30 million in punitive damages for tortious interference with contract. In 1995, the U.S. Court of Appeals for the 10th Circuit affirmed the subsequent judgment. In 1996, the U.S. Supreme Court granted OXY USA's petition for writ of certiorari, vacated the judgment and remanded the action to the Court of Appeals for further consideration. In November 1996, the Court of Appeals reduced the punitive damage award to $6 million and, alternatively, offered the plaintiffs a new trial on punitive damages. The plaintiffs' motion for rehearing was denied and the plaintiffs have sought a stay of mandate in order to petition the Supreme Court for a writ of certiorari.

MidCon Gas Services Corp. ("MidCon Gas") purchases transportation and storage services from pipeline companies to support its gas sales business. A significant amount of these services are purchased from Natural Gas Pipeline Company of America ("Natural"). In January 1997, Amoco Production Company and Amoco Trading Corporation (collectively, "Amoco"), filed a complaint against Natural before the FERC contending that Natural improperly had provided MidCon Gas transportation service on preferential terms. Amoco has requested, among other things, that the FERC require Natural to terminate the transportation services it provides to MidCon Gas. Natural believes it has treated all shippers, including Amoco, fairly and it will vigorously defend its actions.

ENVIRONMENTAL PROCEEDINGS

In 1992, Occidental Chemical Corporation ("OCC") submitted to the Environmental Protection Agency ("EPA") its report under EPA's Toxic Substances Control Act Section 8(e) Compliance Audit Program (the

"Program"). Under the Program, numerous companies voluntarily submitted to the EPA all studies meeting the EPA's thresholds for reporting information that may indicate a substantial risk exists from any chemical that a company manufactures, processes or distributes, and agreed to pay stipulated penalties for previously unreported studies, with a maximum penalty of $1 million per company. In 1996, OCC was assessed and paid a penalty of $869,000.

In September 1996, the EPA filed an administrative Complaint against Natural Gas Odorizing, Inc., which was recently acquired by Occidental, alleging failure to file during 1994 an Inventory Update Report under the Toxic Substance Control Act regarding its facility in Baytown, Texas, and proposed a civil penalty of $136,000. OCC is engaged in settlement discussions with the EPA.

In October 1996, the West Virginia Division of Environmental Protection filed a civil action in the Circuit Court, Kanawha County, West Virginia, against OCC alleging violations of hazardous waste management regulations at its Belle Plant, from October 1994 to September 1995. The Complaint seeks civil penalties of up to $25,000 per violation per day and injunctive relief requiring correction of the alleged violations. OCC is contesting the allegations and proposed civil penalties.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of Occidental's security holders during the fourth quarter of 1996.

EXECUTIVE OFFICERS OF THE REGISTRANT

NAME	AGE AT FEBRUARY 28, 1997	POSITIONS WITH OCCIDENTAL AND SUBSIDIARIES AND FIVE-YEAR EMPLOYMENT HISTORY
Dr. Ray R. Irani	62	Chairman and Chief Executive Officer since 1990; President from 1984 to 1996; 1984-1990, Chief Operating Officer; Director since 1984; 1983-January 1991, Chief Executive Officer of Occidental Chemical Corporation ("Occidental Chemical"); Chairman of the Board of CanadianOxy since 1987; member of Executive Committee.
Dr. Dale R. Laurance	51	President since 1996; Executive Vice President and Senior Operating Officer since 1990; 1984-1990, Executive Vice President--Operations; Director since 1990; member of Executive Committee.
Stephen I. Chazen	50	Executive Vice President--Corporate Development since 1994; 1990-1994, Managing Director, Merrill Lynch & Co. Incorporated.
Donald P. de Brier	56	Executive Vice President, General Counsel and Secretary since 1993; 1989-1993, General Counsel and member of the Management Committee of BP Exploration and Production Company.
Richard W. Hallock	52	Executive Vice President--Human Resources since 1994; 1993-1994, Director, Worldwide Total Compensation of IBM; 1990-1993, various other human resources positions with IBM.
J. Roger Hirl	65	Executive Vice President since 1984; Director since 1988; President and Chief Executive Officer of Occidental Chemical since 1991; 1983-1991, President and Chief Operating Officer of Occidental Chemical.
Anthony R. Leach	57	Executive Vice President and Chief Financial Officer since 1991; 1984-1991, Vice President and Controller.
John F. Riordan	61	Executive Vice President since 1991; Director since 1991; President and Chief Executive Officer of MidCon Corp. since 1990; 1988-1990, President and Chief Operating Officer of MidCon Corp.

(Table continued on next page)

NAME	AGE AT FEBRUARY 28, 1997	POSITIONS WITH OCCIDENTAL AND SUBSIDIARIES AND FIVE-YEAR EMPLOYMENT HISTORY
Howard Collins	53	Vice President--Public Relations since 1993; 1986-1993, Director--Public Relations.
E. Leon Daniel	60	Vice President since 1996; Executive Vice President--International EOR and Engineering, Occidental Oil and Gas Corporation since 1996; 1993-1996, President of Oxy Engineering Services; 1987-1993, Executive Vice President--Engineering, Drilling and Production--International of Occidental Oil and Gas Corporation and Occidental International Exploration and Production Company.
Samuel P. Dominick, Jr.	56	Vice President and Controller since 1991; 1990-1991, Assistant Controller--Internal Audit; 1985-1990, Director of Internal Audit.
Fred J. Gruberth	63	Vice President and Treasurer since 1992; 1978-1992, Senior Assistant Treasurer.
Kenneth J. Huffman	52	Vice President--Investor Relations since 1991; 1989-1991, Vice President--Finance, American Exploration Company.
John L. Hurst	57	Vice President since 1996; Executive Vice President--Manufacturing and Engineering of Occidental Chemical Corporation since 1996; 1988-1996, Executive Vice President--Operations of Occidental Chemical Corporation.
Robert M. McGee	50	Vice President since 1994; President of Occidental International Corporation since 1991; 1981-1991, Senior Executive Vice President of Occidental International Corporation.
John W. Morgan	43	Vice President--Operations since 1991; 1984-1991, Director--Operations.
S.A. Smith	52	Vice President since 1984; Executive Vice President--Worldwide Finance and Administration and Chief Financial Officer of Occidental Oil and Gas Corporation since 1994; 1986-1994, Vice President--Financial Planning and Analysis.
Richard A. Swan	49	Vice President--Health, Environment and Safety since 1995; 1991-1995, Director--Investor Relations.
Aurmond A. Watkins, Jr.	54	Vice President--Tax since 1991; 1986-1991, Director--Taxes.

The current term of office of each Executive Officer will expire at the April 25, 1997, organizational meeting of the Occidental Board of Directors or at such time as his or her successor shall be elected.

PART II

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

Trading Price Range and Dividends

There is hereby incorporated by reference the quarterly financial data appearing under the caption "Quarterly Financial Data" and the information appearing under the caption "Management's Discussion and Analysis--Liquidity and Capital Resources" in the 1996 Annual Report, relevant portions of which 1996 Annual Report are filed as Exhibit 13 to this report. Occidental's common stock was held by approximately 107,750 stockholders of record at year-end 1996, with an estimated 165,000 additional stockholders whose shares were held for them in street name or nominee accounts. The common stock is listed and traded principally on the New York and Pacific stock exchanges and also is listed on various foreign exchanges identified in the 1996 Annual Report. The quarterly financial data on pages 61 and 62 of the 1996 Annual Report sets forth the range of trading prices for the common stock as reported on the New York Stock Exchange's composite tape and quarterly dividend information.

The quarterly dividend rate for the common stock is $.25 per share. On February 13, 1997, a dividend of $.25 per share was declared on the common stock, payable on April 15, 1997 to stockholders of record on March 7, 1997. Occidental is subject to certain financial covenants in instruments pertaining to its long-term indebtedness which do not currently impose restrictions on dividend policy. In 1992 Occidental entered into a settlement agreement with certain private litigants which, among other things, imposed an obligation to maintain the annual common stock dividend at no less than $1 per share through 1997, subject to the exercise by the Board of Directors of its fiduciary obligations and the business judgment rule. Thus, the declaration of future cash dividends is a business decision made by the Board of Directors from time to time, and will depend on the foregoing considerations, earnings, financial condition and other factors deemed relevant by the Board; however, Occidental presently expects that dividends will continue to be paid.

Recent Sales of Unregistered Securities

During the previous three years commencing January 1, 1994, Occidental sold the following securities which were not initially registered under the Securities Act of 1933, as amended (the "Act").

(1) In March 1994, Occidental acquired interests in certain U.S. Gulf Coast oil and gas properties from Agip Petroleum Co. Inc. ("AGIP") for a purchase price of $161 million through the issuance of 5,150,602 shares of Occidental common stock and $78 million in cash.

(2) In December 1994, Occidental acquired Placid Oil Company from certain Hunt Family trusts (the "Trusts") for an aggregate purchase price of approximately $250 million through the issuance of 3,606,484 shares of $3.875 Cumulative Convertible Voting Preferred Stock, par value $1.00 per share (the "Preferred Stock"), with a value of $175 million, and the balance through the issuance of 3,835,941 shares of Occidental common stock.

All or a portion of the shares held of the Preferred Stock is convertible at the option of the holder thereof into such number of whole shares of common stock as is equal to the aggregate liquidation preference of shares of Preferred Stock ($50 per share) surrendered for conversion divided by the Conversion Price, initially $22.76, subject to adjustment as described in the governing Certificate of Designations, Preferences and Rights and in Occidental's Registration Statement on Form 8-B/A (Amendment No. 5) dated November 1, 1995.

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

(4) In November 1996, Occidental issued 1,400,000 shares of its Cumulative MidCon-Indexed Convertible Preferred Stock, par value $1.00 per share, to the MidCon Corp. ESOP Trust for $1,400,000 in cash and a promissory note in the principal amount of $1,398,600,000. For terms of conversion, reference is made to Occidental's Form 8-K dated November 20, 1996, and the governing Certificate of Designations filed as an exhibit thereto.

The securities described in the paragraphs marked (1) through (4) above were issued in reliance on the exemption from registration under Section 4(2) of the Act, and the rules promulgated under the Act, as transactions not involving a public offering. Each recipient of such securities stated that it was its intent to acquire the securities for investment purposes. In each case the recipient had access to Occidental's public financial information. Appropriate restrictive legends were, in each case, affixed to the stock certificates issued in each transaction. The shares of Occidental common stock issued in the Agip, Laurel and NGO transactions were subsequently registered for resale in secondary offering Registration Statements on Form S-3 filed with the Securities and Exchange Commission. Demand registration rights granted to the Trusts in the Placid transaction have been exercised with respect to certain shares of Occidental's common stock issued in such transaction.

ITEM 6 SELECTED FINANCIAL DATA

There is hereby incorporated by reference the information appearing under the caption "Five-Year Summary of Selected Financial Data" in the 1996 Annual Report.

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

There is hereby incorporated by reference the information appearing under the caption "Management's Discussion and Analysis" in the 1996 Annual Report.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS AND RELATED INFORMATION

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in Occidental Petroleum Corporation's Annual Report for the year ended December 31, 1996, incorporated by reference in this Annual Report on Form 10-K, and have issued our report thereon dated January 31, 1997. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The financial statement schedule listed in the Index to Financial Statements and Related Information is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and regulations under the Securities Exchange Act of 1934 and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Los Angeles, California ARTHUR ANDERSEN LLP
January 31, 1997

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

(In millions)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS: CHARGED TO COSTS AND EXPENSES	ADDITIONS: CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
1996					
Allowance for doubtful accounts	$ 19	$ 12	$ --	$ (7)	$ 24
Environmental	$ 582	$ 100	$ 11	$ (127)(a)	$ 566
Contract impairment	81	--	--	(36)(c)	45
Foreign and other taxes, litigation and other reserves	969	71	24	(101)(a)	963
	$1,632	$ 171	$ 35	$ (264)	$1,574
1995					
Allowance for doubtful accounts	$ 17	$ 8	$ 1	$ (7)	$ 19
Environmental	$ 635	$ 21	$ 19	$ (93)(a)	$ 582
Contract impairment	141	--	--	(60)(a)	81
Foreign and other taxes, litigation and other reserves	1,002	140	50	(223)(a)	969
	$1,778	$ 161	$ 69	$ (376)	$1,632(b)
1994					
Allowance for doubtful accounts	$ 13	$ 6	$ --	$ (2)	$ 17
Environmental	$ 742	$ 5	$ 50	$ (162)(a)	$ 635
Contract impairment	165	--	--	(24)(c)	141
Foreign and other taxes, litigation and other reserves	818	190	84	(90)(a)	1,002
	$1,725	$ 195	$ 134	$ (276)	$1,778(b)

(a) Primarily represents payments.

(b) Of these amounts, $209 million, $228 million and $197 million in 1996, 1995 and 1994, respectively, is classified as current.

(c) Primarily represents the reduction of the reserve to reflect a decrease in the net exposure under disadvantageous gas purchase contracts, the elimination of certain potential claims, the successful resolution of litigation, settlements or other changes in the expected outcome of matters covered by the reserve.

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

Not applicable.

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

There is hereby incorporated by reference the information regarding Occidental's directors appearing under the caption "Election of Directors" in Occidental's definitive proxy statement filed in connection with its April 25, 1997, Annual Meeting of Stockholders (the "1997 Proxy Statement"). See also the list of Occidental's executive officers and related information under "Executive Officers of the Registrant" in Part I hereof.

ITEM 11 EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information appearing under the captions "Executive Compensation" (excluding, however, the information appearing under the subcaptions "Report of the Compensation Committee" and "Performance Graphs") and "Election of Directors--Information Regarding the Board of Directors and Its Committees" in the 1997 Proxy Statement.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

There is hereby incorporated by reference the information with respect to security ownership appearing under the caption "Security Ownership of Certain Beneficial Owners and Management" in the 1997 Proxy Statement.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is hereby incorporated by reference the information appearing under the caption "Election of Directors--Compensation Committee Interlocks and Insider Participation" in the 1997 Proxy Statement.

PART IV

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

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

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

(a) (3). EXHIBITS

3.(i)* (a) Restated Certificate of Incorporation of Occidental, together with all certificates amendatory thereof filed with the Secretary of State of Delaware through December 23, 1994 (filed as Exhibit 3.(i) to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1994, File No. 1-9210).

(b) Certificate of Designation of the Cumulative MidCon-Indexed Convertible Preferred Stock (par value $1.00 per share) of Occidental Petroleum Corporation (filed as Exhibit 3.1 to Occidental's Current Report on Form 8-K dated November 20, 1996, File No. 1-9210).

3.(ii)* Bylaws of Occidental, as amended through December 15, 1994 (filed as Exhibit 3.(ii) to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1994, File No. 1-9210).

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4.1* Occidental Petroleum Corporation Credit Agreement, dated as of October 20, 1994 (filed as Exhibit 4 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1994, File No. 1-9210).

4.2 Instruments defining the rights of holders of other long-term debt of Occidental and its subsidiaries are not being filed since the total amount of securities authorized under each of such instruments does not exceed 10 percent of the total assets of Occidental and its subsidiaries on a consolidated basis. Occidental agrees to furnish a copy of any such instrument to the Commission upon request.

All of the Exhibits numbered 10.1 to 10.42 are management contracts and compensatory plans required to be identified specifically as responsive to Item 601(b)(10)(iii)(A) of Regulation S-K pursuant to Item 14(c) of Form 10-K.

10.1* Consultation Agreement, dated December 16, 1974, between Occidental Petroleum Corporation, a California corporation, and Arthur Groman (filed as Exhibit 10.3 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1987, File No. 1-9210).

10.2* Employment Agreement, dated as of May 14, 1992, between Occidental and J. Roger Hirl (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1992, File No. 1-9210).

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10.7* Form of Indemnification Agreement between Occidental and each of its directors (filed as Exhibit B to Occidental's Proxy Statement for its May 21, 1987, Annual Meeting of Stockholders, File No. 1-9210).

10.8* Occidental Petroleum Corporation Split Dollar Life Insurance Program and Related Documents (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1994, File No. 1-9210).

10.9* Occidental Petroleum Insured Medical Plan, as amended and restated effective April 29, 1994, amending and restating the Occidental Petroleum Corporation Executive Medical Plan (As Amended and Restated Effective April 1, 1993) (filed as Exhibit 10 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ending March 31, 1994, File No. 1-9210).

10.10* Occidental Petroleum Corporation 1978 Stock Option Plan (as amended and restated effective May 21, 1987) (filed as Exhibit 28(a) to Occidental's Registration Statement on Form S-8, File No. 33-14662).

10.11* Form of Nonqualified Stock Option Grant under Occidental Petroleum Corporation 1978 Stock Option Plan (filed as Exhibit 10.19 to the Registration Statement on Form 8-B, dated June 26, 1986, of Occidental, File No. 1-9210).

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* Incorporated herein by reference.

10.12* Form of Incentive Stock Option Grant under Occidental Petroleum Corporation 1978 Stock Option Plan (filed as Exhibit 10.20 to the Registration Statement on Form 8-B, dated June 26, 1986, of Occidental, File No. 1-9210).

10.13* Occidental Petroleum Corporation 1987 Stock Option Plan, as amended through April 29, 1992 (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).

10.14* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).

10.15* Form of Nonqualified Stock Option Agreement, with Stock Appreciation Right, under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).

10.16* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).

10.17* Form of Incentive Stock Option Agreement, with Stock Appreciation Right, under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).

10.18* Occidental Petroleum Corporation 1977 Executive Long-Term Incentive Stock Purchase Plan, as amended through December 10, 1992 (filed as Exhibit 10.20 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1992, File No. 1-9210).

10.19* Form of award letter utilized under Occidental Petroleum Corporation 1977 Executive Long-Term Incentive Stock Purchase Plan (filed as Exhibit 10.21 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1992, File No. 1-9210).

10.20* Occidental Petroleum Corporation Incentive Compensation Plan, effective as of October 28, 1991 (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1991, File No. 1-9210).

10.21* Occidental Petroleum Corporation 1988 Deferred Compensation Plan (as amended and restated effective as of January 1, 1994) (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1994, File No. 1-9210).

10.22* Memorandum, dated February 8, 1990, regarding MidCon Corp. Financial Counseling Program (filed as Exhibit 10.29 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1989, File No. 1-9210).

10.23* Occidental Petroleum Corporation Senior Executive Deferred Compensation Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.24 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).

10.24* Occidental Petroleum Corporation Senior Executive Supplemental Life Insurance Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.25 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).

10.25* Occidental Petroleum Corporation Senior Executive Supplemental Retirement Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.26 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).

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

* Incorporated herein by reference.

10.26* Occidental Petroleum Corporation Senior Executive Survivor Benefit Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.27 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).

10.27* Occidental Petroleum Corporation 1995 Incentive Stock Plan, effective April 29, 1995 (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 33-64719).

10.28* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.2 to Occidental's Registration Statement on Form S-8, File No. 33-64719).

10.29* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.3 to Occidental's Registration Statement on Form S-8, File No. 33-64719).

10.30* Form of Stock Appreciation Rights Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.4 to the Registration Statement on Form S-8, File No. 33-64719).

10.31* Form of Restricted Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.5 to the Registration Statement on Form S-8, File No. 33-64719).

10.32* Form of Performance Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.6 to the Registration Statement on Form S-8, File No. 33-64719).

10.33* Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors, effective April 26, 1996 (filed as Exhibit 99.1 to the Registration Statement on Form S-8, File No. 333-02901).

10.34* Form of Restricted Stock Option Assignment under Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors (filed as Exhibit 99.2 to the Registration Statement on Form S-8, File No. 333-02901).

10.35* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.1 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 1996, File No. 1-9210, amends Form previously filed as Exhibit 99.2 to Occidental's Registration Statement on Form S-8, File No. 33-64719 and incorporated by reference as Exhibit 10.29 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).

10.36* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.2 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 1996, File No. 1-9210, amends Form previously filed as Exhibit 99.3 to Occidental's Registration Statement on Form S-8, File No. 33-64719 and incorporates by reference as Exhibit 10.30 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).

10.37* Agreement, dated September 9, 1996, between Occidental and David R. Martin (filed as Exhibit 10.1 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 1996, File No. 1-9210).

10.38* Occidental Petroleum Corporation 1988 Deferred Compensation Plan (as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.2 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 1996, File No. 1-9210).

10.39* MidCon Corp. Savings Plan (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 333-17879).

10.40* Amendment No. 1 MidCon Corp. Savings Plan (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 333-17879).

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* Incorporated herein by reference.

10.41 MidCon Corp. Supplemental Retirement Plan (effective as of January 1, 1997).

10.42 Employment Agreement made as of the 3rd day of May, 1993, by and between Occidental and Donald de Brier.

11 Statement regarding computation of earnings per common and common equivalent share and fully diluted earnings per share for the three years ended December 31, 1996.

12 Statement regarding computation of total enterprise ratios of earnings to fixed charges for the five years ended December 31, 1996.

13 Pages 21 through 58 and pages 60 through 68 of Occidental's Annual Report for the fiscal year ended December 31, 1996, which are incorporated by reference in Parts I and II of this Annual Report on Form 10-K.

21 List of subsidiaries of Occidental at December 31, 1996.

23 Consent of Independent Public Accountants.

27 Financial data schedule of Occidental for the fiscal year ended December 31, 1996 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).

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* Incorporated herein by reference.

(b) REPORTS ON FORM 8-K

During the fourth quarter of 1996, Occidental filed the following Current Reports on Form 8-K:

1. Current Report on Form 8-K dated October 17, 1996 (date of earliest event reported), filed on October 18, 1996, for the purpose of reporting, under Item 5, Occidental's results of operations for the third quarter ended September 30, 1996.

2. Current Report on Form 8-K dated November 20, 1996 (date of earliest event reported), filed on November 21, 1996, for the purpose of reporting, under Item 5, Occidental's implementation of the MidCon ESOP.

During the first quarter of 1997 to the date hereof, Occidental filed the following Current Report on Form 8-K:

1. Current Report on Form 8-K dated January 23, 1997 (date of earliest event reported), filed on January 24, 1997, for the purpose of reporting, under Item 5, Occidental's results of operations for the fourth quarter and fiscal year ended December 31, 1996.

SIGNATURES

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

OCCIDENTAL PETROLEUM CORPORATION

March 19, 1997

By: Ray R. Irani

Ray R. Irani

Chairman of the Board of Directors and Chief Executive Officer

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

SIGNATURE	TITLE	DATE
Ray R. Irani Ray R. Irani	Chairman of the Board of Directors and Chief Executive Officer	March 19, 1997
Anthony R. Leach Anthony R. Leach	Executive Vice President and Chief Financial Officer	March 19, 1997
Samuel P. Dominick, Jr. Samuel P. Dominick, Jr.	Vice President and Controller (Chief Accounting Officer)	March 19, 1997
John S. Chalsty John S. Chalsty	Director	March 19, 1997
Edward P. Djerejian Edward P. Djerejian	Director	March 19, 1997
Albert Gore Albert Gore	Director	March 19, 1997
Arthur Groman Arthur Groman	Director	March 19, 1997
J. Roger Hirl J. Roger Hirl	Director	March 19, 1997
John W. Kluge John W. Kluge	Director	March 19, 1997

SIGNATURE	TITLE	DATE
Dale R. Laurance Dale R. Laurance	Director	March 19, 1997
Irvin W. Maloney Irvin W. Maloney	Director	March 19, 1997
George O. Nolley George O. Nolley	Director	March 19, 1997
John F. Riordan John F. Riordan	Director	March 19, 1997
Rodolfo Segovia Rodolfo Segovia	Director	March 19, 1997
Aziz D. Syriani Aziz D. Syriani	Director	March 19, 1997
Rosemary Tomich Rosemary Tomich	Director	March 19, 1997

INDEX TO EXHIBITS

EXHIBITS

(a) (3). EXHIBITS

3.(i)* (a) Restated Certificate of Incorporation of Occidental, together with all certificates amendatory thereof filed with the Secretary of State of Delaware through December 23, 1994 (filed as Exhibit 3(i) to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1994, File No. 1-9210).

(b) Certificate of Designation of the Cumulative MidCon-Indexed Convertible Preferred Stock (par value $1.00 per share) of Occidental Petroleum Corporation (filed as Exhibit 3.1 to Occidental's Current Report on Form 8-K dated November 20, 1996, File No. 1-9210).

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All of the Exhibits numbered 10.1 to 10.42 are management contracts and compensatory plans required to be identified specifically as responsive to Item 601(b)(10)(iii)(A) of Regulation S-K pursuant to Item 14(c) of Form 10-K.

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10.28* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.2 to Occidental's Registration Statement on Form S-8, File No. 33-64719).

10.29* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.3 to Occidental's Registration Statement on Form S-8, File No. 33-64719).

10.30* Form of Stock Appreciation Rights Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.4 to the Registration Statement on Form S-8, File No. 33-64719).

10.31* Form of Restricted Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.5 to the Registration Statement on Form S-8, File No. 33-64719).

10.32* Form of Performance Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.6 to the Registration Statement on Form S-8, File No. 33-64719).

10.33* Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors, effective April 26, 1996 (filed as Exhibit 99.1 to the Registration Statement on Form S-8, File No. 333-02901).

10.34* Form of Restricted Stock Option Assignment under Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors (filed as Exhibit 99.2 to the Registration Statement on Form S-8, File No. 333-02901).

10.35* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.1 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 1996, File No. 1-9210, amends Form previously filed as Exhibit 99.2 to Occidental's Registration Statement on Form S-8, File No. 33-64719 and incorporated by reference as Exhibit 10.29 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).

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* Incorporated herein by reference.

10.36* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.2 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 1996, File No. 1-9210, amends Form previously filed as Exhibit 99.3 to Occidental's Registration Statement on Form S-8, File No. 33-64719 and incorporates by reference as Exhibit 10.30 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).

10.37* Agreement, dated September 9, 1996, between Occidental and David R. Martin (filed as Exhibit 10.1 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 1996, File No. 1-9210).

10.38* Occidental Petroleum Corporation 1988 Deferred Compensation Plan (as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.2 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 1996, File No. 1-9210).

10.39* MidCon Corp. Savings Plan (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 333-17879).

10.40* Amendment No. 1 MidCon Corp. Savings Plan (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 333-17879).

10.41 MidCon Corp. Supplemental Retirement Plan (effective as of January 1, 1997).

10.42 Employment Agreement made as of the 3rd day of May, 1993, by and between Occidental and Donald de Brier.

11 Statement regarding computation of earnings per common and common equivalent share and fully diluted earnings per share for the three years ended December 31, 1996.

12 Statement regarding computation of total enterprise ratios of earnings to fixed charges for the five years ended December 31, 1996.

13 Pages 21 through 58 and pages 60 through 68 of Occidental's Annual Report for the fiscal year ended December 31, 1996, which are incorporated by reference in Parts I and II of this Annual Report on Form 10-K.

21 List of subsidiaries of Occidental at December 31, 1996.

23 Consent of Independent Public Accountants.

27 Financial data schedule of Occidental for the fiscal year ended December 31, 1996.

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* Incorporated herein by reference.

EXHIBIT 10.41

MIDCON CORP.

SUPPLEMENTAL RETIREMENT PLAN

Effective as of January 1, 1997

MIDCON CORP.

SUPPLEMENTAL RETIREMENT PLAN

Effective as of January 1, 1997

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MIDCON CORP.

SUPPLEMENTAL RETIREMENT PLAN

Effective as of January 1, 1997

Article 1. Establishment and Purpose

1.1 Establishment of Plan. MidCon Corp. (the "Company") hereby establishes this Plan effective as of January 1, 1997, which Plan shall be known as the MIDCON CORP. SUPPLEMENTAL RETIREMENT PLAN (the "Plan"). The Plan is intended to be exempt from the participation, vesting, funding, and fiduciary requirements of Title 1 of the Employee Retirement Income Security Act of 1974 ("ERISA"), as an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

1.2 Purpose of the Plan. It is the purpose of this Plan to provide eligible employees with benefits that will compensate them for maximums imposed by law upon contributions to qualified plans.

1.3 Application of Plan. The terms of this Plan are applicable to eligible employees employed by the Company on or after January 1, 1997.

Article 2. Definitions

2.1 Definitions. Whenever used in the Plan, the following terms shall have the respective meanings set forth below, unless a different meaning is required by the context in which the word is used, and when the defined meaning is intended, the term is capitalized:

(a) "Administrative Committee" means the committee with authority to administer the Plan as provided under section 5.1.

(b) "Beneficiary" means the persons designated under the Retirement Plan by the Participant to receive benefits in the event of his death.

(c) "Board of Directors" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986.

(e) "Company" means MidCon Corp., a Delaware corporation, and any successor thereto.

(f) "Compensation" means the base salary of the employee as stated in the payroll records of the Employer, excluding any amounts paid for bonuses, income realized upon exercise of stock options, and any other special pay which the Employer pays to the employee during the year, prior to reduction for any deferral of base salary under the Company's Savings Plan, 1988 Deferred Compensation Plan or any other qualified or non-qualified deferred compensation plan or agreement. In the case of a Participant who became disabled prior to October 1, 1995 and who is receiving benefits under the Long-Term Disability Plan, Compensation shall be his base salary as described above in effect at the time he became disabled, as that term is defined in the Long-Term Disability Plan.

(g) "Employee Stock Ownership Plan" means the MidCon Corp. Employee Stock Ownership Plan.

(h) "Employer" means (a) the Company, (b) each affiliate which is a subsidiary of the Company and (c) any other affiliate or organizational unit which (i) is designated as an Employer under the Plan by the Board of Directors or by the Administrative Committee with respect to all or a specified group of employees of such organizational unit or affiliate and (ii) adopts this Plan.

(i) "Long-Term Disability Plan" means the OCCIDENTAL PETROLEUM CORPORATION LONG-TERM DISABILITY PLAN, as amended from time to time.

(j) "Participant" means a person meeting the requirements set forth in Article 3 to participate in the Plan.

(k) "Retirement Plan" means the MIDCON CORP. RETIREMENT PLAN, and as amended from time to time.

(l) "Savings Plan" means the MIDCON CORP. SAVINGS PLAN, as amended from time to time.

(m) "Senior Executive Supplemental Retirement Plan" means the OCCIDENTAL PETROLEUM CORPORATION SENIOR EXECUTIVE SUPPLEMENTAL RETIREMENT PLAN, as amended from time to time.

(n) "Subsidiary" means any corporation which is controlled by the Company.

(o) "Supplemental Benefit Plan" means the OCCIDENTAL PETROLEUM CORPORATION SUPPLEMENTAL BENEFIT PLAN, as amended from time to time.

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

(q) "1988 Deferred Compensation Plan" means the OCCIDENTAL PETROLEUM CORPORATION 1988 DEFERRED COMPENSATION PLAN, as amended from time to time.

2.2 Gender and Number. Except when otherwise indicated by the context, any masculine terminology used herein shall also include the feminine, and the use of any term herein in the singular may also include the plural.

Article 3. Eligibility and Participation

3.1 Participation. Any employee (other than a participant in the Senior Executive Supplemental Retirement Plan) who is eligible to participate in the Savings Plan and the Retirement Plan and who, for a given plan year of the Savings Plan, would be ineligible to receive the maximum employer matching contribution under section 5.1 of the Savings Plan due to the limitations imposed by sections 401(a)(17) (which limits the amount of compensation which may be taken into account) or 415 of the Code (assuming the second paragraph of section 4.8 of the Retirement Plan is applicable to the employee) shall become a Participant.

In addition, any employee (other than a Participant in the Senior Executive Supplemental Retirement Plan) who would be ineligible to receive the maximum employer matching contribution under section 5.1 of the Savings Plan in a plan year, due to the limitations described in the preceding paragraph, on account of deferrals of base salary during the year under the 1988 Deferred Compensation Plan (or any other nonqualified pension benefit plan sponsored by the Company or a Subsidiary in which the Participant participates) shall be a Participant in this Plan for that plan year.

Notwithstanding anything contained herein, any employee who is entitled to receive supplemental retirement benefits upon his retirement pursuant to a written contract of employment between himself and the Company shall be ineligible to be a Participant effective upon the later of January 1, 1997 or January 1 of the year after the effective date of such contractual provision.

Article 4. Benefits

4.1 Allocations Relating to Retirement Plan, Supplemental Benefit Plan and Employee Stock Ownership Plan. A credit shall be made as of the last day of each month to a contingent account for each Participant. The amount to be allocated shall equal the sum of (a) the amount which would be allocated to the account of the Participant for the month under the Retirement Plan, based on the Participant's Compensation, if the Participant were not subject to provisions that withhold allocations until the end of the plan year, and (b), in the case of a Participant who is a participant in the Supplemental Benefit Plan, the amount which cannot be accrued under section 4.1 of the Supplemental Benefit Plan during the month due to the limitations imposed by section 401(a)(17) of the Code, and (c), in the case of a Participant who is a participant in the Employee Stock Ownership Plan, the value denominated in cash of the amount which cannot be allocated under section 4.3 of the Employee Stock Ownership Plan due to the limitations imposed by sections 415 and 401(a)(17) of the Code.

4.2 Contributions Relating to Retirement Plan, Supplemental Benefit Plan and Employee Stock Ownership Plan. For Participants covered under this Plan, allocations under the Retirement Plan are determined at the end of the plan year, to the extent allowable under Code limitations. The amounts contingently credited under section 4.1 during the year to a Participant shall be reduced by the amount actually allocated to his account under the Retirement Plan, and any remaining amount shall be credited permanently to his account under this Plan. At the end of each year, the Employer shall contribute to a grantor trust or similar arrangement to fund benefits hereunder an amount which shall equal such remaining amounts permanently allocated to Participants hereunder. The Employer shall also contribute and permanently credit to each Participant's account earnings on contingent monthly allocations under section 4.1 for the year as if such contingent allocations shared in earnings at the rate and in the manner described in section 4.5. Notwithstanding the foregoing, any earnings attributable to the Retirement Plan previously credited to the account of a Participant under the Plan during the current or any preceding plan year shall be reallocated to the account of the Participant under the Retirement Plan in any year when it is permissible to do so under Code limitations.

4.3 Allocations Relating to Savings Plan. A credit shall be made as of the last day of the plan year to the account of each Participant who, for that plan year of the Savings Plan, makes the maximum deferral or contribution permitted under Article 4 of the Savings Plan and is not eligible to receive the maximum employer matching contribution under section 5.1 of the Savings Plan due to the limitations imposed by sections 401(a)(17) or 415 of the Code. The amount to be allocated under this Plan shall equal the amount which cannot be allocated to the account of the Participant under the Savings Plan for the plan year on account of the limitations imposed under the Code, reduced by any such amount which is credited on behalf of the Participant under any other Company nonqualified pension benefit plan, including the 1988 Deferred Compensation Plan. An additional amount equal to five percent (5%) of the amount allocated to the Participant under the preceding sentence shall be allocated to each Participant in lieu of interest on such amount for the plan year.

4.4 Contributions Relating to Savings Plan. The amounts allocated to a Participant under section 4.3 for a plan year shall be credited permanently to his account under this Plan. At the end of each year, the Employer shall contribute to a grantor trust or similar arrangement to fund benefits hereunder an amount which shall equal such amounts permanently allocated to Participants hereunder.

4.5 Maintenance of Accounts.

(a) The Employer shall establish and maintain, in the name of each Participant, an individual account which shall consist of all amounts permanently credited to the Participant. As of the end of each semimonthly processing period, the Administrative Committee shall increase or decrease the balance, if any, of the Participant's individual account as of the last day of the preceding semimonthly processing period, by multiplying such amount by a number equal to one plus .083% plus the semimonthly yield on 5-Year Treasury Constant Maturities for the semimonthly processing period. As of December 31st of each year the Administrative Committee shall then add to such account balance, any permanent allocation to which the Participant is entitled for such year.

(b) The individual account of each Participant shall represent a liability, payable when due under this Plan, out of the general assets of the Employer, or from the assets of any trust, custodial account or escrow arrangement which the Employer may establish for the purpose of assuring availability of funds sufficient to pay benefits under this Plan. The money in any such trust or account shall at all times remain the property of the Employer, and neither this Plan nor any Participant shall have any beneficial ownership interest in the assets thereof. No property or assets of the Employer shall be pledged, encumbered, or otherwise subjected to a lien or security interest for payment of benefits hereunder. Accounting for this Plan shall be based on generally accepted accounting principles.

4.6 Vesting and Forfeiture. All benefits under this Plan shall be contingent and forfeitable and no Participant shall have a vested interest in any benefit until one of the events listed below occurs while he is still employed with the Employer:

(a) he completes five Years of Service;

(b) he attains age 60; or

(c) he dies or becomes disabled (as defined in the Retirement Plan).

A person who terminates employment with the Employer for any reason prior to becoming vested hereunder shall not receive a benefit.

4.7 Payment. Every Participant who terminates employment shall, if vested, have his account distributed to him as soon as practicable following his termination of employment under one of the following distribution options elected by the Participant on a form prescribed by the Administrative Committee:

(a) One lump sum payment; or

(b) Annual installment payments payable over 5, 10, 15, or 20 years commencing in the calendar year following the calendar year in which he terminates employment.

The election must be made by the Participant as soon as practicable after his commencement of participation, but in no event later than the end of the calendar year thereof. An election form shall be provided to the Participant in non-technical language and shall contain a general description of the distribution options. If a Participant fails to make an election by the close of the calendar year in which he commenced participation, he will be deemed to have elected to receive his benefits in the form of a lump sum payment pursuant to option (a) above.

If benefits are to be paid in installments pursuant to option (b) above, the Participant's account will continue to be adjusted until any series of installments has been completed. The amount of each annual installment shall equal the amount credited to the account as of January 31 of the year in which the installment is to be paid multiplied by a fraction, the numerator of which is 1 and the denominator of which is the number of installments (including the current one) which remain to be paid. Each installment shall be paid on or before January 31 of the calendar year.

Notwithstanding anything else contained in this section 4.7, no Participant who is eligible for Employer provided long-term disability benefits and who became disabled prior to October 1, 1995 shall be entitled to a distribution of benefits hereunder prior to the time long-term disability payments cease.

4.8 Death. The account of a Participant who dies while employed by an Employer shall be paid in a single sum to the Participant's Beneficiary as soon as administratively possible following the Participant's date of death. If a Participant dies after termination of employment, then his surviving Beneficiary shall be paid the amount in the Participant's account in a single sum as soon as administratively possible following the Participant's date of death.

Article 5. Administration

5.1 Administrative Committee. This Plan shall be administered by the committee appointed to administer the Retirement Plan (the "Administrative Committee").

The interpretation and construction by the Administrative Committee of any provisions of this Plan shall be final unless otherwise determined by the Board of Directors. Subject to the Board, the Administrative Committee is authorized to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to it, and to make all other determinations necessary for its administration.

Without limiting the generality of the foregoing, the Administrative Committee shall have the authority to calculate amounts allocable to Participants, and to maintain and adjust accounts. The Administrative Committee shall have authority to delegate responsibility for performance of ministerial functions necessary for administration of the Plan to such officers of the Employer, including Participants, as the Administrative Committee shall in its discretion deem appropriate.

5.2 Uniform Rules. In administering the Plan, the Administrative Committee will apply uniform rules to all Participants similarly situated.

5.3 Notice of Address. Any payment to a Participant or Beneficiary, at the last known post office address submitted to the Employer, shall constitute a complete acquittance and discharge of the Employer and any director or officer with respect thereto. Neither the

Employer nor any director or officer shall have any duty or obligation to search for or ascertain the whereabouts of any Participant or his Beneficiary.

5.4 Records. The records of the Administrative Committee with respect to the Plan shall be conclusive on all Participants, all Beneficiaries, and all other persons whomsoever.

Article 6. Amendment and Termination

6.1 Amendment and Termination. The Company expects the Plan to be permanent, but since future conditions affecting the Company cannot be anticipated or foreseen, the Company must necessarily and does hereby reserve the right to amend, modify, or terminate the Plan at any time by action of its Board of Directors, except that no amendment shall reduce the dollar amount credited to a Participant's account and any such termination or amendment shall apply uniformly to all Participants. The Administrative Committee in its discretion may amend the Plan if it finds that such amendment does not significantly increase or decrease benefits or costs.

6.2 Reorganization of Employer. In the event of a merger or consolidation of the Employer, or the transfer of substantially all of the assets of the Employer to another corporation, such continuing, resulting or transferee corporation shall have the right to continue and carry on the Plan and to assume all liabilities of the Employer hereunder without obtaining the consent of any Participant or Beneficiary. If such successor shall assume the liabilities of the Employer hereunder, then the Employer shall be relieved of all such liability, and no Participant or Beneficiary shall have the right to assert any claim against the Employer for benefits under or in connection with this Plan.

6.3 Protected Benefits. If the Plan is terminated or amended so as to prevent further earnings adjustments, or if liabilities accrued hereunder up to the date of an event specified in section 6.2 are not assumed by the successor to the Employer, then the dollar amount in the account of each Participant, or Beneficiary (whether or not vested) shall be paid in cash to such Participant or Beneficiary in a single sum on the last day of the second month following the month in which the amendment or termination occurs.

Article 7. General Provisions

7.1 Nonassignability. Benefits under the Plan are not in any way subject to the debts or other obligations of the persons entitled thereto and may not voluntarily or involuntarily be sold, transferred, or assigned. Any voluntary attempt to sell, anticipate, assign, or encumber benefits under this Plan shall operate to cancel the benefit or the balance of a Participant's account as of the date of such attempt and to relieve the Employer from any future liability to pay or distribute any benefit with respect to such canceled amount.

7.2 Employment Rights. The establishment of the Plan shall not be construed as conferring any legal rights upon any Participant or any other person for a continuation of employment, nor shall it interfere with the rights of the Employer to discharge any person or treat him without regard to the effect which such treatment might have upon him under this Plan.

7.3 Illegality of Particular Provision. If any particular provision of this Plan shall be found to be illegal or unenforceable, such provision shall not affect any other provision, but the Plan shall be construed in all respects as if such invalid provision were omitted.

7.4 Applicable Laws. The Plan shall be governed by and construed according to the laws of the State of Illinois.

7.5 Transfers Involving Occidental Petroleum Corporation Supplemental Retirement Plan. In the case of a Participant who ceases to be eligible to participate due to his having transferred to the employment of Occidental Petroleum Corporation or any other affiliate which is not an Employer, a transfer of the Participant's account shall be made to the Participant's account in the Occidental Petroleum Corporation Supplemental Retirement Plan (the "Occidental SRP"). Such transfer shall be effected on a date to be established by the Administrative Committee and the administrative committee of the Occidental SRP, which date shall be no later than the end of the plan year following the plan year in which such transfer of employment occurs. The amount thus transferred will be credited to the Participant's account in the Occidental SRP in accordance with such procedures as may be established by the Administrative Committee and the administrative committee of the Occidental SRP, provided that the Administrative Committee provides notice of such transfer in advance to such Participant. Notwithstanding the above language, no such transfer shall be made in the event that the affiliate to which the Participant transfers employment is not a participating employer in the Occidental SRP, or in the event the Participant fails to meet the eligibility requirements for participation in the Occidental SRP.

In the case of an employee who becomes eligible to participate hereunder due to his having transferred from the employment of Occidental Petroleum Corporation or any other affiliate which is not an Employer and who has a balance in the Occidental SRP, a transfer shall be made to such employee's account under this Plan. Such transfer shall be effected on a date to be established by the Administrative Committee and the administrative committee of the Occidental SRP, which date shall be no later than the end of the plan year following the plan year in which such transfer of employment occurs. The amount thus transferred will be credited to the Participant's account in accordance with such procedures as may be established by the Administrative Committee and the administrative committee of the Occidental SRP, provided that the Administrative Committee provides notice of such transfer in advance to such Participant.

The provisions of this section 7.5 shall be inapplicable in the event that Occidental Petroleum Corporation ceases to be an Affiliate.

This amended and restated Plan shall be effective as of January 1, 1997.

EXHIBIT 10.42

EMPLOYMENT AGREEMENT

This Agreement is made as of the 3rd day of May, 1993 by and between Occidental Petroleum Corporation a Delaware corporation (hereinafter referred to as "Employer") and Donald P. de Brier (hereinafter referred to as "Employee").

WITNESSETH

Employer hereby agrees to employ Employee, and Employee agrees to perform services and to work for Employer, upon the following terms and conditions:

1. Duties - Employee shall serve in the capacity of Executive Vice President, Senior General Counsel and Corporate Secretary or shall serve in such other capacity and with such other duties for Employer or any of the subsidiaries of Employer or any corporation affiliated with Employer (any such subsidiary or affiliated corporation hereafter to be deemed Employer under this Agreement).

In performing his duties, Employee agrees to observe and follow the reasonable policies and procedures established by the Employer, which are subject to change by the Employer from time to time.

2. Term of Employment - The term of employment shall be for a period of five (5) years (unless terminated prior thereto in accordance with the provisions of this Agreement, or unless extended by mutual agreement of the parties), commencing on July 5, 1993, or such earlier date as Employee may specify. In order to be valid, any such extension shall be in writing and signed by the Chairman, President & Chief Executive Officer on behalf of Employer.

3. Compensation - In consideration for his services to be performed under this Agreement, Employee shall receive, in addition to all other benefits provided in this Agreement, an aggregate salary of no less than four hundred thousand dollars ($400,000) per year payable by Employer in equal semimonthly installments or on such basis as is generally established for principal executives of Employer from time to time.

4. Participation in Benefit Programs - During the term of this Agreement, Employee shall be entitled to participate in all benefit programs generally applicable to salaried employees of employer in force or adopted by Employer from time to time. Employee will be entitled to one country club membership paid for by Employer provided that the Chairman,

President & Chief Executive Officer of Employer has prior approval on the selection of the specific club. Furthermore, Employee will be required to participate in the tax preparation program conducted by Arthur Andersen & Co.

5. Compensation Plans - Employee shall be: (i) eligible to participate in Employer's Incentive Compensation Plan according to its terms, and shall receive a bonus under such Plan for the year 1993 of forty percent (40%) of his base salary for 1993 or $160,000 (this bonus shall be payable in December 1993 or January 1994 in the discretion of the Company); (ii) eligible to receive annual grants under Employer's 1987 Stock Option Plan and shall receive an option grant of twenty thousand (20,000) shares under such Plan after Employee's execution of this Agreement and the commencement of services pursuant to this Agreement, and (iii) a participant in Employer's 1977 Executive Long-Term Incentive Stock Purchase Plan and shall receive a grant of forty percent (40%) of Employee's base salary or $160,000 in January, 1994 under such Plan. Employee's participation in each of the foregoing Plans shall be in accordance with and subject to all of the terms and conditions of such Plans.

6. Additional Payments - In order to compensate Employee for losses he will incur in leaving his current employment, Employer shall pay to Employee an aggregate of $100,000, payable after Employee's execution of this Agreement and immediately prior to the commencement of his services pursuant to this Agreement in Los Angeles, California.

7. Exclusivity of Services - Employee agrees to devote his full-time, exclusive services to Employer hereunder, except for such time as Employee may require in connection with his personal investments, which shall be minimal. However, it is understood that Employee may provide occasional transitional advice to British Petroleum with respect to matters in which he was involved during his employment with British Petroleum.

8. Vacation - Employee shall be entitled to a total of four (4) weeks vacation in each contract year. Employee agrees to follow Employer's relevant policies and procedures for scheduling and taking such vacations.

9. Termination -

a. Cause - Notwithstanding the term of this Agreement, Employer may discharge Employee and terminate this Agreement for material cause, upon written notice, in the event that Employee (i) shall willfully breach this agreement, or (ii) shall refuse to carry out any lawful order of Employer or act in a disloyal manner inimical to Employer. In any such event, Employer shall give Employee notice of such cause and Employee shall have 30 days to cure such breach.

b. Incapacity - If, during the term of this Agreement, Employee is materially incapacitated from fully performing his duties pursuant to this Agreement by reason of illness, disability or other incapacity (unless incurred as a direct result of his assignments hereunder) or by reason of any statute, law, ordinance, regulation, order, judgment or decree, Employer may terminate this Agreement without liability by written notice to Employee, but only in the event that such conditions shall aggregate not less than one-hundred eighty (180) days during any one contract year of the term of employment.

c. Without Cause - Either party may terminate this Agreement without cause at any time, by giving the other party not less than 24 months written notice of termination. Employer may terminate the employment of Employee without cause at any time (including a time during such notice period); and in such event Employer shall compensate Employee (in lieu of said notice and continued employment and, except for benefits specified hereunder, in complete satisfaction of all of its obligations under this Agreement) at his then current rate and in the manner provided in Paragraph 3 above for a period after termination equivalent to the shortest of: (i) twenty-four months; (ii) the remainder of the 24 months notice period (in the event of termination during said notice period); or (iii) until the expiration of the term of this Agreement. In any event, Employer's maximum liability for any breach of this Agreement, including but not limited to, termination without cause and/or notice shall be no more than twenty-four (24) months compensation plus the benefits specified hereunder (or a lesser amount as determined in accordance with subsection (ii) or (iii) of this paragraph) at the rate set forth above.

During this period of compensation, Employee shall continue to be eligible to (i) participate in all employee benefit plans of Employer (except the short and long-term disability plans unless Employee has already become eligible under such plans), in which he is participating at the time of the notice, and (ii) exercise all stock options previously granted to Employee under Employer's 1987 Stock Option Plan, which options are or become exercisable under the provisions of such Plan as though he were still a full time employee. During the period, any award(s) to Employee pursuant to Employer's Executive Long-Term Incentive Stock Purchase Plan shall continue to vest in the same manner and in the same amounts as such award(s) would have vested if Employee had continued as a full time employee. However, this employee benefits participation and stock plan vesting will cease if Employee accepts a full time position with another employer.

In the event Employer compensates Employee (in lieu of said notice and continued employment) under the first paragraph of 9(c) above for a period exceeding twelve months, then in such event, all remuneration or wages earned during the second twelve months of such period by Employee, either as employee, independent contractor or consultant to any person, firm or corporation other than employer, shall be a set-off to Employer's duty of compensation to Employee.

10. Initial Relocation - Employee's relocation from London, United Kingdom to Los Angeles, California (including the sale of Employee's existing residence in Shaker Heights, Ohio), shall be covered by and subject to Employer's existing written relocation policy. This will include the movement of household goods both from England and Ohio, plus any additional relocation benefits as approved by the Executive Vice President of Human Resources. In order to assist Employee in obtaining a new domicile in Los Angeles essentially equivalent to his current domicile in Shaker Heights, Employer will reimburse Employee (on or before June 30th and December 31st of each contract year) for the difference between (x) his current housing costs in Shaker Heights for mortgage payments, real estate taxes and home insurance and (y) the amounts that Employee paid for those housing costs in Los Angeles, subject to the following limitations: no more than $35,000 for the first and second year of Employee's Los Angeles home ownership, $26,250 for the third such year, $17,500 for the fourth such year, $8,750 for the fifth such year and nothing thereafter.

11. Confidential Information - Employee agrees that he will not divulge to any person, nor use to the detriment of Employer or any of its affiliates or subsidiaries, nor use in any business competitive with or similar to any business of Employer or any of its affiliates or subsidiaries, at any time during employment by Employer or thereafter, any trade secrets or confidential information obtained during the course of his employment with Employer, without first obtaining the written permission of Employer.

Employee agrees that, at the time of leaving the employ of Employer, he will deliver to Employer and not keep or deliver to anyone else any and all notes, notebooks, memoranda, documents and, in general, any and all material relating to Employer's business.

12. Entire Agreement; Modification - This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof, and supercedes all previous agreements, arrangements, and understandings, whether express or implied, relating to the subject matter hereof. No other agreements, oral, implied or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or bind either of the parties hereto. This Agreement cannot be modified except by a writing signed by both parties.

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

14. Governing Law - This Agreement shall be construed and enforced in accordance with the laws of the State of California.

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

16. Sole Contract - Employee represents and warrants to Employer that he is not barred by or subject to any contractual or other obligation that would be violated by the execution or performance of this Agreement.

17. No Waiver - The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver nor deprive that party of the right to insist upon adherence to that term or any other term of this Agreement. Any waiver or amendment to this Agreement must be in writing.

18. Withholdings - All compensation provided by Employer under this Agreement is subject to any and all withholding by Employer as required by applicable law.

19. Arbitration - Both parties agree that any and all disputes that relate to the termination of this Agreement and/or Employee's employment (including whether Employer had sufficient cause for termination or the manner in which the termination is effected) shall be submitted to binding arbitration and judgment under the Commercial Arbitration Rules of the American Arbitration Association. Should the arbitrator rule in Employee's favor on any dispute, the maximum exclusive remedy shall be that as set forth in Paragraph 9(c) above. The judgment on the award may be entered in any court having jurisdiction. The parties to any arbitration under this paragraph shall bear the cost of the arbitration and the fee of the neutral arbitrator in such manner as determined by the arbitrator.

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

OCCIDENTAL PETROLEUM CORPORATION

By: R. R. IRANI

By: DONALD P. DE BRIER

Donald P. de Brier

EXHIBIT 11

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(Amounts in thousands, except per-share amounts)

	1996	1995	1994
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE			
Applicable to common shares:			
Income(loss) before extraordinary items	$ 605,120	$ 418,260	$(111,256)
Extraordinary gain(loss), net	(29,836)	--	(176)
Earnings(loss) applicable to common stock	$ 575,284	$ 418,260	$(111,432)
Common shares outstanding at beginning of period	318,711	316,853	305,603
Issuance of common shares, weighted average	4,814	1,025	5,258
Conversions, weighted average options exercised and other	351	260	13
Repurchase/cancellation of common shares	(94)	(65)	(68)
Effect of assumed exercises			
Dilutive effect of exercise of options outstanding and other	363	158	30
Weighted average common stock and common stock equivalents	324,145	318,231	310,836
Primary earnings per share:			
Income(loss) before extraordinary items	$ 1.86	$ 1.31	$ (.36)
Extraordinary gain(loss), net	(.09)	--	--
Earnings(loss) per common and common equivalent share	$ 1.77	$ 1.31	$ (.36)
FULLY DILUTED EARNINGS PER SHARE			
Earnings(loss) applicable to common stock	$ 575,284	$ 418,260	$(111,432)
Dividends applicable to dilutive preferred stock:			
$3.875 preferred stock(a)	58,538	--	--
$3.00 preferred stock(a)	34,164	34,165	--
	$ 667,986	$ 452,425	$(111,432)
Common shares outstanding at beginning of period	318,711	316,853	305,603
Issuance of common shares, weighted average	4,814	1,025	5,258
Conversions, weighted average options exercised and other	351	260	13
Repurchase/cancellation of common shares	(94)	(65)	(68)
Effect of assumed conversions			
Dilutive effect of assumed conversion of preferred stock:			
$3.875 preferred stock(a)	33,186	--	--
$3.00 preferred stock(a)	28,068	30,566	--
Dilutive effect of exercise of options outstanding and other	431	212	40
Total for computation of fully diluted earnings per share	385,467	348,851	310,846
Fully diluted earnings per share:			
Income(loss) before extraordinary items	$ 1.81	$ 1.30	$ (.36)
Extraordinary gain(loss), net	(.08)	--	--
Fully diluted earnings(loss) per common share	$ 1.73	$ 1.30	$ (.36)

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

EXHIBIT 12

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

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

	1996	1995	1994	1993	1992
Income(loss) from continuing operations(a)	$ 672	$ 478	$ (46)	$ 80	$ 131
Add:					
Provision(credit) for taxes on income (other than foreign oil and gas taxes)	212	244	50	204	114
Interest and debt expense(b)	494	592	594	601	666
Portion of lease rentals representative of the interest factor	43	48	55	53	56
Preferred dividends to minority stockholders of subsidiaries(c)	--	--	--	--	7
	749	884	699	858	843
Earnings(loss) before fixed charges	$1,421	$1,362	$ 653	$ 938	$ 974
Fixed charges					
Interest and debt expense including capitalized interest(b)	$ 506	$ 602	$ 599	$ 612	$ 685
Portion of lease rentals representative of the interest factor	43	48	55	53	56
Preferred dividends to minority stockholders of subsidiaries(c)	--	--	--	--	7
Total fixed charges	$ 549	$ 650	$ 654	$ 665	$ 748
Ratio of earnings to fixed charges	2.59	2.10	n/a(d)	1.41	1.30

(a) Includes (1) minority interest in net income of majority-owned subsidiaries having fixed charges and (2) income from less-than-50-percent-owned equity investments adjusted to reflect only dividends received.

(b) Includes proportionate share of interest and debt expense of 50-percent-owned equity investments.

(c) Adjusted to a pretax basis.

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

Dollar amounts in millions, except per-share amounts

For the years ended December 31,	1996	1995	1994	1993	1992
RESULTS OF OPERATIONS					
Net sales and operating revenues	$ 10,557	$ 10,423	$ 9,236	$ 8,116	$ 8,494
Income(loss) from continuing operations	$ 698	$ 511	$ (36)	$ 74	$ 126
Net income(loss)	$ 668	$ 511	$ (36)	$ 283	$ (591)
Preferred dividend requirements	$ 93	$ 93	$ 76	$ 39	$ 3
Earnings(loss) applicable to common stock	$ 575	$ 418	$ (112)	$ 244	$ (594)
Earnings(loss) per common share from continuing operations	$ 1.86	$ 1.31	$ (.36)	$ .12	$ .41
Primary earnings(loss) per common share	$ 1.77	$ 1.31	$ (.36)	$ .80	$ (1.97)
Fully diluted earnings(loss) per common share	$ 1.73	$ 1.30	$ (.36)	$ .80	$ (1.97)
FINANCIAL POSITION					
Total assets	$ 17,634	$ 17,815	$ 17,989	$ 17,123	$ 17,877
Long-term debt, net	$ 4,511	$ 4,819	$ 5,823	$ 5,728	$ 5,452
Capital lease liabilities, net	$ 237	$ 259	$ 291	$ 319	$ 354
Stockholders' equity	$ 5,140	$ 4,630	$ 4,457	$ 3,958	$ 3,440
Dividends per common share	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
AVERAGE SHARES OUTSTANDING (thousands)	324,145	318,231	310,836	304,898	302,017

See Management's Discussion and Analysis and the Notes to Consolidated Financial Statements for information regarding accounting changes, asset acquisitions and dispositions and charges for reorganization, litigation matters, environmental remediation and other costs and other special items affecting comparability.

MANAGEMENT'S DISCUSSION AND ANALYSIS

1996 BUSINESS ENVIRONMENT Global demand for energy continued to increase. The United States economy expanded modestly, while certain developing nations experienced robust growth. Harsh weather early in 1996 restricted the normal seasonal increases in crude oil inventories. Sales of Iraqi crude oil under United Nations Resolution 986, a psychological factor in the market all year, did not materialize until December 1996. Expansion of non-OPEC production was limited in 1996 and OPEC production remained sufficiently disciplined so that excess crude oil supply did not appear in the market. The combination of increased demand with controlled production and lower inventories provided higher prices for the year as the benchmark grades, West Texas Intermediate (WTI) and Brent, each averaged more than $3.50 per barrel above 1995 levels. Volatility also increased as low inventories caused normal market messages to be amplified and traders factored the "on-again, off-again" status of Iraqi crude oil supply into their day-to-day market decisions. Producers, such as Occidental, benefited from the demand for energy more than refiners as a worldwide surplus of refining capacity continued to restrict refining margins.

As in 1995, the difference in the value of light crude oil compared to heavy crude oil narrowed. Occidental continued to benefit from the change in relative values since Occidental's worldwide crude oil production, on average, is somewhat heavier than the benchmark grades.

Natural gas prices were significantly higher in 1996 than in 1995. The 1995-96 heating season had an extended period of cold weather. Heating requirements increased demand, inventories were drawn down to low levels, and prices increased. The cold weather was particularly severe in the eastern half of the United States and transportation capacity from the western United States and Canada to the eastern United States was limited. This caused high prices in the Midwest and the East Coast compared to the rest of the country.

Summer demand, supported by economic growth and the need to restore depleted inventories for the 1996-97 heating season, sustained relatively high prices. As winter approached, storage inventories were below year-ago levels, with producing area storage reduced the most.

Price volatility has encouraged trading in natural gas futures on the New York Mercantile Exchange (NYMEX). The volume of futures trading is approximately four times the actual amount of gas delivered to pipelines. This winter, NYMEX natural gas futures attained another all-time high price and natural gas was among the most volatile of U.S.-traded commodities.

With interstate natural gas pipelines operating under Federal Energy Regulatory Commission (FERC) Order 636 for the third year, state and federal regulators have focused their attention on the unbundling of services traditionally provided by local gas distribution companies (LDCs) and electric utilities. Producers and unregulated marketing companies are beginning to sell gas directly to retail customers previously supplied by LDCs. Unbundling of electric service at the retail level is currently under review. The transition to total unbundling of gas and electric services is anticipated within five years. This is creating new opportunities for marketers of both gas and electricity.

Consolidation of gas marketing organizations continued in 1996, including combinations with organizations in the electric power sector. Such alliances are driven by economies of scale and the need to expand service capabilities to compete effectively in the U.S. economy.

Although 1996 earnings for the U.S. chemical industry were lower than 1995, steady demand growth contributed to stability and to pricing and margins that overall were not unfavorable. Demand for OxyChem products remained strong as the United States and other economies continued to benefit from sustained health in such key end-use markets as construction, automotive, pulp and paper, and aluminum. While chlorine demand and prices remained strong throughout 1996, a softening of prices began to occur in caustic soda during the last half of the year as customer inventories of caustic soda grew in certain important sectors.

Prices for ethylene and ethylene co-products, such as propylene, continued to improve during 1996 due to strong demand. However, ethylene margins were lower due to increasing feedstock costs. Polyvinyl chloride (PVC) demand continued to grow at strong rates during 1996, but increased industry capacity and higher raw material costs resulted in reduced margins. Sales and income from OxyChem's specialty business increased from 1995 due to the strong economy and contributions of complementary businesses acquired in the third quarter.

1996 INCOME SUMMARY   Occidental reported net income of $668 million ($1.77 per share) in 1996, on net sales and operating revenues of $10.6 billion. Before the after-tax effect of the special items listed below, earnings were $643 million in 1996 and $623 million in 1995.

DIVISIONAL OPERATIONS   The following discussion of each of Occidental's three operating divisions and corporate items should be read in conjunction with Note 17 to the Consolidated Financial Statements.

Divisional earnings exclude interest income, interest expense, unallocated corporate expenses, extraordinary items and income from equity investments, but include gains from dispositions of divisional assets.

Foreign income and other taxes and certain state taxes are included in divisional earnings on the basis of operating results. U.S. federal income taxes are not allocated to divisions except for amounts in lieu thereof that represent the tax effect of operating charges or credits resulting from purchase accounting adjustments which arise due to the implementation in 1992 of Statement of Financial Accounting Standards (SFAS) No. 109--"Accounting for Income Taxes." Divisional earnings in 1996 benefited by $89 million from credits allocated of $15 million, $48 million and $26 million in oil and gas, natural gas transmission and chemical, respectively. Divisional earnings in 1995 benefited by $91 million from credits allocated of $16 million, $48 million and $27 million in oil and gas, natural gas transmission and chemical, respectively. Divisional earnings in 1994 benefited by $91 million from net credits allocated of $18 million, $41 million and $32 million in oil and gas, natural gas transmission and chemical, respectively.

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

DIVISIONAL OPERATIONS
In millions

For the years ended December 31,	Sales 1996	Sales 1995	Sales 1994	Earnings(Loss) 1996	Earnings(Loss) 1995	Earnings(Loss) 1994
Oil and gas	$ 3,680	$ 3,018	$ 2,451	$ 480	$ 45	$ 27
Natural gas transmission	2,574	2,038	2,110	296	213	276
Chemical	4,307	5,370	4,677	668	1,080	350
Other	(4)	(3)	(2)	--	--	--
	$ 10,557	$ 10,423	$ 9,236	1,444	1,338	653
Unallocated corporate items						
Interest expense, net				(451)	(540)	(564)
Income taxes				(263)	(295)	(110)
Other				(32)	8	(15)
Income(loss) before extraordinary items				698	511	(36)
Extraordinary gain(loss), net				(30)	--	--
Net income(loss)				$ 668	$ 511	$ (36)

OIL AND GAS

	1996	1995	1994
DIVISIONAL SALES (in millions)	$ 3,680	$ 3,018	$ 2,451
DIVISIONAL EARNINGS (in millions)	$ 480	$ 45	$ 27
AVERAGE SALES PRICES			
CRUDE OIL PRICES (per barrel)			
U.S.	$ 18.98	$ 15.61	$ 14.21
Other Western Hemisphere	$ 12.65	$ 10.62	$ 10.19
Eastern Hemisphere	$ 17.66	$ 14.47	$ 12.08
GAS PRICES (per thousand cubic feet)			
U.S.	$ 2.11	$ 1.51	$ 1.85
Other Western Hemisphere	$ --	$ --	$ 1.72
Eastern Hemisphere	$ 2.23	$ 2.07	$ 1.15
EXPENSED EXPLORATION(a) (in millions)	$ 120	$ 106	$ 127
CAPITAL EXPENDITURES (in millions)			
Development	$ 540	$ 373	$ 345
Exploration	$ 164	$ 130	$ 147
Acquisitions and other	$ 58	$ 72	$ 326

(a) Includes amounts previously shown in exploration capital expenditures.

Occidental emphasizes international oil and gas exploration and production. Occidental seeks long-term improvement in profitability and cash flow through a combination of improved operations in existing fields, enhanced oil recovery projects, high potential exploration and complementary property acquisitions.

Occidental reorganized its worldwide oil and gas operations in late 1995. This change allowed Occidental to redeploy its resources, to reduce costs and to sharpen its focus on improving performance.

The operating results of 1996, compared with 1995, reflected higher worldwide crude oil prices, increased international oil production, higher domestic natural gas prices and lower costs resulting from the reorganization, partially offset by higher exploration costs. The change in sales for 1996, compared with 1995, largely reflected higher worldwide crude oil production and prices and increased oil trading revenue. The operating results of 1995, compared with 1994, reflected higher worldwide crude oil production and prices, and higher international natural gas volumes and lower exploration costs, partially offset by lower domestic natural gas prices. The change in sales for 1995, compared with 1994, largely reflected higher worldwide crude oil production and prices and increased oil trading activity. Approximately one-third of oil and gas sales for 1996, 1995 and 1994 were attributable to oil trading activity. The results are not significant. Occidental participates in oil trading to remain aware of the complexities affecting price volatility and supply/demand fundamentals in order to optimize its long-term global oil marketing.

The 1996 results included a $105 million charge for the write-down of Occidental's investment in an oil and gas project in the Republic of Komi in the former Soviet Union.

The 1995 results included charges of $95 million related to reorganization costs and $109 million for settlement of litigation. The 1994 results reflected charges of $45 million for environmental and litigation matters, $11 million for the impairment of oil and gas properties and $12 million for a voluntary retirement program and severance and related costs. Also included in the 1994 results was the gain of $16 million from the sale of Occidental's remaining interests in its producing operations in Argentina and a $15 million benefit resulting from the reversal of reserves no longer needed for anticipated liabilities related to the sale of Occidental's U.K. North Sea interests.

NATURAL GAS TRANSMISSION

	1996	1995	1994
DIVISIONAL SALES (in millions)	$ 2,574	$ 2,038	$ 2,110
DIVISIONAL EARNINGS (in millions)	$ 296	$ 213	$ 276
THROUGHPUT (trillions of cubic feet)			
Transportation	1.55	1.53	1.53
Sales	.70	.65	.55
	2.25	2.18	2.08
CAPITAL EXPENDITURES (in millions)	$ 147	$ 150	$ 93

In 1996, MidCon Corp.'s (MidCon) total throughput volume (excluding transportation for affiliates) was 2.25 trillion cubic feet (Tcf), approximately 3 percent higher than 1995 throughput of 2.18 Tcf. Sales volumes increased approximately 8 percent from 1995, while transportation volumes were about equal. Revenues were higher in 1996 than in 1995, due primarily to higher sales prices and volumes.

MidCon completed a reorganization of its operations in early 1996. Operations were structured to expedite design of products and services to meet changing customer needs, to optimize utilization of storage and transport capacity, and to reduce costs.

The increased earnings in 1996, compared with 1995, primarily reflected higher gas sales margins, higher liquid prices and cost savings related to MidCon's reorganization, partially offset by lower transportation margins reflecting renegotiated customer contracts.

Excluding special items, earnings for 1995 were approximately the same as 1994. Special items included a 1995 charge for reorganization costs of $37 million, and 1994 favorable items of $13 million from a reduction of LIFO gas storage inventory and $12 million from the reduction of the contract impairment reserve.

CHEMICAL

	1996	1995	1994
DIVISIONAL SALES (in millions)	$ 4,307	$ 5,370	$ 4,677
DIVISIONAL EARNINGS (in millions)	$ 668	$ 1,080	$ 350
KEY PRODUCT INDEXES (1987 through 1990 average price = 1.0)			
Chlorine	1.36	1.36	1.43
Caustic soda	1.16	1.28	.54
PVC resins	.82	1.01	.93
KEY PRODUCT VOLUMES			
Chlorine (thousands of tons)	3,254	3,170	3,172
Caustic soda (thousands of tons)	3,401	3,275	3,471
PVC resins (millions of pounds)	1,654	1,724	1,920
CAPITAL EXPENDITURES (in millions)			
Basic chemicals	$ 102	$ 121	$ 87
Petrochemicals	$ 41	$ 43	$ 32
Polymers and plastics	$ 75	$ 33	$ 34
Specialty businesses	$ 39	$ 30	$ 23
Other	$ 5	$ 16	$ 14

OxyChem's ongoing commitment to controlling costs and maintaining the reliable operation of its manufacturing facilities continues to benefit earnings. However, lower margins, resulting from higher feedstock and raw material costs and lower pricing, kept 1996 earnings below last year's record earnings.

OxyChem completed a realignment of its operations in early 1996, whereby each of the four business units became responsible for worldwide management of its products and businesses. The realignment resulted in consolidation of logistical operations, more efficient delivery of products and cost reductions.

Earnings in 1996 decreased, compared with 1995, mainly because margins declined for a number of OxyChem's key products, primarily PVC, caustic soda and petrochemicals resulting from lower sales prices, and increased feedstock costs. After declining in 1995, chlorine prices strengthened throughout 1996 having little year-to-year effect, while caustic pricing declined, especially for exports. Prices for PVC in 1996 were also lower. The drop in revenue from 1995 resulted principally from the absence of revenue from divested assets. Otherwise, sales volume increases mostly offset the impact on sales revenue of lower prices. The 1996 results benefited from ongoing manufacturing and administrative cost-improvement programs. The higher earnings in 1995, compared with 1994, reflected significantly improved prices and margins for PVC, caustic soda and petrochemicals.

The 1996 earnings included the pretax gain of $170 million related to favorable litigation settlements, and a charge of $75 million for additional environmental reserves relating to various existing sites, and the related state tax effects. Included in the 1995 results was a $40 million pretax gain related to the sale of the PVC facility at Addis, Louisiana. The 1994 results reflected a $55 million charge for litigation matters and charges of $48 million for expenses related to the curtailment and closure of certain plant operations. Also included in the 1994 results was an $11 million unfavorable impact, related to an explosion at the Taft plant, and charges for start-up costs related to the now divested Swift Creek chemical plant.

CORPORATE The 1996 income tax amount included a benefit of approximately $100 million primarily from a reduction in the deferred tax asset valuation allowance due to the realization of benefits from operating loss and credit carryforwards in the United States and Peru.

The increased costs in unallocated corporate other items in 1996, compared with 1995, primarily reflected lower equity income from unconsolidated chemical investments and costs associated with the initial establishment of an Employee Stock Ownership Plan at MidCon.

The improvement in unallocated corporate other items in 1995, compared with 1994, primarily reflected the benefit of higher equity income from unconsolidated chemical and oil and gas investments.

The 1994 amount included a net benefit of $7 million resulting from the reversal of reserves no longer required and the adoption of SFAS No. 112--"Employers' Accounting for Postemployment Benefits."

MIDCON ESOP In November 1996, Occidental established the MidCon Corp. Employee Stock Ownership Plan (MidCon ESOP) for the benefit of employees of MidCon. Pursuant to the MidCon ESOP, Occidental has issued 1,400,000 shares of its cumulative MidCon-indexed convertible preferred stock (the CMIC Preferred Stock) to the MidCon Corp. ESOP Trust. The CMIC Preferred Stock is designed to track the value of MidCon, which remains a wholly-owned subsidiary of Occidental. The MidCon ESOP paid for the CMIC Preferred Stock with a $1.4 billion promissory note guaranteed by MidCon (the ESOP Note). Dividends on the CMIC Preferred Stock are payable at an annual rate of $21 per share, when and as declared by Occidental's Board of Directors. It is anticipated that MidCon will make annual contributions from its operating cash flow to the MidCon ESOP which, together with the annual dividends, will be used to repay the ESOP Note due to Occidental.

REORGANIZATION CHARGES In the fourth quarter of 1995, Occidental recorded pretax charges of $132 million related to the reorganization of its worldwide oil and gas operations and the reorganization of the operations of the natural gas transmission division.

ACCOUNTING CHANGES Occidental periodically reviews the estimated economic lives of its assets. Beginning in 1994, Occidental revised the estimated average useful lives used to compute depreciation for most of its chemical machinery and equipment from 20 years to 25 years and for most of its natural gas transmission property to a remaining life of 40 years. These revisions were made to more properly reflect the current economic lives of the assets based on anticipated industry conditions. The result was a reduction in net loss for the year ended December 31, 1994 of approximately $65 million, or approximately $.21 per share. Natural gas transmission and chemical divisional earnings benefited by approximately $31 million and $34 million, respectively.

STATEMENT OF POSITION NO. 96-1 In October 1996, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position No. 96-1--"Environmental Remediation Liabilities" (SOP 96-1), which provides authoritative guidance on specific accounting issues that are present in the recognition, measurement, display and disclosure of environmental remediation liabilities. Occidental will implement SOP 96-1 effective January 1, 1997 and has not yet made a final determination of its impact on the financial statements.

SFAS NO. 125 In June 1996, the Financial Accounting Standards Board issued SFAS No. 125--"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The statement provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. Occidental will implement SFAS No. 125 effective January 1, 1997. The adoption of the statement is not expected to have a material impact on Occidental's financial position or results of operations.

SFAS NO. 123 In October 1995, the Financial Accounting Standards Board issued SFAS No. 123--"Accounting for Stock-Based Compensation." This statement defines, among other things, a fair-value based method of accounting for options under an employee stock option plan. However, it also allows an entity to continue to account for such items using Accounting Principles Board (APB) Opinion No. 25--"Accounting for Stock Issued to Employees," under which no compensation expense is recognized. Occidental elected this option, which alternatively requires pro forma disclosures of net income and earnings per share, as if compensation expense had been recognized. In accordance with SFAS No. 123, Occidental will continue to use the accounting prescribed by APB Opinion No. 25. Effective for the year ended December 31, 1996, the required pro forma disclosures have been made as indicated above at Note 13 to the Consolidated Financial Statements.

SFAS NO. 121 In March 1995, the Financial Accounting Standards Board issued SFAS No. 121--"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The statement requires a review of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined that an impairment loss has occurred based on expected future cash flows, then a loss will be recognized in the income statement using a fair-value based model. Occidental's adoption of SFAS No. 121, effective January 1, 1996, did not have a material impact on Occidental's financial position or results of operations.

SFAS NO. 112 In December 1992, the Financial Accounting Standards Board issued SFAS No. 112--"Employers' Accounting for Postemployment Benefits," which substantially changed the existing method of accounting for employer benefits provided to inactive or former employees after active employment but before retirement. The statement requires that the cost of postemployment benefits (principally medical benefits for inactive employees) be recognized in the financial statements during employees' active working careers. Occidental's adoption of SFAS No. 112, effective January 1, 1994, did not have a material impact on Occidental's financial position or results of operations.

SPECIAL ITEMS Special items are infrequent transactions that may affect comparability between years. The special items included in the 1996, 1995 and 1994 results are detailed below. For further information, see Note 17 to the Consolidated Financial Statements and the discussion above.

SPECIAL ITEMS

Benefit(Charge) In millions	1996	1995	1994
OIL AND GAS			
Write-down of investment in oil and gas project in Komi	$ (105)	$ --	$ --
Litigation settlement	--	(109)	--
Reorganization	--	(95)	--
Gain on sale of producing interests in Argentina	--	--	16
U.K. North Sea reserve reversal	--	--	15
Environmental and litigation	--	--	(45)
Severance and voluntary retirement program	--	--	(12)
Property impairments	--	--	(11)
NATURAL GAS TRANSMISSION			
Reorganization	--	(37)	--
Contract impairment reserve reversal(a)	--	--	12
Reduction of LIFO inventory	--	--	13
CHEMICAL			
Favorable litigation settlements	170	--	--
Environmental reserves	(75)	--	--
Gain on sale of PVC facility	--	40	--
Litigation reserves	--	--	(55)
Curtailment of operations and plant closure	--	--	(48)
Plant explosion and start-up costs	--	--	(11)
CORPORATE			
Tax reserve reversal	100	--	--
Extraordinary loss on debt redemption(a)	(30)	--	--
Reversal of reserves and adoption of SFAS No. 112	--	--	7

(a) These amounts are shown after-tax.

CONSOLIDATED OPERATIONS--REVENUES

SELECTED REVENUE ITEMS

In millions	1996	1995	1994
Net sales and operating revenues	$ 10,557	$ 10,423	$ 9,236

Interest, dividends and other income	$ 247	$ 114	$ 92
Income from equity investments	$ 83	$ 112	$ 73

The increase in sales in 1996, compared with 1995, primarily reflected higher worldwide crude oil prices and production, increased oil trading activity, and higher prices and volume for domestic natural gas. These increases were partially offset by the absence of revenues from divested assets. The increase in sales in 1995, compared with 1994, primarily reflected higher sales prices for most major chemical products, higher worldwide crude oil production and prices, and increased oil trading activity. These increases were partially offset by the impact of lower domestic natural gas prices.

The increase in interest, dividends and other income in 1996, compared with 1995, was primarily attributed to the gain of $170 million related to favorable litigation settlements. This was partially offset by decreased interest earnings resulting from lower investment balances compared to 1995. The increase in interest, dividends and other income in 1995, compared with 1994, reflected higher interest income resulting from the substantial increase in invested cash balances. Included in the 1994 amount was the benefit of $20 million from a pretax reduction of the contract impairment reserve at MidCon, and the $15 million benefit resulting from the reversal of reserves no longer needed for anticipated liabilities related to the sale of Occidental's U.K. North Sea interests.

The decrease in income from equity investments in 1996, compared with 1995, primarily reflected lower earnings from certain unconsolidated chemical investments.

The increase in income from equity investments in 1995, compared with 1994, primarily reflected higher earnings from certain unconsolidated chemical and oil and gas investments.

CONSOLIDATED OPERATIONS--EXPENSES

SELECTED EXPENSE ITEMS

In millions	1996	1995	1994
Cost of sales	$ 7,037	$ 6,962	$ 6,726
Selling, general and administrative and other operating expenses	$ 1,084	$ 1,191	$ 985
Environmental remediation	$ 100	$ 21	$ 5
Interest and debt expense, net	$ 484	$ 579	$ 584
Provision for domestic and foreign income and other taxes	$ 454	$ 402	$ 143

Although the increase in cost of sales from 1995 to 1996 was small, it reflected higher prices on oil traded and higher chemical feedstock costs, largely offset by the absence of costs from divested assets.

The increase in cost of sales in 1995, compared with 1994, primarily reflected increased oil trading activity.

Selling, general and administrative and other operating expenses in 1995 reflected the charges for reorganization costs and settlement of litigation.

Environmental remediation included a charge of $75 million in 1996, for additional environmental reserves related to various existing sites.

Lower interest and debt expense in 1996 from 1995 primarily reflected lower outstanding average debt levels and lower average interest rates in 1996.

The 1996 provision for domestic and foreign income and other taxes, compared with 1995, reflected the increased divisional earnings and reduced interest expense. In addition, income taxes for 1996 benefited by approximately $100 million from a reduction in the deferred tax asset valuation allowance. The 1995 provision for domestic and foreign income and other taxes, compared with 1994, reflected the substantial increase in divisional earnings subject to U.S. income tax, primarily at domestic chemical operations. In 1994, income taxes exceeded pretax income primarily because of substantial amounts of foreign income that were taxed individually in separate jurisdictions, before the benefit of a U.S. tax deduction for interest and corporate expenses.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

In millions	1996	1995	1994
NET CASH PROVIDED	$ 1,987	$ 1,501	$ 760

The 1996 improvement in net cash provided by operating activities, compared with 1995, reflected higher operating earnings in both the oil and gas and natural gas transmission divisions, proceeds from litigation settlements and proceeds from sale of an additional $100 million of receivables.

The 1995 improvement in net cash provided by operating activities, compared with 1994, reflected higher operating earnings in both the oil and gas and chemical divisions and proceeds of $100 million from an advance sale of crude oil, further discussed below.

Other noncash charges of $320 million in 1996 primarily reflected the $105 million charge for the write-down of Occidental's investment in Komi and additional environmental reserves. Other noncash charges of $246 million in 1995 primarily reflected the charges of $132 million for reorganization costs at the oil and gas and natural gas transmission divisions. Other noncash charges of $175 million in 1994 primarily reflected the charges of $100 million for environmental and litigation matters and $48 million for expenses related to the curtailment and closure of certain chemical plant operations, partially offset by $22 million resulting from the reversal of reserves no longer needed and $20 million from the reduction of the contract impairment reserve. Each of the three years also included charges for employee benefit plans and other items.

INVESTING ACTIVITIES

In millions	1996	1995	1994
NET CASH USED	$ (979)	$ (136)	$ (1,007)

Net cash used in investing activities included Occidental's capital expenditure program as discussed below. The 1996 and 1995 investing amounts also included proceeds from sales of businesses and other assets. The 1996 investing amount also included the cost for replenishment of cushion gas in natural gas reservoirs.

CAPITAL EXPENDITURES In millions	1996	1995	1994
Oil and gas	$ 762	$ 575	$ 818
Natural gas transmission	147	150	93
Chemical	262	243	190
Corporate and other	14	11	2
	$ 1,185	$ 979	$ 1,103

The spending in the oil and gas business continues to be the major part of Occidental's capital program, underscoring Occidental's commitment to this core business. Significant capital was also spent on chemical and natural gas transmission to maintain and upgrade Occidental's businesses and to provide for expansion.

The 1994 capital expenditures included the cash portion of the purchase price of certain U.S. Gulf Coast oil and gas properties acquired from Agip Petroleum Co. Inc. and payments under a production sharing agreement for an enhanced oil recovery project in Qatar. Capital expenditures for 1997 are estimated to be approximately $1.3 billion, with most of the increase from 1996 allocated to oil and gas.

ADDITIONAL CASH FLOW INVESTING ACTIVITIES The 1996 proceeds from the sale of businesses and disposals of property, plant and equipment included the sale of a subsidiary which engaged in on-shore drilling and servicing of oil and gas wells and the sale of Occidental's royalty interest in the Congo.

The 1995 operating lease buyouts of $141 million included $71 million for the Swift Creek chemical plant. This plant was part of the agricultural chemical products business sold in the fourth quarter of 1995. The 1995 net proceeds from the sale of businesses and disposal of property, plant and equipment reflected the proceeds from the sale of Occidental's high-density polyethylene business (HDPE), its agricultural chemicals business, its PVC facilities at Addis, Louisiana, and Burlington South, New Jersey, which were sold pursuant to a Federal Trade Commission divestiture order, and a portion of Occidental's oil and gas operation in Pakistan.

The 1994 purchase of businesses reflected cash balances obtained as a result of the acquisition of Placid Oil Company, which was consummated through the issuance of Occidental common and preferred stock.

FINANCING ACTIVITIES

In millions	1996	1995	1994
NET CASH PROVIDED(USED)	$ (1,249)	$ (974)	$ 219

The increase in 1996 cash used for financing activities, compared with 1995, reflected repayment of high coupon debt using proceeds from asset sales that occurred in 1996 and 1995 and cash flow from operations. In 1996, payments of long-term debt and capital lease liabilities and net proceeds from borrowings totaled $867 million.

The significant change in 1995 financing activities, compared with 1994, reflected repayment of debt using proceeds from asset sales and cash flow from operations. In 1995, payments of long-term debt and capital lease liabilities and net proceeds from borrowings totaled $603 million.

Financing activities in 1994 provided net cash proceeds of approximately $557 million from the February public offering of 11,388,340 shares of $3.00 cumulative CXY-indexed convertible preferred stock. Additionally, in 1994, proceeds from borrowings, net of payments of long-term debt and capital lease liabilities, resulted in net cash provided of $26 million.

Occidental paid preferred and common stock dividends of $415 million in 1996, $406 million in 1995 and $376 million in 1994. The increases in 1996 and 1995 primarily reflected the dividends on the preferred and common stocks issued in connection with acquisitions.

Cash used by investing activities exceeded cash provided by operating activities for the year ended December 31, 1994. Occidental funded this net cash use through borrowings and issuance of preferred stock.

Occidental has a centralized cash-management system that funds the working capital and capital expenditure requirements of its various subsidiaries. There are no provisions under existing debt agreements that significantly restrict the ability to move funds among operating entities.

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

SELECTED BALANCE SHEET COMPONENTS

In millions	1996	1995
Prepaid expenses and other	$ 407	$ 461
Equity investments	$ 1,039	$ 927
Other assets	$ 445	$ 344
Current maturities of long-term debt and capital lease liabilities	$ 27	$ 522
Accounts payable	$ 1,023	$ 859
Accrued liabilities	$ 1,185	$ 1,064
Long-term debt, net	$ 4,511	$ 4,819
Stockholders' equity	$ 5,140	$ 4,630

Prepaid expenses and other decreased reflecting the reduction of deferred tax assets and prepaid insurance during 1996. Equity investments increased primarily reflecting the acquisition of INDSPEC Chemical Corporation (INDSPEC). Other assets increased primarily reflecting goodwill resulting from various acquisitions during 1996.

Accounts payable and accrued liabilities increased primarily reflecting significant increases in natural gas purchases. Current maturities of long-term debt and capital lease liabilities decreased reflecting the repayment of debt during 1996.

Long-term debt, net of current maturities and unamortized discount, decreased reflecting debt repayments, using proceeds from asset sales and cash flow from operations. At December 31, 1996, minimum principal payments on long-term debt, including sinking fund requirements, totaled $367 million in 1998, $1.216 billion in 1999, $501 million in 2000, $515 million in 2001, $77 million in 2002 and $1.983 billion thereafter. However, Occidental has the option to call certain issues of long-term debt prior to their maturity dates.

At December 31, 1996, Occidental had available approximately $2.0 billion of committed credit lines and draws on them, as needed, to maintain sufficient cash balances for daily operating and other purposes.

The increase in stockholders' equity primarily reflected net income and the issuance of common stock for various acquisitions, to various employee benefit plans, and for the dividend reinvestment plan, partially offset by dividends declared.

ACQUISITIONS AND COMMITMENTS In August 1996, Occidental acquired three specialty chemical producers in separate transactions for approximately $149 million through the issuance of 5,512,355 shares of Occidental common stock, with a value of approximately $130 million, and the balance paid in cash. The acquisitions included Laurel Industries, Inc., North America's largest producer of antimony oxide at its LaPorte, Texas facility; Natural Gas Odorizing, Inc., the leading U.S. producer of mercaptan-based warning agents for use in natural gas and propane from its single plant in Baytown, Texas; and a plant in Augusta, Georgia, purchased from Power Silicates Manufacturing, Inc., which produces sodium silicates for use in soap and detergent formulating, paper manufacturing and silica-based catalysts. These acquisitions have been accounted for by the purchase method. Accordingly, the cost of each acquisition was allocated to the assets acquired, goodwill and liabilities assumed based upon their estimated respective fair values.

In April 1996, Occidental completed its acquisition of a 64 percent equity interest (on a fully-diluted basis) in INDSPEC for approximately $92 million through the issuance of 3,346,421 shares of Occidental common stock, with a value of approximately $87 million, and the balance paid in cash. Under the terms of the acquisition agreement, INDSPEC's management and employees have retained voting control of INDSPEC.

In December 1995, Occidental entered into a transaction with Clark USA, Inc. (Clark) under which Occidental agreed to deliver approximately 17.7 million barrels of WTI-equivalent oil over a six-year period. In exchange, Occidental received $100 million in cash and approximately 5.5 million shares of Clark common stock. As a result of this transaction, Occidental owns approximately 19 percent of Clark. Occidental has accounted for the consideration received in the transaction as deferred revenue which is being amortized into revenue as WTI-equivalent oil is produced and delivered during the term of the agreement. At December 31, 1996, approximately 15.5 million barrels remain to be delivered.

During the second quarter of 1995, Occidental and Canadian Occidental Petroleum Ltd. formed partnerships into which they contributed primarily sodium chlorate manufacturing facilities. Occidental retained a less-than-twenty-percent direct interest in these partnerships accounted for on the equity method. This transaction did not result in any gain or loss.

Commitments at December 31, 1996 for major capital expenditures during 1997 and thereafter were approximately $358 million. Total capital expenditures for 1997 are estimated to be approximately $1.3 billion, the major portion of which is for oil and gas. Occidental believes that, through internally-generated funds and financing activity, it will have sufficient funds to continue its current capital spending programs.

HEDGING ACTIVITIES   Occidental periodically uses commodity futures contracts, options and swaps to hedge the impact of oil and natural gas price fluctuations and uses forward exchange contracts to hedge the risk associated with fluctuations in foreign currency exchange rates. Occidental does not engage in activities using complex or highly leveraged instruments. Gains and losses on commodity futures contracts are deferred until recognized as an adjustment to sales revenue or purchase costs when the related transaction being hedged is finalized. Gains and losses on foreign currency forward exchange contracts that hedge identifiable future commitments are deferred until recognized when the related item being hedged is settled. All other contracts are recognized in periodic income.

In addition, the oil and gas division engages in oil and gas trading activity, primarily through the use of futures contracts. The results are not significant and are included in periodic income.

Many of Occidental's foreign oil and gas operations and foreign chemical operations are located in countries whose currencies generally depreciate against the U.S. dollar on a continuing basis. An effective currency forward market does not exist for these countries; therefore, Occidental attempts to manage its exposure primarily by balancing monetary assets and liabilities and maintaining cash positions only at levels necessary for operating purposes. Additionally, almost all foreign oil and gas cash flows are denominated in U.S. dollars. Most foreign currency positions at December 31, 1996 are generally in a net liability position, effectively eliminating the potentially unfavorable effects of devaluation. For those currencies that are in a net asset position, Occidental maintains these positions at low levels so that the exposure to currency devaluation is relatively insignificant.

Interest rate swaps are entered into as part of Occidental's overall strategy to maintain part of its debt on a floating rate basis. From time to time, Occidental enters into interest rate swaps on specific debt. Occidental has outstanding interest rate swaps as of December 31, 1996 on fixed-rate debt for notional amounts totaling $530 million, converting this fixed-rate debt to floating-rate debt. The swap rate difference resulted in approximately $1 million and $5 million of additional interest expense in 1996 and 1995, respectively, and $6 million savings in interest expense for 1994, compared to what interest expense would have been had the debt remained at fixed rates. The impact of the swaps on the weighted average interest rates for all debt in 1996, 1995 and 1994 was not significant. The fair value of interest rate swaps is the amount at which they could be settled, based on estimates obtained from dealers. Based on these estimates at December 31, 1996, Occidental would be required to pay approximately $10 million to terminate its interest rate swap agreements. Occidental will continue its strategy of maintaining part of its debt on a floating rate basis.

TAXES   Deferred tax liabilities were $2.3 billion at December 31, 1996, net of deferred tax assets of $1.6 billion. The current portion of the deferred tax assets of $300 million is included in prepaid expenses and other. The net deferred tax assets are expected to be realized through future operating income and reversal of taxable temporary differences.

LAWSUITS, COMMITMENTS AND CONTINGENCIES   Occidental and certain of its subsidiaries are parties to various lawsuits, environmental and other proceedings and claims that may involve substantial amounts. See Note 10 to the Consolidated Financial Statements. Occidental also has commitments under contracts, guarantees and joint ventures and certain other contingent liabilities. See Note 11 to the Consolidated Financial Statements. In management's opinion, after taking into account reserves, none of these matters should have a material adverse effect upon Occidental's consolidated financial position or results of operations in any given year.

ENVIRONMENTAL EXPENDITURES   Occidental's operations in the United States are subject to stringent federal, state and local laws and regulations relating to improving or maintaining the quality of the environment. Foreign operations also are subject to environmental protection laws. Costs associated with environmental compliance

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have increased over time and are expected to continue to rise in the future. Environmental expenditures, related to current operations, are factored into the overall business planning process. These expenditures are mainly considered an integral part of production in manufacturing quality products responsive to market demand.

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

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

As of December 31, 1996, Occidental had been notified by the EPA or equivalent state agencies or otherwise had become aware that it had been identified as being involved at 267 Superfund or comparable state sites. (This number does not include 71 sites where Occidental has been successful in resolving its involvement.) The 267 sites include 81 former Diamond Shamrock Chemical sites as to which Maxus Energy Corporation has retained all liability, and 2 sites at which the extent of such retained liability is disputed. Of the remaining 184 sites, Occidental has had no recent or significant communication or activity with government agencies or other PRPs at 29 sites, has denied involvement at 32 sites and has yet to determine involvement in 20 sites. With respect to the remaining 103 of these sites, Occidental is in various stages of evaluation. For 94 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 94 sites include 29 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 103 sites being evaluated, Occidental does not have sufficient information to determine a range of liability, but Occidental does have sufficient information on which to base the opinion expressed above in the Lawsuits, Commitments and Contingencies section. For management's opinion on lawsuits and proceedings and on other environmental loss contingencies, see the Lawsuits, Commitments and Contingencies section.

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

In millions	1996	1995	1994
OPERATING EXPENSES			
Oil and gas	$ 41	$ 41	$ 34
Natural gas transmission	5	7	6
Chemical	59	63	74
	$ 105	$ 111	$ 114
REMEDIATION EXPENSES			
Oil and gas	$ --	$ 3	$ 4
Chemical	100	18	1
	$ 100	$ 21	$ 5
CAPITAL EXPENDITURES			
Oil and gas	$ 54	$ 43	$ 42
Natural gas transmission	8	4	1
Chemical	27	27	24
	$ 89	$ 74	$ 67

Operating expenses are incurred on a continuous basis. Remediation expenses relate to existing conditions caused by past operations and do not contribute to current or future revenue generation. Capital expenditures relate to longer lived improvements in facilities. Although total costs may vary in any one year, over the long term, divisional operating and capital expenditures for environmental compliance generally are expected to increase. As of December 31, 1996 and 1995, Occidental had environmental reserves of approximately $566 million and $582 million, respectively. The net reduction reflects additional provisions which are more than offset by payments for remediation programs and settlement agreements.

FOREIGN INVESTMENTS   Portions of Occidental's oil and gas assets are located in countries outside North America, some of which may be considered politically and economically unstable. These assets and the related operations are subject to the risk of actions by governmental authorities and insurgent groups. Occidental attempts to conduct its financial affairs so as to protect against such risks and would expect to receive compensation in the event of nationalization. At December 31, 1996, the carrying value of Occidental's oil and gas assets in countries outside North America aggregated approximately $1.924 billion, or approximately 11 percent of Occidental's total assets at that date. Of such assets, approximately $722 million was located in the Middle East, $639 million was located in Latin America, and substantially all of the remainder were located in the Netherlands and the Far East.

1997 BUSINESS OUTLOOK

OIL AND NATURAL GAS INDUSTRY   The petroleum industry is a highly competitive global business subject to significant volatility due to numerous external market forces. World oil demand for 1997 is expected to increase by over 2 percent or 1.5 million barrels a day, with the largest increase coming from developing countries. Longer term, world GDP growth through 2001 should provide the impetus for rising oil demand.

Oil prices will continue to be affected by short-term fundamentals such as weather, inventory levels, competing fuel prices, availability of transport capacity and supply conditions. Increases in crude oil supplies from non-OPEC sources, Iraqi production allowed under United Nations supervision and a warmer January and February 1997 have placed downward pressure on oil prices in the first quarter of 1997. Another factor that directly influences crude oil prices is OPEC members' compliance with production quotas. If world demand for oil stabilizes or declines, non-compliance with production quotas by member countries within OPEC will have a negative impact on prices. While fundamentals are a deciding factor affecting crude oil price over the longer term, day to day prices may be more volatile due to futures trading activity on the NYMEX. Such volatility can be influenced by perceptions of world events, government announcements, proposed legislation or other similar factors.

Debottlenecking of gas pipelines continues, which has increased supply and, in turn, should reduce seasonal gas price disparities among U.S. geographic regions. In early 1997, the overall gas supply has increased and the frequency and magnitude of gas price spikes witnessed in 1996 were reduced. One of the results of these developments was that average gas prices should be lower in the first quarter than at year-end 1996.

In order to enhance its competitiveness in response to steadily increasing global competition, Occidental continues its focus on improving both its organizational and cost structures to increase efficiencies and improve profitability. Increased efficiencies will help the Company increase output from its production base.

Occidental's net worldwide oil production--which has risen by 48 percent since 1992--is expected to increase by more than 20 percent over the next two years principally from Qatar, Ecuador and the United States. Net worldwide gas production is expected to rise at a more moderate pace through the end of the century after which gas development projects now under way will result in a sharp increase in production.

The Company's enhanced oil recovery (EOR) activities are expected to provide a major impetus for its growth strategy in 1997 and beyond. Occidental will continue to build on its successes in applying its engineering and technological skills to assist foreign governments in maximizing production from their oil fields through EOR projects. Approximately one-third of 1997 oil and gas capital expenditures will be allocated to support worldwide EOR projects.

In addition, Occidental will continue its active global exploration program to seek large oil and natural gas deposits and to optimize the value of large natural gas projects in Malaysia, the Philippines and Indonesia. Occidental has more than 30 active exploration projects in 21 foreign countries. During 1997, Occidental expects to drill or participate in more than 40 wells worldwide, of which approximately 80 percent will be international.

Work is moving ahead toward developing large natural gas discoveries in Malaysia and the Philippines. In Malaysia, design work has begun for the development of the Jintan field, which will provide initial feedstock for a new liquefied natural gas facility. In the Philippines, Occidental and its partners have signed a memorandum of understanding with the government to investigate the repowering of an idle nuclear power plant in Bataan with natural gas. Fields discovered by Occidental in Malaysia and with its partners in the Philippines contain an estimated 7.6 trillion cubic feet of gross recoverable natural gas.

In Indonesia, Occidental has an interest in the Berau Block, where five major natural gas discoveries have been made. Appraisal of the discoveries by the operator will continue into 1997, but Occidental expects that the reserves are sufficient to justify construction of a liquefied natural gas plant.

In northeastern Bangladesh, Occidental and Unocal, each with a 50 percent interest, have rights to explore and develop a large gas discovery made by a prior operator. In late 1996, Occidental, as operator, completed a gas sales and purchase agreement. Appraisal of the Jalalabad gas field will begin in 1997, with first production expected in 1998.

The Gulf of Mexico will be a focus of continued exploration and development, while the expanding Austin Chalk operation in central Louisiana will be a vehicle to increase domestic production. In addition, the Milne Point operation in Alaska should contribute to the rise in domestic production.

NATURAL GAS TRANSMISSION INDUSTRY   As deregulation of the natural gas industry moves beyond the city gate, state regulators are implementing programs allowing sales of gas by unregulated marketers directly to business and residential customers. Deregulation has also increased the flexibility of the entire gas pipeline infrastructure by providing incentives for relatively low-cost interconnections and incremental pipeline extensions to relieve bottlenecks. This increases the options available to LDCs for sources of gas. As a result, LDCs are relying less on long-term contracts for pipeline transportation and gas supply and more on the spot market and storage to meet their needs.

On December 1, 1995, most contracts held by Natural Gas Pipeline Company of America (Natural), MidCon's regulated interstate pipeline company, with major LDCs expired. Most of these contracts were renewed, but at reduced firm capacity levels and prices, reflecting the change in LDC requirements. Natural was able to sell, for the 1995-96 and 1996-97 winter heating seasons, substantially all this released capacity. Also, on December 1, 1995, Natural implemented new services and revised rates pursuant to a new rate case. Natural has filed a settlement to resolve all rate case issues and is continuing discussions with major parties in an effort to achieve full support for the settlement.

During 1996, MidCon's nonregulated unit, MidCon Gas Services Corp. (MidCon Gas), reported gas sales to third parties of 460 billion cubic feet (Bcf), an increase of over 10 percent from the prior year. MidCon Gas continues to be one of the largest nonregulated storage managers in the country, with approximately 100 Bcf of working gas capacity at the start of the 1996-97 heating season.

MidCon has implemented three key growth initiatives to capture opportunities provided by changes in the marketplace. One initiative involves new efforts to sell gas and electricity to commercial and small industrial customers as a bundled energy service. A new marketing unit of MidCon, "mc2", has been established to do this and initial product rollouts are taking place in the Chicago and New York metropolitan areas in early 1997. MidCon's power marketing business unit will participate in several electric power pilot programs as a first step toward offering a combined gas and electric service.

Another growth initiative is to expand gas sales and portfolio management services to LDCs, regional marketers and industrial companies on a national basis. New markets will be entered by contracting for capacity on third-party systems, obtaining term gas supply and offering portfolio management services. Portfolio management integrates the customer's gas supply, transport and storage into MidCon's asset pool and maximizes asset utilization to create shared cost savings.

Pipeline and storage development is MidCon's third growth initiative. Continued excess supply in Canada and the western United States, coupled with the growing eastern markets, demonstrates the need for more pipeline capacity to move gas eastward, for which MidCon's pipeline and storage assets are strategically located. The Amarillo and Trailblazer pipeline expansions are designed to support these efforts. Additionally, Natural and Crossroads Pipeline Company, a subsidiary of NIPSCO Industries, Inc., completed construction in January 1997 of a 100 million cubic feet (MMcf) per day interconnect between their systems, providing Natural an additional connection to markets east of Chicago.

In August 1996, Natural received preliminary FERC approval, subject to an environmental review, to expand its Amarillo system from Harper, Iowa to Chicago. This expansion, plus use of existing capacity, will accommodate more than 500 MMcf per day of new gas supplies received from a proposed expansion of Northern Border Pipeline, a non-affiliated system that transports gas originating in western Canada. Northern Border also was granted preliminary FERC permission, subject to an environmental review, for its expansion program that includes a new line from Harper to the Chicago area. Natural is opposing the extension of the Northern Border system.

If Northern Border builds its proposed extension into the Chicago area, service may commence within two to three years. Natural expects to mitigate any negative impact over time with additional market growth and expansion of capacity to move volumes east.

Trailblazer Pipeline Company, in which Natural is a one-third partner, signed 10-year agreements with six shippers for additional firm transport service. Pending final FERC approval, Trailblazer will add compression to increase its capacity by 104 MMcf per day. The new facilities are scheduled to be placed in service during the summer of 1997.

MidCon Texas Pipeline (MidCon Texas), MidCon's intrastate pipeline business, signed agreements in January 1996 with a major south Texas producer for the purchase and transportation of 274 Bcf of gas over a five-year period. The gas comes from production in Zapata and Webb counties near the U.S.-Mexico border. Arrangements included construction of 68 miles of large-diameter pipeline to connect to MidCon Texas' system. The pipeline was completed in August 1996.

MidCon was granted a permit by Mexico to construct approximately 100 miles of pipeline from the United States to Monterrey, Mexico. This is the first pipeline transportation permit issued since Mexico amended its Constitution to provide for private ownership of gas pipelines and storage systems. When built, this pipeline will deliver up to 270 MMcf per day of gas to local distribution companies, industrial customers and electricity generators.

CHEMICAL INDUSTRY

BASIC CHEMICALS   In 1996, demand for chlorine and chlorine-related derivatives continued to be strong. For caustic soda, overall demand remained strong through the first three quarters of the year. The result was a year in which chlor-alkali margins overall remained at historically high levels.

Markets that offer the strongest outlet for chlorine production include ethylene dichloride (EDC), vinyl chloride monomer (VCM) and PVC. Demand for EDC, which is principally exported, remained strong through 1996, as did chlorine consumption for VCM and other end uses. These market conditions are expected to continue in 1997.

Due to strong demand, the chlorine and caustic soda industry operated essentially at capacity in 1996. Some new capacity will become available in 1997, primarily in the United States and Middle East; however, the industry is expected to remain capacity-constrained during the year.

Chlorine markets will continue to experience pressure from various environmental groups and regulatory authorities seeking alternatives to, or substitutes for, compounds containing chlorine. While there has been less demand for chlorine in some market segments, such as pulp and paper, demand from the PVC industry has more than offset those reductions. Occidental believes that the overall market for chlorine will remain strong, led by PVC demand.

Overall, chlorine prices in 1996 were comparable with average 1995 prices. Chlorine prices are expected to increase in 1997, while caustic soda prices will remain under pressure until demand for caustic soda in key sectors, such as alumina and automotive, returns to higher sustained levels.

PETROCHEMICALS   The primary petrochemicals--ethylene, propylene, butadiene and benzene--are precursors to a wide variety of consumer and industrial products that include fibers, tires and plastics. Petrochemicals account for approximately 20 percent of all chemical world trade, and changes in global economic conditions have an immediate effect on the domestic petrochemical industry. The cycles in the petrochemical business have been demonstrated by periods of high profitability, as in the late 1980s, followed by large capacity increases and subsequent depressed margins as experienced in 1991 through 1993.

The profitability of petrochemical plants during 1996 was below expectations due to higher than anticipated feedstock costs. Margins in the first quarter were extremely low but began to increase as product prices were raised and prices for feedstocks such as refined by-products and natural gas liquids (NGL) fell. Profitability continued to increase through the third quarter. However, earnings declined when feedstock prices advanced as cold weather, coupled with low inventories of liquid and NGL feedstocks, drove margins down in the fourth quarter. OxyChem has the flexibility in some of its plants to operate on a wide variety of feedstocks. In particular, OxyChem was able to shift away from NGLs in certain plants when they became uneconomical in the fourth quarter. Margins are expected to improve in the second and third quarters of 1997, but return to lower levels near the end of the year as several major ethylene expansions come on-line.

Throughout 1995 and 1996, OxyChem petrochemical and derivatives plants operated at capacity. Demand in 1997 is anticipated to increase slightly in excess of the growth in GDP. Ethylene growth in 1996 was about 5 percent, or two times GDP growth, while propylene demand growth was 3 percent. Ethylene was driven by both higher domestic and export demand. Propylene demand was fueled by a 9 percent increase in polypropylene production. Propylene supply and demand is expected to be in balance for the next several years because the new furnaces are heavily reliant on low propylene producing feedstock. Overall, OxyChem expects a growth rate of approximately 4 percent in ethylene and propylene in 1997. Benzene prices were driven down by the onset of new manufacturing processes. This new source of benzene, combined with flat styrene demand, kept benzene in an oversupplied mode which is expected to continue for several years. Demand for ethylene oxide and glycols is expected to expand by 3 percent per year in the United States and in excess of 5 percent globally. OxyChem expanded the Bayport facility by 25 percent in April 1996 in anticipation of a strengthening market for ethylene glycol.

POLYMERS AND PLASTICS   North American demand for PVC resin grew at a rate of 13 percent during 1996, led primarily by construction applications. Although lower in absolute volumes, export sales continued at a rate close to 10 percent of annual North American production. After recovering from declines during the latter half of 1995, PVC resin prices improved in the first half of 1996 but declined again in the second half of the year. This decline, combined with substantial feedstock cost increases during the second half of the year, resulted in poor PVC resin margins by year-end. This margin erosion during a period of demand growth can be attributed primarily to substantial capacity additions in both the domestic and world markets during 1996. Additional industry capacity is expected in 1997 and 1998; however, North American and global demand in 1997 is forecasted to grow at over 5 percent.

OxyChem's 450 million-pounds-per-year PVC expansion at Pasadena, Texas is planned to start up in the second half of 1997. The 700 million-pounds-per-year VCM expansion at a plant, owned equally by OxyChem and Marubeni Corporation of Tokyo and managed by OxyChem, also is planned to come on stream in the second half of 1997 and will provide the major raw material (VCM) for the Pasadena PVC expansion.

OxyChem's PVC business continues to be well balanced in all major end-use markets and is supported by a completely integrated feedstock supply. OxyChem has significant market share positions as a supplier in the following markets: PVC pipe, vinyl siding, sheet vinyl flooring, vinyl floor tile, vinyl electrical insulation and PVC window frames. OxyChem also is well positioned in strategic export markets in the Asian Pacific and Latin American regions.

SPECIALTY BUSINESSES   The Specialty Business Group was formed in 1995 to emphasize OxyChem's leadership position in many smaller-volume chemical markets. Specialty chemical products are less cyclical than commodity chemicals and provide a more steady source of earnings.

Four separate acquisitions were made in 1996. In April, Occidental completed its acquisition of a 64 percent interest (on a fully-diluted basis) in INDSPEC, the world's largest producer of resorcinol, which is primarily used as a bonding and stiffening agent in the production of tires. In August, OxyChem completed three other acquisitions--a sodium silicate plant in Augusta, Georgia, which strengthens OxyChem's position as the second-largest producer in the United States; Natural Gas Odorizing, a producer of warning agents for the natural gas and propane markets; and Laurel Industries, North America's largest producer of antimony oxide, a flame retardant synergist used in manufacturing plastics complementing OxyChem's existing flame retardants.

Product line extensions and additional volume in existing products are expected to improve profits in 1997. In addition, OxyChem will benefit from full-year operations at its recent acquisitions.

OxyChem has targeted the Specialty Business Group for substantial growth in the coming years by expanding volume in existing products, developing new products and making acquisitions.

SAFE HARBOR STATEMENT REGARDING OUTLOOK AND OTHER FORWARD-LOOKING DATA
Portions of the Annual Report, including Management's Discussion and Analysis, are forward-looking and involve risks and uncertainties that could significantly affect expected results. Factors that could cause results to differ materially include, but are not limited to: global commodity pricing fluctuations; competitive pricing pressures; higher than expected costs including feedstocks; the supply/demand considerations for Occidental's products; any general economic recession domestically or internationally; and not successfully completing any expansion, capital expenditure or acquisition.

REPORT OF MANAGEMENT   The management of Occidental Petroleum Corporation is responsible for the integrity of the financial data reported by Occidental and its subsidiaries. Fulfilling this responsibility requires the preparation and presentation of consolidated financial statements in accordance with generally accepted accounting principles. Management uses internal accounting controls, corporate-wide policies and procedures and judgment so that such statements reflect fairly the consolidated financial position, results of operations and cash flows of Occidental.

CONSOLIDATED STATEMENTS OF OPERATIONS
In millions, except per-share amounts

Occidental Petroleum Corporation
and Subsidiaries

For the years ended December 31,	1996	1995	1994
REVENUES			
Net sales and operating revenues			
Oil and gas operations	$ 3,680	$ 3,018	$ 2,451
Natural gas transmission operations	2,574	2,038	2,110
Chemical operations	4,307	5,370	4,677
Interdivisional sales elimination and other	(4)	(3)	(2)
	10,557	10,423	9,236
Interest, dividends and other income	247	114	92
Gains on disposition of assets, net (Note 4)	11	45	15
Income from equity investments (Note 15)	83	112	73
	10,898	10,694	9,416
COSTS AND OTHER DEDUCTIONS			
Cost of sales	7,037	6,962	6,726
Selling, general and administrative and other operating expenses	1,084	1,191	985
Depreciation, depletion and amortization of assets	921	922	882
Environmental remediation	100	21	5
Exploration expense	120	106	127
Interest and debt expense, net	484	579	584
	9,746	9,781	9,309
INCOME(LOSS) BEFORE TAXES AND EXTRAORDINARY ITEMS	1,152	913	107
Provision for domestic and foreign income and other taxes (Note 12)	454	402	143
INCOME(LOSS) BEFORE EXTRAORDINARY ITEMS	698	511	(36)
Extraordinary gain(loss), net (Note 5)	(30)	--	--
NET INCOME(LOSS)	$ 668	$ 511	$ (36)
EARNINGS(LOSS) APPLICABLE TO COMMON STOCK	$ 575	$ 418	$ (112)
PRIMARY EARNINGS PER COMMON SHARE			
Income(loss) before extraordinary items	$ 1.86	$ 1.31	$ (.36)
Extraordinary gain(loss), net	(.09)	--	--
PRIMARY EARNINGS(LOSS) PER COMMON SHARE (Note 1)	$ 1.77	$ 1.31	$ (.36)
FULLY DILUTED EARNINGS(LOSS) PER COMMON SHARE (Note 1)	$ 1.73	$ 1.30	$ (.36)

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

CONSOLIDATED BALANCE SHEETS
In millions, except share amounts

Assets at December 31,	1996	1995
CURRENT ASSETS		
Cash and cash equivalents (Note 1)	$ 279	$ 520
Trade receivables, net of reserves of $24 in 1996 and $19 in 1995	635	643
Receivables from joint ventures, partnerships and other	236	248
Inventories (Notes 1 and 6)	633	647
Prepaid expenses and other (Note 12)	407	461
TOTAL CURRENT ASSETS	2,190	2,519
LONG-TERM RECEIVABLES, NET	152	158
EQUITY INVESTMENTS (Notes 1 and 15)	1,039	927
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 1, 4 and 9)		
Oil and gas operations	8,443	8,377
Natural gas transmission operations	8,629	8,448
Chemical operations	5,893	5,672
Corporate and other	212	207
	23,177	22,704
Accumulated depreciation, depletion and amortization	(9,369)	(8,837)
	13,808	13,867
OTHER ASSETS (Note 1)	445	344
	$ 17,634	$ 17,815

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

Liabilities and Equity at December 31,	1996	1995
CURRENT LIABILITIES		
Current maturities of long-term debt and capital lease liabilities (Notes 7 and 9)	$ 27	$ 522
Notes payable (Note 1)	20	16
Accounts payable	1,023	859
Accrued liabilities (Note 1)	1,185	1,064
Dividends payable	106	104
Domestic and foreign income taxes (Note 12)	109	92
TOTAL CURRENT LIABILITIES	2,470	2,657
LONG-TERM DEBT, NET OF CURRENT MATURITIES AND UNAMORTIZED DISCOUNT (Note 7)	4,511	4,819
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred and other domestic and foreign income taxes (Note 12)	2,560	2,620
Other (Notes 1, 8, 9 and 14)	2,953	3,089
	5,513	5,709
CONTINGENT LIABILITIES AND COMMITMENTS (Notes 7, 9, 10, 11 and 12)		
STOCKHOLDERS' EQUITY (Notes 4, 7 and 13)		
Nonredeemable preferred stock, $1.00 par value; authorized 50 million shares; outstanding shares: 1996--26,493,209 and 1995--26,494,824; stated at liquidation value of $50 per share	1,325	1,325
ESOP preferred stock, $1.00 par value; authorized and outstanding shares: 1996--1,400,000	1,400	--
Unearned ESOP shares	(1,394)	--
Common stock, $.20 par value; authorized 500 million shares; outstanding shares: 1996--329,227,688 and 1995--318,711,037	66	64
Additional paid-in capital	4,463	4,631
Retained earnings(deficit)	(726)	(1,402)
Cumulative foreign currency translation adjustments (Note 1)	6	12
	5,140	4,630
	$ 17,634	$ 17,815

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
In millions

Occidental Petroleum Corporation
and Subsidiaries

	Non-redeemable Preferred Stock (Note 13)	ESOP Preferred Stock (Note 13)	Unearned ESOP Shares (Note 13)	Common Stock (Notes 4 and 13)	Additional Paid-in Capital (Notes 7 and 13)	Retained Earnings (Deficit) (Notes 7 and 13)	Cumulative Foreign Currency Translation Adjustments (Note 1)
BALANCE, DECEMBER 31, 1993	$ 575	$ --	$ --	$ 61	$ 5,212	$ (1,883)	$ (7)
Net loss	--	--	--	--	--	(36)	--
Dividends on common stock	--	--	--	--	(311)	--	--
Dividends on preferred stock	--	--	--	--	(76)	--	--
Issuance of common stock	--	--	--	2	193	--	--
Issuance of preferred stock (Note 13)	750	--	--	--	(17)	--	--
Pension liability adjustment (Note 14)	--	--	--	--	--	(10)	--
Exercises of options and other, net	--	--	--	--	3	--	1
BALANCE, DECEMBER 31, 1994	1,325	--	--	63	5,004	(1,929)	(6)
Net income	--	--	--	--	--	511	--
Dividends on common stock	--	--	--	--	(318)	--	--
Dividends on preferred stock	--	--	--	--	(93)	--	--
Issuance of common stock	--	--	--	1	28	--	--
Pension liability adjustment (Note 14)	--	--	--	--	--	16	--
Exercises of options and other, net	--	--	--	--	10	--	18
BALANCE, DECEMBER 31, 1995	1,325	--	--	64	4,631	(1,402)	12
Net income	--	--	--	--	--	668	--
Dividends on common stock	--	--	--	--	(325)	--	--
Dividends on preferred stock	--	--	--	--	(93)	--	--
Issuance of common stock	--	--	--	2	240	--	--
Issuance of preferred stock (Note 13)	--	1,400	(1,394)	--	(6)	--	--
Pension liability adjustment (Note 14)	--	--	--	--	--	8	--
Exercises of options and other, net	--	--	--	--	16	--	(6)
BALANCE, DECEMBER 31, 1996	$ 1,325	$ 1,400	$ (1,394)	$ 66	$ 4,463	$ (726)	$ 6

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

CONSOLIDATED STATEMENTS OF CASH FLOWS — Occidental Petroleum Corporation and Subsidiaries

In millions

For the years ended December 31,	1996	1995	1994
CASH FLOW FROM OPERATING ACTIVITIES			
Net income(loss)	$ 668	$ 511	$ (36)
Adjustments to reconcile income to net cash provided by operating activities:			
Extraordinary (gain)loss, net	30	--	--
Depreciation, depletion and amortization of assets	921	922	882
Amortization of debt discount and deferred financing costs	7	31	15
Deferred income tax provision	3	18	26
Other noncash charges(credits) to income	320	246	175
Gains on disposition of assets, net	(11)	(45)	(15)
Income from equity investments	(83)	(112)	(73)
Exploration expense	120	106	127
Changes in operating assets and liabilities:			
Decrease(increase) in accounts and notes receivable	33	106	(240)
Decrease(increase) in inventories	--	(68)	14
Increase in prepaid expenses and other assets	(35)	(41)	(59)
Increase(decrease) in accounts payable and accrued liabilities	150	(191)	156
Increase(decrease) in current domestic and foreign income taxes	41	48	16
Other operating, net	(177)	(30)	(228)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,987	1,501	760
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditures	(1,185)	(979)	(1,103)
Proceeds from disposal of property, plant and equipment, net (Note 4)	233	176	8
Buyout of operating leases	--	(141)	--
Purchase of businesses	(18)	(7)	46
Sale of businesses, net (Note 4)	31	756	2
Equity investments, net	52	60	41
Other investing, net	(92)	(1)	(1)
NET CASH USED BY INVESTING ACTIVITIES	(979)	(136)	(1,007)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	65	322	621
Net proceeds from commercial paper and revolving credit agreements	645	(528)	(160)
Payments of long-term debt and capital lease liabilities	(1,577)	(397)	(435)
Proceeds from issuance of common stock	25	28	38
Proceeds from issuance of preferred stock (Note 13)	--	--	557
Payments of notes payable	(1)	(5)	(22)
Cash dividends paid	(415)	(406)	(376)
Other financing, net	9	12	(4)
NET CASH PROVIDED(USED) BY FINANCING ACTIVITIES	(1,249)	(974)	219
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(241)	391	(28)
CASH AND CASH EQUIVALENTS--BEGINNING OF YEAR	520	129	157
CASH AND CASH EQUIVALENTS--END OF YEAR	$ 279	$ 520	$ 129

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS Occidental is a multinational organization whose principal lines of business are oil and gas exploration and production, natural gas transmission and chemicals. Oil and gas and natural gas transmission comprise approximately 35 percent and 25 percent of sales, respectively, while chemical represents approximately 40 percent of sales.

Internationally, Occidental has oil and gas production in 10 countries and exploration projects in 21 countries. Domestically, Occidental has oil and gas exploration and production in the United States, including the Gulf of Mexico. In natural gas transmission, Occidental processes, buys, sells, stores and transports natural gas. Occidental handles approximately 10 percent of the natural gas consumed annually in the United States. In addition, Occidental is one of the world's largest commodity chemical producers, with interests in basic chemicals, petrochemicals and polymers and plastics.

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of Occidental Petroleum Corporation, all subsidiaries where the Company has majority ownership of voting stock and Occidental's proportionate interests in oil and gas exploration and production ventures (Occidental). All material intercompany accounts and transactions have been eliminated. Investments in less than majority-owned enterprises, including joint-interest pipelines, but excluding oil and gas exploration and production ventures, are accounted for on the equity method (see Note 15).

Certain financial statements, notes and supplementary data for prior years have been changed to conform to the 1996 presentation.

RISKS AND UNCERTAINTIES The process of preparing consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts, generally not by material amounts. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of Occidental's financial position and results of operations.

Included in the accompanying balance sheet is net property, plant and equipment at a carrying value of $13.808 billion as of December 31, 1996. These carrying values are based on Occidental's plans and intentions to continue to operate, maintain and, where it is economically desirable, to expand its businesses. If future economic conditions result in changes in management's plans or intentions, the carrying values of the affected assets will be reviewed again and any appropriate adjustments made.

Included in the accompanying consolidated balance sheet is a deferred tax asset of $1.6 billion as of December 31, 1996, the noncurrent portion of which is netted against deferred income tax liabilities. Realization of that asset is dependent upon Occidental generating sufficient future taxable income. Occidental expects to realize the recorded deferred tax asset through future operating income and reversal of taxable temporary differences.

The accompanying consolidated balance sheet includes assets of $1.924 billion as of December 31, 1996 relating to Occidental's oil and gas operations in countries outside North America. Some of these countries may be considered politically and economically unstable. These assets and the related operations are subject to the risk of actions by governmental authorities and insurgent groups. Occidental attempts to conduct its financial affairs so as to protect against such risks and would expect to receive compensation in the event of nationalization.

Since Occidental's major products are commodities, significant changes in the prices of oil and gas and chemical products could have a significant impact on Occidental's results of operations for any particular year.

FOREIGN CURRENCY TRANSLATION The functional currency applicable to Occidental's foreign oil and gas operations, except for operations in the Dutch sector of the North Sea, is the U.S. dollar since cash flows are denominated principally in U.S. dollars. Chemical operations in Latin America, which historically have been subject to high inflation rates, use the U.S. dollar as the functional currency. The effect of exchange-rate changes on transactions denominated in nonfunctional currencies generated a loss of approximately $3 million in 1996 and gains of approximately $1 million in 1995 and $14 million in 1994, which in 1994 was mainly attributable to the highly inflationary economy of Brazil.

CASH AND CASH EQUIVALENTS Cash equivalents consist of highly liquid money-market mutual funds and bank deposits with initial maturities of three months or less. Cash equivalents totaled approximately $206 million and $620 million at December 31, 1996 and 1995, respectively.

TRADE RECEIVABLES In 1992, Occidental entered into an agreement to sell, under a revolving sale program, an undivided percentage ownership interest in a designated pool of domestic trade receivables, with limited recourse. Under this program, Occidental serves as the collection agent with respect to the receivables sold. An interest in new receivables is sold as collections are made from customers. As of December 31, 1996, Occidental had received cash proceeds totaling $600 million, of which $100 million was received in the fourth quarter of 1996 and the remainder in 1993 and 1992. Fees and expenses under this program are included in Selling, general and administrative and other operating expenses. During the years ended December 31, 1996, 1995 and 1994, the cost of this program amounted to approximately 5.8 percent, 6.3 percent and 4.8 percent, respectively, of the weighted average amount of proceeds received.

INVENTORIES Product and raw material inventories, except certain domestic chemicals, are stated at cost determined on the first-in, first-out (FIFO) and average-cost methods and did not exceed market value. The remaining product and raw material inventories are stated at cost using the last-in, first-out (LIFO) method and also did not exceed market value. Inventories of materials and supplies are valued at cost or less (see Note 6).

PROPERTY, PLANT AND EQUIPMENT Property additions and major renewals and improvements are capitalized at cost. Interest costs incurred in connection with major capital expenditures are capitalized and amortized over the lives of the related assets (see Note 17). Depreciation of oil and gas producing properties is determined principally by the unit-of-production method and is based on estimated recoverable reserves. The unit-of-production method of depreciation, based on estimated total productive life, also is used for certain chemical plant and equipment. Depreciation of other plant and equipment, including natural gas transmission facilities, has been provided primarily using the straight-line method (see Note 5).

Oil and gas properties are accounted for using the successful-efforts method. Costs of acquiring nonproducing acreage, costs of drilling successful exploration wells and development costs are capitalized. Producing and nonproducing properties are evaluated periodically and, if conditions warrant, an impairment reserve is provided. Annually, a determination is made whether it is probable that significant impairment of the carrying cost for individual fields or groups of fields has occurred, considering a number of factors, including profitability, political risk and Occidental's estimate of future oil and gas prices. If impairment is believed probable, a further analysis is performed using Occidental's estimate of future oil and gas prices to determine any impairment to be recorded for specific properties. Annual lease rentals and exploration costs, including geologic and geophysical costs and exploratory dry-hole costs, are expensed as incurred.

In 1986, Occidental acquired, in a transaction accounted for as a purchase, MidCon Corp. (MidCon), a natural gas transmission company whose interstate pipeline subsidiary is subject to rate regulation by the Federal Energy Regulatory Commission. Accordingly, MidCon defers or capitalizes certain costs in property, plant and equipment, the recovery of which is subject to the rate-regulatory process. With respect to the interstate natural gas transmission subsidiary of MidCon, the allocated purchase price, less subsequent accumulated depreciation, exceeded the amount subject to recovery through the rate-regulatory process by $4.2 billion at both December 31, 1996 and 1995. This excess amount as of December 31, 1996 is being depreciated over a remaining period of 37 years.

OTHER ASSETS Other assets include tangible and intangible assets, certain of which are amortized over the estimated periods to be benefited.

NOTES PAYABLE Notes payable at December 31, 1996 and 1995 consisted of short-term notes due to financial institutions and other corporations. The weighted average interest rate on short-term borrowings outstanding as of December 31, 1996 and 1995 was 5.4 percent and 6.0 percent, respectively.

ACCRUED LIABILITIES--CURRENT Accrued liabilities include the following (in millions):

Balance at December 31,	1996	1995
Accrued payroll, commissions and related expenses	$ 182	$ 229
Accrued interest expense	$ 95	$ 134

ENVIRONMENTAL COSTS   Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to existing conditions caused by past operations and that do not contribute to current or future revenue generation are expensed. Reserves for estimated costs are recorded when environmental remedial efforts are probable and the costs can be reasonably estimated. In determining the reserves, Occidental uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. The environmental reserves are based on management's estimate of the most likely cost to be incurred and are reviewed periodically and adjusted as additional or new information becomes available. Probable recoveries or reimbursements are recorded as an asset. The environmental reserves are included in accrued liabilities and other noncurrent liabilities and amounted to $138 million and $428 million, respectively, at December 31, 1996 and $138 million and $444 million, respectively, at December 31, 1995.

Environmental reserves are discounted only when the aggregate amount of the estimated costs for a specific site and the timing of cash payments are reliably determinable. As of December 31, 1996 and 1995, reserves that were recorded on a discounted basis were not material.

DISMANTLEMENT, RESTORATION AND RECLAMATION COSTS   The estimated future abandonment costs of oil and gas properties and removal costs for offshore production platforms, net of salvage value, are accrued over their operating lives. Such costs are calculated at unit-of-production rates based upon estimated proved recoverable reserves and are taken into account in determining depreciation, depletion and amortization. For all other operations, appropriate reserves are provided when a decision is made to dispose of a property, since Occidental makes capital renewal expenditures on a continual basis while an asset is in operation. Such reserves are included in accrued liabilities and other noncurrent liabilities and amounted to $9 million and $215 million, respectively, at December 31, 1996 and $16 million and $222 million, respectively, at December 31, 1995.

HEDGING ACTIVITIES   Occidental periodically uses commodity futures contracts, options and swaps to hedge the impact of oil and natural gas price fluctuations and uses forward exchange contracts to hedge the risk associated with fluctuations in foreign currency exchange rates. Gains and losses on commodity futures contracts are deferred until recognized as an adjustment to sales revenue or purchase costs when the related transaction being hedged is finalized. Gains and losses on foreign currency forward exchange contracts that hedge identifiable future commitments are deferred until recognized when the related item being hedged is settled. All other contracts are recognized in periodic income. The cash flows from such contracts are included in operating activities in the consolidated statements of cash flows.

Interest rate swaps are entered into, from time to time, on specific debt as part of Occidental's overall strategy to maintain part of its debt on a floating rate basis.

EARNINGS PER COMMON SHARE   Primary earnings per common share was computed by dividing net income, less preferred dividend requirements, by the weighted average number of common shares outstanding and the dilutive effect of stock options during each year: approximately 324 million in 1996, 318 million in 1995 and 311 million in 1994. The computation of fully diluted earnings per share further assumes the dilutive effect of conversion of the preferred stocks.

SUPPLEMENTAL CASH FLOW INFORMATION   Cash payments during the years 1996, 1995 and 1994 included federal, foreign and state income taxes of approximately $273 million, $230 million and $133 million, respectively. Interest paid (net of interest capitalized) totaled approximately $484 million, $546 million and $507 million for the years 1996, 1995 and 1994, respectively. See Note 4 for detail of noncash investing and financing activities regarding certain acquisitions.

NOTE 2 FINANCIAL INSTRUMENTS

COMMODITY FUTURES AND FORWARD CONTRACTS   Occidental's oil and gas and natural gas transmission segments have, from time to time, engaged in some form of commodity derivative activity, generally limited to hedging arrangements. The oil and gas division engages in oil and gas trading activity primarily through the use of futures contracts. The results are not significant and are included in periodic income. MidCon uses commodity futures contracts, options and swaps to hedge the impact of natural gas price fluctuations related to two major categories of business: purchases for and sales from storage; and fixed-price sales and purchase contracts.

STORAGE   Storage activities consist of purchasing and injecting natural gas into storage during low-price, low-demand periods (typically the months of April through October) and withdrawing that gas for sale during high-price, high-demand periods (typically the months of November through March). These periods may vary depending primarily on weather conditions and competing fuel prices in the market areas. MidCon uses derivatives to hedge the sales and purchase prices related to its storage program mainly through futures contracts. The hedging contracts used have terms of less than 18 months. Gains and losses on these hedging contracts are deferred until recognized when the transactions being hedged are finalized. A small number of options were sold against inventory capacity or physical inventory with results included in periodic income.

FIXED-PRICE SALES AND PURCHASES Fixed-price gas sales and purchase contracts vary by agreement. Hedges are placed nearly simultaneously with the consummation of many of the sales-purchase agreements. All agreements are for less than 18 months.

Gains and losses on these hedging contracts are deferred until recognized when the transactions being hedged are finalized. New York Mercantile Exchange (NYMEX), Kansas City Board of Trade (KCBT) (collectively, the Exchanges) and over-the-counter (OTC) hedge instruments are utilized.

All hedging activity is matched to physical natural gas buying and selling activity and is done with natural gas futures or derivative instruments. There is essentially no discrepancy with regard to timing, i.e., hedges are placed for the same month in which the price risk for the underlying physical movement is anticipated to occur, based on analysis of sales and purchase contracts and historical data. Hedges are removed upon consummation of the underlying physical activity. All deferred gains or losses are then recognized. Because the commodity covered by the Exchanges' natural gas futures contracts is substantially the same commodity that MidCon buys and sells in the physical market, no special correlation studies, other than monitoring the degree of convergence between the futures and the cash markets, are deemed necessary. Geographic basis risk (the difference in value of gas at the Exchanges' delivery points versus the points of MidCon's transaction) is monitored and, where appropriate, hedged using OTC instruments. Exchange-traded futures and options are valued using settlement prices published by the Exchanges. OTC options are valued using a standard option pricing model that requires published exchange prices, market volatility per broker quotes and the time value of money. Swaps are valued by comparing current broker quotes for price or basis with the corresponding price or basis in the related swap agreement and then discounting the result to present value.

Although futures and options traded on the Exchanges are included in the table below, they are not financial instruments as defined in generally accepted accounting principles (GAAP), since physical delivery of natural gas may be, and occasionally is, made pursuant to these contracts. However, they are a major part of MidCon's commodity risk management program.

The following table summarizes the types of hedges used and the related financial information as of December 31, 1996 and 1995:

		1996			1995		
Notional volumes in Bcf	Hedges of	Exchanges(a)	Over-the-Counter(b)	Total	Exchanges(a)	Over-the-Counter(b)	Total
Price hedge							
Futures	Purchases	32	--	32	62	--	62
Swaps	Purchases	--	--	--	--	8	8
	Sales	--	1	1	--	--	--
Options	Purchases	--	2	2	--	--	--
Basis hedge							
Basis swaps(c)	Purchases	--	33	33	--	9	9
	Sales	--	34	34	--	7	7

	1996				1995			
Dollars in millions	Exchanges	Over-the-Counter	Book Value	Fair Value	Exchanges	Over-the-Counter	Book Value	Fair Value
Deferred net gains(losses)								
Firm commitment/forecast transactions	$ (3)	$ --			$ 14	$ --		
Assets								
Basis swaps			$ --	$ 1			$ --	$ --
Liabilities								
Price swaps			$ --	$ --			$ 2	$ 6
Basis swaps			$ --	$ --			$ 1	$ 2

(a) Not financial instruments as defined in GAAP but included as they are a major part of the program.
(b) Excluding the nine-year swap agreement, which was terminated in 1996, the average weighted term is less than 12 months. Ninety percent of the notional volumes are hedged with counterparties with a triple B or better credit rating.
(c) Basis swaps are utilized to hedge the geographic price differentials due primarily to transportation cost and local supply-demand factors.

FORWARD EXCHANGE AND INTEREST RATE CONTRACTS Occidental is engaged in both oil and gas and chemical activities internationally. International oil and gas transactions are mainly denominated in U.S. dollars; consequently, foreign currency exposure is not deemed material. Many of Occidental's foreign oil and gas operations and foreign chemical operations are located in countries whose currencies generally depreciate against the U.S. dollar on a continuing basis. An effective currency forward market does not exist for these countries; therefore, Occidental attempts to manage its exposure primarily by balancing monetary assets and liabilities and maintaining cash positions only at levels necessary for operating purposes. Most foreign currency positions at December 31, 1996 are generally in a net liability position, effectively eliminating the potentially unfavorable effects of devaluation. For those currencies that are in a net asset position, Occidental maintains these positions at low levels so that the exposure to currency devaluation is relatively insignificant. At December 31, 1996, Occidental had one foreign currency forward purchase exchange contract totaling $38 million which hedged foreign currency denominated debt. This contract matures in 2000.

From time to time, Occidental enters into interest rate swap agreements. In November 1993, Occidental entered into interest rate swaps on newly issued fixed-rate debt for notional amounts totaling $530 million. This converted fixed-rate debt into variable-rate debt, based on the London Interbank Offered Rate (LIBOR), with interest rates ranging from 6.5 percent to 6.7 percent at December 31, 1996. These agreements mature at various dates from 1998 through 2000. Notional amounts do not represent cash flow. Credit risk exposure is limited to the net interest differentials, which are reflected in interest expense. The swap rate difference resulted in approximately $1 million and $5 million of additional interest expense in 1996 and 1995, respectively, and $6 million savings in interest expense for 1994, compared to what interest expense would have been had the debt remained at fixed rates. The impact of the swaps on the weighted average interest rates for all debt in 1996, 1995 and 1994 was not significant.

FAIR VALUE OF FINANCIAL INSTRUMENTS Occidental values financial instruments as required by Statement of Financial Accounting Standards (SFAS) No. 107. The carrying amounts of cash and cash equivalents and short-term notes payable approximate fair value because of the short maturity of those instruments. Occidental estimates the fair value of its long-term debt based on the quoted market prices for the same or similar issues or on the yields offered to Occidental for debt of similar rating and similar remaining maturities. The estimated fair value of Occidental's long-term debt at December 31, 1996 and 1995 was $4.968 billion and $5.478 billion, respectively, compared with a carrying value of $4.511 billion and $4.819 billion, respectively. The fair value of interest rate swaps is the amount at which they could be settled, based on estimates obtained from dealers. Based on these estimates at December 31, 1996 and 1995, Occidental would be required to pay approximately $10 million and $3 million, respectively, to terminate its interest rate swap agreements. Occidental will continue its strategy of maintaining part of its debt on a floating rate basis.

The carrying value of other on-balance sheet financial instruments approximates fair value and the cost, if any, to terminate off-balance sheet financial instruments is not significant.

NOTE 3 REORGANIZATION CHARGES

In the fourth quarter of 1995, Occidental recorded charges of $132 million, included in other operating expenses, related to the reorganization of its worldwide oil and gas operations and the reorganization of the operations of the natural gas transmission division. This reorganization was part of Occidental's efforts to consolidate operations and to increase management efficiency, asset utilization and profitability.

NOTE 4 BUSINESS COMBINATIONS AND ASSET ACQUISITIONS AND DISPOSITIONS

In August 1996, Occidental acquired three specialty chemical producers in separate transactions for approximately $149 million through the issuance of 5,512,355 shares of Occidental common stock, with a value of approximately $130 million, and the balance paid in cash. The acquisitions included Laurel Industries, Inc., North America's largest producer of antimony oxide at its LaPorte, Texas facility; Natural Gas Odorizing, Inc., the leading U.S. producer of mercaptan-based warning agents for use in natural gas and propane from its single plant in Baytown, Texas; and a plant in Augusta, Georgia, purchased from Power Silicates Manufacturing, Inc., which produces sodium silicates for use in soap and detergent formulating, paper manufacturing and silica-based catalysts. These acquisitions have been accounted for by the purchase method. Accordingly, the cost of each acquisition was allocated to the assets acquired, goodwill and liabilities assumed based upon their estimated respective fair values.

In April 1996, Occidental completed its acquisition of a 64 percent equity interest (on a fully-diluted basis) in INDSPEC Chemical Corporation (INDSPEC) for approximately $92 million through the issuance of 3,346,421 shares of Occidental common stock, with a value of approximately $87 million, and the balance paid in cash. Under the terms of the agreement, INDSPEC's management and employees have retained voting control of INDSPEC.

In April 1996, Occidental completed the sale of its subsidiary which engaged in on-shore drilling and servicing of oil and gas wells for approximately $32 million. Also in April 1996, certain assets of an international phosphate fertilizer trading operation were sold for approximately $20 million in interest-bearing notes. In July 1996, Occidental sold its royalty interest in the Congo for $215 million to the Republic of the Congo.

In October 1995, Occidental sold its agricultural chemicals business. During May 1995, Occidental sold its high-density polyethylene business. Occidental also sold, pursuant to a Federal Trade Commission divestiture order, its polyvinyl chloride (PVC) facilities at Addis, Louisiana and Burlington South, New Jersey. In addition, Occidental sold certain Canadian oil and gas assets, which were acquired as part of the purchase of Placid Oil Company (Placid) in December 1994, and a portion of the oil and gas operation in Pakistan. The combined cash proceeds from these asset dispositions were in excess of $900 million.

During the second quarter of 1995, Occidental and Canadian Occidental Petroleum Ltd. (CanadianOxy) formed partnerships into which they contributed primarily sodium chlorate manufacturing facilities. Occidental retained a less-than-twenty-percent direct interest in these partnerships accounted for on the equity method.

In December 1994, Occidental acquired Placid for an aggregate purchase price of approximately $250 million through the issuance of 3,606,484 shares of $3.875 cumulative convertible voting preferred stock, with a value of $175 million, and the balance through the issuance of 3,835,941 shares of Occidental common stock.

In March 1994, Occidental acquired interests in certain U.S. Gulf Coast oil and gas properties from Agip Petroleum Co. Inc. for a purchase price of $161 million through the issuance of 5,150,602 shares of Occidental common stock and $78 million in cash.

On a pro forma basis, these acquisitions would not have had a significant effect on Occidental's consolidated results.

NOTE 5 EXTRAORDINARY GAIN(LOSS) AND ACCOUNTING CHANGES

The 1996 results included a net extraordinary loss of $30 million, which resulted from the early extinguishment of all the then outstanding $955 million principal amount of its 11.75% Senior Debentures.

In October 1996, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position No. 96-1--"Environmental Remediation Liabilities" (SOP 96-1), which provides authoritative guidance on specific accounting issues that are present in the recognition, measurement, display, and disclosure of environmental remediation liabilities. Occidental will implement SOP 96-1 effective January 1, 1997 and has not yet made a final determination of its impact on the financial statements.

Beginning in 1994, Occidental revised the estimated average useful lives used to compute depreciation for most of its chemical machinery and equipment from 20 years to 25 years and for most of its natural gas transmission property to a remaining life of 40 years. These revisions were made to more properly reflect the current economic lives of the assets based on anticipated industry conditions. The result was a reduction in net loss for the year ended December 31, 1994 of approximately $65 million, or approximately $.21 per share. Natural gas transmission and chemical divisional earnings benefited by approximately $31 million and $34 million, respectively.

In December 1992, the Financial Accounting Standards Board issued SFAS No. 112--"Employers Accounting for Postemployment Benefits," which substantially changed the existing method of accounting for employer benefits provided to inactive or former employees after active employment but before retirement. This statement requires that the cost of postemployment benefits (principally medical benefits for inactive employees) be recognized in the financial statements during employees' active working careers. Occidental's adoption of SFAS No. 112, effective January 1, 1994, did not have a material impact on Occidental's financial position or results of operations.

NOTE 6 INVENTORIES

Inventories of approximately $220 million and $225 million were valued under the LIFO method at December 31, 1996 and 1995, respectively.

Inventories consisted of the following (in millions):

Balance at December 31,	1996	1995
Raw materials	$ 135	$ 116
Materials and supplies	184	180
Work in process	17	17
Finished goods	344	363
	680	676
LIFO reserve	(47)	(29)
TOTAL	$ 633	$ 647

NOTE 7 LONG-TERM DEBT

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

Balance at December 31,	1996	1995
OCCIDENTAL PETROLEUM CORPORATION		
11.75% senior debentures due 2011, called March 15, 1996 at 104.838	$ --	$ 955
11.125% senior debentures due 2019, callable June 1, 1999 at 105.563	144	144
10.125% senior debentures due 2009	276	276
9.25% senior debentures due 2019, putable August 1, 2004 at par	300	300
10.125% senior notes due 2001	330	330
9.625% senior notes due 1999, called July 1, 1996 at par	--	300
9.1% to 9.75% medium-term notes due 1997 through 2001	99	99
8.5% medium-term notes due 2004, callable September 15, 1999 at par	250	250
11.125% senior notes due 2010	150	150
Floating rate senior notes due 1999, called November 4, 1996 at par	--	150
8.5% senior notes due 2001	150	150
8.75% medium-term notes due 2023	100	100
6.49375% to 11% medium-term notes due 1997 through 2000	294	294
6.04% to 8.34% medium-term notes due 1997 through 2008	285	292
5.76% to 6.41% medium-term notes due 1998 through 2000	601	601
10.42% senior notes due 2003, callable December 1, 1998 at par	50	50
5.55% to 7.1% commercial paper	567	--
5.66% to 6.94% revolving credits	80	--
7.3% to 8.8% retail medium-term notes due 1997 through 2004, callable at various dates	139	167
	3,815	4,608
OXY USA Inc.		
7% debentures due 2011, callable anytime at par	274	274
7.2% unsecured notes due 2020 (Note 16)	7	7
6.625% debentures due 1998 through 1999, callable anytime at par (Note 16)	55	55
6.125% debentures due 1997 (Note 16)	15	15
5.7% to 7.8% unsecured notes due 1997 through 2007	56	58
	407	409
OTHER SUBSIDIARY DEBT		
3.1597% to 12.5% unsecured notes due 1997 through 2030	432	382
6% to 14.5% secured notes due 1997 through 2011	10	57
	442	439
	4,664	5,456
Less:		
Unamortized discount, net	(148)	(147)
Current maturities	(5)	(490)
TOTAL	$ 4,511	$ 4,819

At December 31, 1996, $961 million of notes due in 1997 were classified as noncurrent since it is management's intention to refinance this amount on a long-term basis, initially utilizing available lines of bank credit with maturities extending to 1999 and 2000.

At December 31, 1996, minimum principal payments on long-term debt, including sinking fund requirements, subsequent to December 31, 1997 aggregated $4.659 billion, of which $367 million is due in 1998, $1.216 billion in 1999, $501 million in 2000, $515 million in 2001, $77 million in 2002 and $1.983 billion thereafter. Unamortized discount is generally being amortized to interest expense on the effective interest method over the lives of the related issues.

At December 31, 1996, under the most restrictive covenants of certain financing agreements, the capacity for the payment of cash dividends and other distributions on, and for acquisitions of, Occidental's capital stock was approximately $2.4 billion, assuming that such dividends, distributions and acquisitions were made without incurring additional borrowings.

At December 31, 1996, Occidental had available lines of committed bank credit of approximately $2.0 billion. Bank fees on committed lines of credit ranged from 0.125 percent to 0.1875 percent.

NOTE 8 ADVANCE SALE OF CRUDE OIL

In December 1995, Occidental entered into a transaction with Clark USA, Inc. (Clark) under which Occidental agreed to deliver approximately 17.7 million barrels of West Texas Intermediate (WTI)-equivalent oil over a six-year period. In exchange, Occidental received $100 million in cash and approximately 5.5 million shares of Clark common stock. As a result of this transaction, Occidental owns approximately 19 percent of Clark accounted for on the cost method. Occidental has accounted for the consideration received in the transaction as deferred revenue, which is being amortized into revenue as WTI-equivalent oil is produced and delivered during the term of the agreement. Reserves dedicated to the transaction are excluded from the estimate of proved oil and gas reserves (see Supplemental Oil and Gas Information). At December 31, 1996, 15.5 million barrels remain to be delivered.

NOTE 9 LEASE COMMITMENTS

The present value of net minimum lease payments, net of the current portion, totaled $237 million and $259 million at December 31, 1996 and 1995, respectively. These amounts are included in Other liabilities.

Operating and capital lease agreements frequently include renewal and/or purchase options and require Occidental to pay for utilities, taxes, insurance and maintenance expense.

At December 31, 1996, future net minimum lease payments for capital and operating leases (excluding oil and gas and other mineral leases) were the following (in millions):

	CAPITAL	OPERATING
1997	$ 42	$ 121
1998	17	77
1999	17	67
2000	212	58
2001	49	59
Thereafter	1	322
TOTAL MINIMUM LEASE PAYMENTS	338	$ 704
Less:		
Executory costs	(5)	
Imputed interest	(74)	
Current portion	(22)	
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS, NET OF CURRENT PORTION	$ 237	

Rental expense for operating leases, net of immaterial sublease rental, was $128 million in 1996, $141 million in 1995 and $163 million in 1994.

Included in the 1996 and 1995 property, plant and equipment accounts were $429 million and $442 million, respectively, of property leased under capital leases and $144 million and $137 million, respectively, of related accumulated amortization.

NOTE 10 LAWSUITS, CLAIMS AND RELATED MATTERS

Occidental and certain of its subsidiaries have been named in a substantial number of governmental proceedings as defendants or potentially responsible parties under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and corresponding state acts. These proceedings seek funding, remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties, aggregating substantial amounts. Occidental is usually one of many companies in these proceedings, and has to date been successful in sharing response costs with other financially sound companies. Occidental has accrued reserves at the most likely cost to be incurred in those proceedings where it is probable that Occidental will incur remediation costs which can be reasonably estimated. As to those proceedings for which Occidental does not have sufficient information to determine a range of liability, Occidental does have sufficient information on which to base the opinion below.

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

NOTE 11 OTHER COMMITMENTS AND CONTINGENCIES

At December 31, 1996, commitments for major capital expenditures during 1997 and thereafter were approximately $358 million.

Occidental has entered into agreements providing for future payments to secure terminal and pipeline capacity, drilling services, electrical power, steam and certain chemical raw materials. At December 31, 1996, the net present value of the fixed and determinable portion of the obligations under these agreements aggregated $185 million, which was payable as follows (in millions): 1997--$30, 1998--$30, 1999--$24, 2000--$21, 2001--$20 and 2002 through 2014--$60. Payments under these agreements, including any variable component, were $209 million in 1996, $190 million in 1995 and $188 million in 1994.

Occidental has certain other commitments under contracts, guarantees and joint ventures, and certain other contingent liabilities. Additionally, Occidental agreed to participate in the development of certain natural gas reserves and construction of a liquefied natural gas plant in Malaysia. In management's opinion, none of such commitments and contingencies discussed above should have a material adverse effect upon Occidental's consolidated financial position or results of operations in any given year.

NOTE 12 DOMESTIC AND FOREIGN INCOME AND OTHER TAXES

The domestic and foreign components of income(loss) before extraordinary items and domestic and foreign income and other taxes were as follows (in millions):

For the years ended December 31,	Domestic	Foreign	Total
1996	$ 550	$ 602	$ 1,152
1995	$ 425	$ 488	$ 913
1994	$ (46)	$ 153	$ 107

The provisions(credits) for domestic and foreign income and other taxes consisted of the following (in millions):

For the years ended December 31,	U.S. Federal	State and Local	Foreign	Total
1996				
Current	$ 168	$ 26	$ 257	$ 451
Deferred	--	2	1	3
	$ 168	$ 28	$ 258	$ 454
1995				
Current	$ 152	$ 57	$ 175	$ 384
Deferred	50	(24)	(8)	18
	$ 202	$ 33	$ 167	$ 402
1994				
Current	$ 3	$ 18	$ 96	$ 117
Deferred	18	4	4	26
	$ 21	$ 22	$ 100	$ 143

The following is a reconciliation, stated as a percentage of pretax income, of the U.S. statutory federal income tax rate to Occidental's effective tax rate on income(loss) before extraordinary items:

For the years ended December 31,	1996	1995	1994
U.S. federal statutory tax rate	35%	35%	35%
Operations outside the United States(a)	12	11	65
State taxes, net of federal benefit	2	5	13
State tax benefit from operating loss carryforwards	--	(3)	--
Reserves not previously benefited	--	(5)	--
Nondeductible depreciation and other expenses	1	1	11
Reduction in deferred tax asset valuation allowance	(9)	--	--
Other	(2)	--	10
Tax rate provided by Occidental	39%	44%	134%

(a) Included in these figures is the impact of not providing U.S. taxes on the unremitted earnings of certain foreign subsidiaries. The effect of this is to reduce the U.S. federal tax rate by approximately 5 percent in 1996 and 4 percent in 1995.

The tax effects of temporary differences and carryforwards resulting in deferred income taxes at December 31, 1996 and 1995 were as follows (in millions):

	1996		1995	
Items resulting in temporary differences and carryforwards	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment differences	$ 207	$ 3,567	$ 178	$ 3,616
Discontinued operation loss accruals	160	--	167	--
Environmental reserves	224	--	244	--
Postretirement benefit accruals	200	--	207	--
State income taxes	143	--	140	--
Tax credit carryforwards	200	--	292	--
All other	598	341	795	503
Subtotal	1,732	3,908	2,023	4,119
Valuation allowance	(85)	--	(189)	--
Total deferred taxes	$ 1,647	$ 3,908	$ 1,834	$ 4,119

Included in total deferred tax assets was a current portion aggregating $300 million and $335 million as of December 31, 1996 and 1995, respectively, that was reported in Prepaid expenses and other. The valuation allowance decreased primarily due to the realization of benefits from operating loss and credit carryforwards in the United States and Peru.

A deferred tax liability of approximately $120 million at December 31, 1996 has not been recognized for temporary differences related to Occidental's investment in certain foreign subsidiaries primarily as a result of unremitted earnings of consolidated subsidiaries, as it is Occidental's intention, generally, to reinvest such earnings permanently.

The pension liability adjustments recorded directly to retained earnings were net of an income tax charge of $6 million in 1996 and $9 million in 1995, and an income tax benefit of $6 million in 1994.

The foreign currency translation adjustment credited directly to retained earnings was net of an income tax benefit of $2 million in 1996, and an income tax charge of $10 million in 1995.

The extraordinary loss that resulted from the early extinguishment of high-coupon debt was reduced by an income tax benefit of $16 million in 1996.

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

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

NOTE 13 NONREDEEMABLE PREFERRED STOCK, ESOP PREFERRED STOCK AND COMMON STOCK

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

	Nonredeemable Preferred Stock	Common Stock
BALANCE, DECEMBER 31, 1993	11,500	305,603
Issued	14,995	11,300
Options exercised and other, net	--	(50)
BALANCE, DECEMBER 31, 1994	26,495	316,853
Issued	--	1,523
Options exercised and other, net	--	335
BALANCE, DECEMBER 31, 1995	26,495	318,711
Issued	--	10,145
Options exercised and other, net	(2)	372
BALANCE, DECEMBER 31, 1996	26,493	329,228

NONREDEEMABLE PREFERRED STOCK Occidental has authorized 50,000,000 shares of preferred stock with a par value of $1.00 per share. In February 1994, Occidental issued 11,388,340 shares of $3.00 cumulative CXY-indexed convertible preferred stock in a public offering for net proceeds of approximately $557 million. The shares are convertible into Occidental common stock in accordance with a conversion formula that is indexed to the market price of the common shares of CanadianOxy. The shares of CXY-indexed convertible preferred stock are redeemable on or after January 1, 1999, in whole or in part, at the option of Occidental, at a redemption price of $51.50 per share declining ratably to $50.00 per share on or after January 1, 2004, in each case plus accumulated and unpaid dividends to the redemption date. As of December 31, 1996, the aggregate number of shares of Occidental common stock issuable upon conversion of all of the issued and outstanding shares of the CXY-indexed convertible preferred stock was 28,068,277, based on the Conversion Ratio then in effect of 2.465.

In December 1994, Occidental issued 3,606,484 shares of $3.875 cumulative convertible voting preferred stock in connection with the Placid acquisition. In February 1993, Occidental issued 11,500,000 shares of $3.875 cumulative convertible preferred stock. The shares of both series are redeemable on or after February 18, 1998, in whole or in part, at the option of Occidental, at a redemption price of $51.9375 per share declining ratably to $50.00 per share on or after February 18, 2003, in each case plus accumulated and unpaid dividends to the redemption date. Each series of $3.875 preferred stock is convertible at the option of the holder into common stock of Occidental at a conversion price of $22.76 per share, subject to adjustment in certain events.

All stock purchase rights (rights) issued pursuant to a 1986 stockholders' rights plan expired in 1996. The rights would have been exercisable only if a person or group either acquired a beneficial ownership of 20 percent or more of Occidental's common stock or commenced a tender or exchange offer that would have resulted in ownership of 30 percent or more.

ESOP PREFERRED STOCK In November 1996, Occidental established the MidCon Corp. Employee Stock Ownership Plan (MidCon ESOP) for the benefit of employees of MidCon. Pursuant to the MidCon ESOP, Occidental has issued 1,400,000 shares of its cumulative MidCon-indexed convertible preferred stock (CMIC Preferred Stock) to the MidCon Corp. ESOP Trust. The CMIC Preferred Stock is convertible into Occidental common stock based on the value of MidCon, which remains a wholly-owned subsidiary of Occidental. The MidCon ESOP paid for the CMIC Preferred Stock with a $1.4 billion 30-year promissory note (ESOP Note), with interest at 7.9 percent per annum, guaranteed by MidCon. Generally, the shares held by the MidCon ESOP are released and allocated to participant accounts based on the proportion of the payment on the note for the respective period compared to the total remaining payments due on the note. Dividends on the CMIC Preferred Stock are payable at an annual rate of $21 per share, when and as declared by Occidental's Board of Directors. It is anticipated that MidCon will make discretionary annual contributions to the MidCon ESOP which, together with the annual dividends, will be used to repay the ESOP Note.

The MidCon ESOP is subject to the provisions of AICPA Statement of Position No. 93-6 (SOP 93-6) which requires that compensation expense be measured based on the fair value of the shares committed to be released. In addition, SOP 93-6 requires that dividends paid on allocated ESOP shares are reported as a charge to retained earnings, and only shares that are allocated and committed to be released are considered outstanding in the calculation of earnings per share.

Dividends of $3.3 million on unearned shares and cash contributions of $9.2 million from MidCon were received by the MidCon ESOP and were used for debt service on the ESOP Note in 1996. Compensation expense related to the MidCon ESOP recognized during 1996 totaled $217,000. The MidCon ESOP has 6,151 allocated shares outstanding at December 31, 1996.

STOCK INCENTIVE PLANS

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS   Options to purchase common stock of Occidental have been granted to officers and employees under stock option plans adopted in 1978, 1987 and 1995. During 1996, options for 957,715 shares became exercisable, and options for 3,589,365 shares were exercisable at December 31, 1996 at a weighted-average exercise price of $21.631. These options vest over three years with a maximum term of ten years and one month. At December 31, 1996, options with stock appreciation rights (SAR) for 992,667 shares were outstanding, all of which options for shares were exercisable.

The following is a summary of stock option transactions during 1996, 1995 and 1994 (shares in thousands, except per-share amounts):

	1996		1995		1994	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
BEGINNING BALANCE	5,481	$ 22.263	5,098	$ 22.121	4,556	$ 23.272
Granted or issued	1,335	$ 24.375	1,127	$ 23.125	905	$ 17.827
Exercised	(483)	$ 21.276	(431)	$ 19.230	(52)	$ 18.905
Canceled or expired	(381)	$ 24.958	(313)	$ 27.222	(311)	$ 27.021
ENDING BALANCE	5,952	$ 22.637	5,481	$ 22.263	5,098	$ 22.121
OPTIONS EXERCISABLE AT YEAR END	3,589		3,517		3,374	

For options outstanding at December 31, 1996 the exercise prices were between $17.75 and $29.625 and the weighted average remaining contractual life was 7 years.

RESTRICTED STOCK AWARDS   Occidental has a stock incentive plan whereby a limited number of executives may be awarded Occidental restricted common stock at the par value of $.20 per share, with such shares vesting after four years (five years for awards issued prior to December 1995) or earlier under certain conditions. The related expense is amortized over the vesting period. In 1996, 171,649 shares were awarded at a weighted-average grant-date value of $21.431 per share; 21,339 shares were awarded in 1995, at a weighted-average grant-date value of $20.875 per share.

PERFORMANCE STOCK AWARDS   Certain performance stock awards were made to senior executive officers in January 1996 pursuant to the 1995 Incentive Stock Plan. The number of shares of common stock to be received, under these awards, by such officers at the end of the performance period will depend on the attainment of performance objectives based on a peer company comparison of total stockholder return for such period. Dependent on the Company's ranking among its peers, the grantees will receive shares of common stock in an amount ranging from 0 percent to 175 percent of the Target Share Award (as such amount is defined in the grant). The shares vest over four years with a maximum term of four years. In 1996, 101,630 shares were awarded at a weighted-average grant-date value of $21.375 per share.

Under the 1995 Stock Incentive Plan a total of approximately 10,000,000 shares may be awarded. At December 31, 1996, 8,370,382 shares were available for the granting of all future awards under these plans, of which a maximum of 4,705,382 shares were available to issue restricted and performance stock awards.

Occidental accounts for these plans under Accounting Principles Board Opinion No. 25. Had the compensation expense for these plans been determined in accordance with Statement of Financial Accounting Standards No. 123--"Accounting for Stock Based Compensation" (SFAS No. 123), Occidental's pro forma net income would have been $666 million in 1996 and $510 million in 1995. Primary and fully diluted earnings per share would not have changed. The SFAS No. 123 method of accounting has not been applied to options granted prior to January 1, 1995, therefore the resulting pro forma compensation expense may not be representative of that to be expected in future years. The fair value of each option grant, for pro forma calculation purposes, is estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1996 and 1995, respectively: dividend yield of 4.20 percent and 4.32 percent; expected volatility of 23.92 percent and 24.19 percent; risk-free rate of return 6.79 percent and 6.93 percent; and expected lives of 5 and 7 years.

1996 RESTRICTED STOCK PLAN FOR NON-EMPLOYEE DIRECTORS   Under the 1996 Restricted Stock Plan for Non-Employee Directors, each non-employee Director of the Company will receive awards of restricted common stock each year as additional compensation for his or her services as a member of the Board of Directors. A maximum of 50,000 shares of common stock may be awarded under the Directors Plan and 3,250 shares of common stock were awarded during 1996. At December 31, 1996, 46,750 shares of common stock were available for the granting of future awards.

NOTE 14 RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

Occidental has various defined contribution retirement plans for its salaried, domestic union and nonunion hourly, and certain foreign national employees that provide for periodic contributions by Occidental based on plan-specific criteria, such as base pay, age level and/or employee contributions. Occidental contributed and expensed $66 million, $71 million and $70 million under the provisions of these plans for 1996, 1995 and 1994, respectively.

Occidental's retirement and postretirement defined benefit plans are accrued based on various assumptions and discount rates, as described below. The actuarial assumptions used could change in the near term as a result of changes in expected future trends and other factors which, depending on the nature of the changes, could cause increases or decreases in the liabilities accrued.

Pension costs for Occidental's defined benefit pension plans, determined by independent actuarial valuations, are funded by payments to trust funds, which are administered by independent trustees. The components of the net pension cost for 1996, 1995 and 1994 were as follows (in millions):

For the years ended December 31,	1996	1995	1994
Service cost--benefits earned during the period	$ 9	$ 9	$ 8
Interest cost on projected benefit obligation	23	23	21
Actual return on plan assets	(31)	(43)	1
Net amortization and deferral	21	32	(10)
Curtailments and settlements	1	12	--
Net pension cost	$ 23	$ 33	$ 20

In 1996, 1995 and 1994, Occidental recorded adjustments to retained earnings of credits of $8 million and $16 million and a charge of $10 million, respectively, to reflect the net-of-tax difference between the additional liability required under pension accounting provisions and the corresponding intangible asset.

The following table sets forth the defined benefit plans' funded status and amounts recognized in Occidental's consolidated balance sheets at December 31, 1996 and 1995 (in millions):

	1996		1995	
Balance at December 31,	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
PRESENT VALUE OF THE ESTIMATED PENSION BENEFITS TO BE PAID IN THE FUTURE				
Vested benefits	$ 75	$ 208	$ 35	$ 230
Nonvested benefits	4	11	4	11
Accumulated benefit obligations	79	219	39	241
Effect of projected future salary increases(a)	12	9	15	6
Total projected benefit obligations	91	228	54	247
Plan assets at fair value	95	169	50	179
PROJECTED BENEFIT OBLIGATION IN EXCESS OF(LESS THAN) PLAN ASSETS	$ (4)	$ 59	$ 4	$ 68
Projected benefit obligation in excess of(less than) plan assets	$ (4)	$ 59	$ 4	$ 68
Unrecognized net asset(obligation)	1	(8)	(4)	(4)
Unrecognized prior service(cost) benefit	--	(9)	--	(7)
Unrecognized net gain(loss)	(4)	(25)	2	(46)
Additional minimum liability(b)	--	39	--	55
PENSION LIABILITY(ASSET)	$ (7)	$ 56	$ 2	$ 66

(a) The effect of salary increases related primarily to international salary-based plans.
(b) A related amount up to the limit allowable under SFAS No. 87--"Employers' Accounting for Pensions" has been included in other assets. Amounts exceeding such limits have been charged to retained earnings.

The discount rate used in determining the actuarial present value of the projected benefit obligations was 7.5 percent in 1996 and 1995. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations was between 4.5 percent and 5.5 percent in 1996 and 1995. The expected long-term rate of return on assets was 8 percent in 1996 and 1995.

Occidental provides medical, dental and life insurance for certain active, retired and disabled employees and their eligible dependents. Beginning in 1993, certain salaried participants pay for all medical cost increases in excess of increases in the Consumer Price Index (CPI). The benefits generally are funded by Occidental as the benefits are paid during the year. The cost of providing these benefits is based on claims filed and insurance premiums paid for the period. The total benefits costs were approximately $103 million in 1996, $93 million in 1995 and $124 million in 1994. The 1996, 1995 and 1994 costs included $43 million, $23 million and $54 million, respectively, for postretirement costs, as discussed below.

Effective January 1, 1992, Occidental adopted SFAS No. 106--"Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement required that the cost of postretirement benefits other than pensions, which are primarily for health care, be accrued as a form of deferred compensation earned during the period that employees render service, rather than the previously permitted practice of accounting for such costs as claims were paid. Occidental elected immediate recognition of the net obligation at January 1, 1992.

The postretirement benefit obligation as of December 31, 1996 and 1995 was determined by application of the terms of medical, dental and life insurance plans, including the effect of established maximums on covered costs, together with relevant actuarial assumptions and health care cost trend rates projected at a CPI increase of 3 percent and 4 percent in 1996 and 1995, respectively (except for union employees). For union employees, the health care cost trend rates were projected at annual rates ranging ratably from 9 percent in 1996 to 6 percent through the year 2002 and level thereafter. The effect of a 1 percent annual increase in these assumed cost trend rates would increase the accumulated postretirement benefit obligation by approximately $14 million in 1996; the annual service and interest costs would not be materially affected. The weighted average discount rate used in determining the accumulated postretirement benefit obligation as of December 31, 1996 and 1995 was 7.5 percent. Occidental's funding policy generally is to pay claims as they come due. However in 1996 and 1995, MidCon prefunded certain postretirement benefits associated with its regulated operations. Related assets are invested in short-term securities.

The following table sets forth the postretirement plans' combined status, reconciled with the amounts included in the consolidated balance sheets at December 31, 1996 and 1995 (in millions):

Balance at December 31,	1996	1995
Accumulated postretirement benefit obligation		
Retirees	$ 319	$ 379
Fully eligible active plan participants	63	59
Other active plan participants	85	101
Total accumulated postretirement benefit obligation	467	539
Plan assets at fair value	34	26
Unfunded status	433	513
Unrecognized prior service cost	(5)	(5)
Unrecognized net gain(loss)	78	(1)
Accrued postretirement benefit cost	$ 506	$ 507

Net periodic postretirement benefit cost for 1996, 1995 and 1994 included the following components (in millions):

For the years ended December 31,	1996	1995	1994
Service cost--benefits attributed to service during the period	$ 7	$ 8	$ 9
Interest cost on accumulated postretirement benefit obligation	37	41	42
Actual return on plan assets	(1)	(1)	(1)
Net amortization and deferral	--	1	4
Curtailments and settlements	--	(26)	--
Net periodic postretirement benefit cost	$ 43	$ 23	$ 54

NOTE 15 INVESTMENTS

Investments in companies, other than oil and gas exploration and production companies, in which Occidental has a voting stock interest of at least 20 percent, but not more than 50 percent, and certain partnerships are accounted for on the equity method. At December 31, 1996, Occidental's equity investments consisted primarily of joint-interest pipelines, including a pipeline in the Dutch sector of the North Sea, an investment of approximately 30 percent in the common shares of CanadianOxy and various chemical partnerships and joint ventures. Equity investments paid dividends of $62 million, $51 million and $45 million to Occidental in 1996, 1995 and 1994, respectively. Cumulative undistributed earnings since acquisition, in the amount of $205 million, of 50-percent-or-less-owned companies have been accounted for by Occidental under the equity method. At December 31, 1996 and 1995, Occidental's investment in equity investees exceeded the historical underlying equity in net assets by approximately $258 million and $203 million, respectively, which is being amortized into income over periods not exceeding 40 years. The aggregate market value of the investment in CanadianOxy, based on the quoted market price for CanadianOxy common shares, was $644 million at December 31, 1996, compared with an aggregate book value of $251 million.

Occidental and its subsidiaries' purchases from certain equity method pipeline ventures and chemical partnerships were $191 million, $202 million and $202 million in 1996, 1995 and 1994, respectively. Occidental and its subsidiaries' sales to certain equity method pipeline ventures and chemical partnerships were $246 million, $265 million and $225 million, in 1996, 1995 and 1994, respectively.

The following table presents Occidental's proportional interest in the summarized financial information of its equity method investments (in millions):

For the years ended December 31,	1996	1995	1994
Revenues	$ 884	$ 806	$ 684
Costs and expenses	801	694	611
Net income	$ 83	$ 112	$ 73

Balance at December 31,	1996	1995
Current assets	$ 287	$ 246
Noncurrent assets	$ 1,206	$ 979
Current liabilities	$ 184	$ 168
Noncurrent liabilities	$ 707	$ 524
Stockholders' equity	$ 602	$ 533

Investments also include certain cost method investments, in which Occidental owns less than 20 percent of the voting stock. At December 31, 1996, these investments consisted primarily of the shares in Clark (see Note 8).

NOTE 16 SUMMARIZED FINANCIAL INFORMATION OF WHOLLY-OWNED SUBSIDIARY

Occidental has guaranteed the payments of principal of, and interest on, certain publicly traded debt securities of its subsidiary, OXY USA.

The following table presents summarized financial information for OXY USA (in millions):

For the years ended December 31,	1996	1995	1994
Revenues	$ 982	$ 709	$ 748
Costs and expenses	882	778	749
Net income(loss)	$ 100	$ (69)	$ (1)

Balance at December 31,	1996	1995
Current assets	$ 183	$ 206
Intercompany receivable	$ 428	$ 323
Noncurrent assets	$ 2,028	$ 2,057
Current liabilities	$ 277	$ 244
Interest bearing note to parent	$ 105	$ 121
Noncurrent liabilities	$ 1,221	$ 1,283
Stockholders' equity	$ 1,036	$ 938

NOTE 17 INDUSTRY SEGMENTS AND GEOGRAPHIC AREAS

Occidental conducts its continuing operations through three industry segments: oil and gas, natural gas transmission and chemical. The oil and gas segment explores for, develops, produces and markets crude oil and natural gas domestically and internationally. The natural gas transmission segment engages in interstate and intrastate natural gas transmission and marketing through an extensive network of pipelines. The chemical segment manufactures and markets, domestically and internationally, a variety of basic chemicals, petrochemicals, polymers and plastics and specialty chemicals.

Earnings of industry segments and geographic areas exclude interest income, interest expense, unallocated corporate expenses, discontinued operations, extraordinary items and income from equity investments, but include gains from dispositions of segment and geographic area assets (see Note 4). Intersegment sales and transfers between geographic areas are made at prices approximating current market values and are not significant.

Foreign income and other taxes and certain state taxes are included in segment earnings on the basis of operating results. U.S. federal income taxes are not allocated to segments except for amounts in lieu thereof that represent the tax effect of operating charges or credits resulting from purchase accounting adjustments which arise due to the implementation in 1992 of SFAS No. 109.

Identifiable assets are those assets used in the operations of the segments. Corporate assets consist of cash, short-term investments, certain corporate receivables and other assets.

INDUSTRY SEGMENTS
In millions

	Oil and Gas	Natural Gas Transmission	Chemical	Corporate	Total
YEAR ENDED DECEMBER 31, 1996					
TOTAL REVENUES	$ 3,695	$ 2,575	$ 4,484	$ 144	$ 10,898
Pretax operating profit(loss)(a,b)	$ 739	$ 302	$ 683	$ (572)	$ 1,152
Income taxes	(259)	(6)	(15)	(174)	(454)
Extraordinary gain(loss)	--	--	--	(30)	(30)
NET INCOME(LOSS)	$ 480(c)	$ 296	$ 668(d)	$ (776)(e)	$ 668
Property, plant and equipment additions, net(f)	$ 651	$ 147	$ 262	$ 14	$ 1,074
Depreciation, depletion and amortization	$ 493	$ 184	$ 236	$ 8	$ 921
TOTAL ASSETS	$ 4,402	$ 7,305	$ 5,429	$ 498	$ 17,634
YEAR ENDED DECEMBER 31, 1995					
TOTAL REVENUES	$ 3,043	$ 2,049	$ 5,410	$ 192	$ 10,694
Pretax operating profit(loss)(a,b)	$ 211	$ 218	$ 1,107	$ (623)	$ 913
Income taxes	(166)	(5)	(27)	(204)	(402)
NET INCOME(LOSS)	$ 45(g)	$ 213(h)	$ 1,080(i)	$ (827)	$ 511
Property, plant and equipment additions, net(f)	$ 480	$ 150	$ 243	$ 11	$ 884
Depreciation, depletion and amortization	$ 451	$ 200	$ 262	$ 9	$ 922
TOTAL ASSETS	$ 4,594	$ 7,037	$ 5,181	$ 1,003	$ 17,815
YEAR ENDED DECEMBER 31, 1994					
TOTAL REVENUES	$ 2,494	$ 2,135	$ 4,681	$ 106	$ 9,416
Pretax operating profit(loss)(a,b)	$ 128	$ 281	$ 368	$ (670)	$ 107
Income taxes	(101)	(5)	(18)	(19)	(143)
NET INCOME(LOSS)	$ 27(j)	$ 276(k)	$ 350(l)	$ (689)(m)	$ (36)
Property, plant and equipment additions, net(f)	$ 789	$ 93	$ 190	$ 2	$ 1,074
Depreciation, depletion and amortization	$ 396	$ 198	$ 278	$ 10	$ 882
TOTAL ASSETS	$ 4,488	$ 7,119	$ 5,935	$ 447	$ 17,989

(a) Research and development costs were $16 million in 1996, $21 million in 1995 and $22 million in 1994.

(b) Divisional earnings include charges and credits in lieu of U.S. federal income taxes. In 1996, the amounts allocated to the divisions were credits of $15 million, $48 million and $26 million at oil and gas, natural gas transmission and chemical, respectively. In 1995, the amounts allocated to the divisions were credits of $16 million, $48 million and $27 million at oil and gas, natural gas transmission and chemical, respectively. In 1994, a credit of $18 million, a net credit of $41 million and a credit of $32 million were allocated to oil and gas, natural gas transmission and chemical, respectively.

(c) Includes a charge of $105 million for the write-down of investment in the Republic of Komi.

(d) Includes a pretax gain of $170 million related to favorable litigation settlements and a charge of $75 million for additional environmental reserves, and the related state tax effects.

(e) Includes a $100 million reduction in the deferred tax asset valuation allowance.

(f) Excludes acquisitions of other businesses of $58 million in chemical in 1996 and $11 million and $257 million in oil and gas in 1995 and 1994, respectively. Includes capitalized interest of $9 million in 1996, $10 million in 1995 and $5 million in 1994.

(g) Includes charges of $109 million for settlement of litigation and $95 million for reorganization costs.

(h) Includes a charge of $37 million for reorganization costs.

(i) Includes a pretax gain of $40 million from the sale of a PVC facility at Addis, Louisiana.

(j) Includes a $45 million charge for environmental and litigation matters, a charge of $11 million for the impairment of oil and gas properties and a $12 million charge for a voluntary retirement program and severance and related costs, partially offset by a $16 million gain resulting from the sale of the remaining interest in its producing operations in Argentina and a $15 million benefit resulting from the reversal of reserves no longer needed for anticipated liabilities related to the sale of the U.K. North Sea interests.

(k) Includes a benefit of $13 million from a reduction of LIFO gas storage inventory and a net benefit of $12 million from the reduction of the contract impairment reserve.

(l) Includes a $55 million charge for litigation matters, charges of $48 million for expenses related to the curtailment and closure of certain plant operations and an $11 million unfavorable impact related to an explosion at the Taft plant and charges for start-up costs related to the Swift Creek chemical plant.

(m) Includes a net benefit of $7 million resulting from the reversal of reserves no longer required and the adoption of SFAS No. 112--"Employers' Accounting for Postemployment Benefits."

GEOGRAPHIC AREAS(a,b)
In millions

	United States	Other Western Hemisphere	Eastern Hemisphere and Other	Corporate	Total
YEAR ENDED DECEMBER 31, 1996					
TOTAL REVENUES	$ 8,954(c)	$ 769	$ 1,031	$ 144	$ 10,898
Geographic earnings(loss) before taxes	$ 1,224	$ 260	$ 240	$ (572)	$ 1,152
Income taxes	(21)	(90)	(169)	(174)	(454)
Extraordinary gain(loss)	--	--	--	(30)	(30)
NET INCOME(LOSS)	$ 1,203	$ 170	$ 71	$ (776)	$ 668
TOTAL ASSETS	$ 14,870	$ 897	$ 1,369	$ 498	$ 17,634
YEAR ENDED DECEMBER 31, 1995					
TOTAL REVENUES	$ 9,034(c)	$ 672	$ 796	$ 192	$ 10,694
Geographic earnings(loss) before taxes	$ 1,131	$ 182	$ 223	$ (623)	$ 913
Income taxes	(29)	(56)	(113)	(204)	(402)
NET INCOME(LOSS)	$ 1,102	$ 126	$ 110	$ (827)	$ 511
TOTAL ASSETS	$ 14,483	$ 783	$ 1,546	$ 1,003	$ 17,815
YEAR ENDED DECEMBER 31, 1994					
TOTAL REVENUES	$ 8,263(c)	$ 626	$ 421	$ 106	$ 9,416
Geographic earnings(loss) before taxes	$ 665	$ 167	$ (55)	$ (670)	$ 107
Income taxes	(20)	(65)	(39)	(19)	(143)
NET INCOME(LOSS)	$ 645	$ 102	$ (94)	$ (689)	$ (36)
TOTAL ASSETS	$ 15,335	$ 708	$ 1,499	$ 447	$ 17,989

(a) Included in the consolidated balance sheets were liabilities of approximately $254 million, $285 million and $249 million at December 31, 1996, 1995 and 1994, respectively, which pertained to operations based outside the United States and Canada.
(b) Investments in foreign countries are subject to the actions of those countries, which could significantly affect Occidental's operations and investments in those countries.
(c) Includes export sales, consisting of chemical products, of approximately $673 million, $1.039 billion and $756 million in 1996, 1995 and 1994, respectively.

NOTE 18 COSTS AND RESULTS OF OIL AND GAS PRODUCING ACTIVITIES

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

	United States	Other Western Hemisphere	Eastern Hemisphere and Other	Total Worldwide
DECEMBER 31, 1996				
Proved properties	$ 4,695	$ 1,891	$ 1,274	$ 7,860
Unproved properties	64	33	97	194
TOTAL PROPERTY COSTS(a)	4,759	1,924	1,371	8,054
Support facilities	11	125	54	190
TOTAL CAPITALIZED COSTS	4,770	2,049	1,425	8,244
Accumulated depreciation, depletion and amortization and valuation provisions	(2,760)	(1,554)	(522)	(4,836)
NET CAPITALIZED COSTS	$ 2,010	$ 495	$ 903	$ 3,408
Share of equity investees' net capitalized costs(b)	$ 76	$ 80	$ 152	$ 308
DECEMBER 31, 1995				
Proved properties	$ 4,614	$ 1,754	$ 1,224	$ 7,592
Unproved properties	78	36	184	298
TOTAL PROPERTY COSTS(a)	4,692	1,790	1,408	7,890
Support facilities	21	119	50	190
TOTAL CAPITALIZED COSTS	4,713	1,909	1,458	8,080
Accumulated depreciation, depletion and amortization and valuation provisions	(2,680)	(1,474)	(381)	(4,535)
NET CAPITALIZED COSTS	$ 2,033	$ 435	$ 1,077	$ 3,545
Share of equity investees' net capitalized costs(b)	$ 68	$ 66	$ 164	$ 298
DECEMBER 31, 1994				
Proved properties	$ 4,566	$ 1,645	$ 1,239	$ 7,450
Unproved properties	96	19	99	214
TOTAL PROPERTY COSTS(a)	4,662	1,664	1,338	7,664
Support facilities	22	127	51	200
TOTAL CAPITALIZED COSTS	4,684	1,791	1,389	7,864
Accumulated depreciation, depletion and amortization and valuation provisions	(2,559)	(1,410)	(339)	(4,308)
NET CAPITALIZED COSTS	$ 2,125	$ 381	$ 1,050	$ 3,556
Share of equity investees' net capitalized costs(b)	$ 56	$ 61	$ 206	$ 323

(a) Includes costs related to leases, exploration costs, lease and well equipment, pipelines and terminals, gas plants and other equipment.
(b) Excludes amounts applicable to synthetic fuels.

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

	United States	Other Western Hemisphere	Eastern Hemisphere and Other	Total Worldwide
DECEMBER 31, 1996				
Acquisition of properties				
Proved	$ 8	$ --	$ 28	$ 36
Unproved	9	--	--	9
Exploration costs	30	55	80	165
Development costs	212	118	244	574
	$ 259	$ 173	$ 352	$ 784
Share of equity investees' costs	$ 35	$ 36	$ 54	$ 125
DECEMBER 31, 1995				
Acquisition of properties				
Proved	$ 4	$ --	$ 55	$ 59
Unproved	7	--	4	11
Exploration costs	29	34	70	133
Development costs	173	110	118	401
	$ 213	$ 144	$ 247	$ 604
Share of equity investees' costs	$ 28	$ 23	$ 25	$ 76
DECEMBER 31, 1994				
Acquisition of properties				
Proved	$ 268	$ --	$ 252	$ 520
Unproved	24	--	47	71
Exploration costs	31	20	102	153
Development costs	167	85	99	351
	$ 490(a)	$ 105	$ 500(a)	$ 1,095
Share of equity investees' costs	$ 14	$ 14	$ 27	$ 55

(a) Amounts exclude the deferred tax effects of $22 million and $21 million in the United States and Eastern Hemisphere and Other, respectively, related to the Placid acquisition.

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

	United States	Other Western Hemisphere(a)	Eastern Hemisphere and Other	Total Worldwide
FOR THE YEAR ENDED DECEMBER 31, 1996				
Revenues	$ 906	$ 571	$ 912(b)	$ 2,389
Production costs	241	157	184	582
Exploration expenses	25	28	67	120
Other operating expenses	49	51	124	224
Other expense--write-down of investment in Komi	--	--	105	105
Depreciation, depletion and amortization and valuation provisions	234(c)	83	164	481
PRETAX INCOME(LOSS)	357	252	268	877
Income tax expense(benefit)(d)	81	89	169(b)	339
RESULTS OF OPERATIONS	$ 276	$ 163	$ 99	$ 538
Share of equity investees' results of operations	$ 8	$ 3	$ 25	$ 36
FOR THE YEAR ENDED DECEMBER 31, 1995				
Revenues	$ 702	$ 467	$ 679(b)	$ 1,848
Production costs	238	157	141	536
Exploration expenses	22	30	54	106
Other operating expenses	51	67	118	236
Depreciation, depletion and amortization and valuation provisions	249(c)	69	128	446
PRETAX INCOME(LOSS)	142	144	238	524
Income tax expense(benefit)(d)	16	52	113(b)	181
RESULTS OF OPERATIONS(e)	$ 126	$ 92	$ 125	$ 343
Share of equity investees' results of operations	$ 6	$ 1	$ 25	$ 32
FOR THE YEAR ENDED DECEMBER 31, 1994				
Revenues	$ 724	$ 422	$ 326(b)	$ 1,472
Production costs	249	165	86	500
Exploration expenses	20	17	90	127
Other operating expenses	60	78	83	221
Depreciation, depletion and amortization and valuation provisions	220(c)	61	102	383
PRETAX INCOME(LOSS)	175	101	(35)	241
Income tax expense(benefit)(d)	--	62	39(b)	101
RESULTS OF OPERATIONS(e)	$ 175	$ 39	$ (74)	$ 140
Share of equity investees' results of operations	$ 4	$ 7	$ 17	$ 28

(a) Includes amounts applicable to operating interests in which Occidental receives an agreed-upon fee per barrel of crude oil produced.
(b) Revenues and income tax expense include taxes owed by Occidental but paid by governmental entities on its behalf.
(c) Includes a credit of $15 million, $16 million and $18 million in 1996, 1995 and 1994, respectively, under the method of allocating amounts in lieu of taxes.
(d) U.S. federal income taxes reflect expense allocations related to oil and gas activities, including allocated interest and corporate overhead. Foreign income taxes were included in geographic areas on the basis of operating results.
(e) The 1995 and 1994 amounts have been restated as a result of cost reclassifications to be on a consistent basis with 1996. The new presentation reflects the current cost structure of the oil and gas producing activities of the Company.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of OCCIDENTAL PETROLEUM CORPORATION (a Delaware corporation) and consolidated subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1996 (included on pages 33 through 59). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Occidental Petroleum Corporation and consolidated subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

ARTHUR ANDERSEN LLP
Los Angeles, California
January 31, 1997

In millions, except per-share amounts and Subsidiaries

Three months ended	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31	TOTAL YEAR
Divisional net sales					
Oil and gas	$ 754	$ 878	$ 1,148	$ 900	$ 3,680
Natural gas transmission	702	521	554	797	2,574
Chemical	1,068	1,058	1,084	1,097	4,307
Other	(2)	--	--	(2)	(4)
Net sales	$ 2,522	$ 2,457	$ 2,786	$ 2,792	$ 10,557
Gross profit	$ 648	$ 623	$ 624	$ 728	$ 2,623
Divisional earnings					
Oil and gas	$ 161	$ 144	$ 20	$ 155	$ 480
Natural gas transmission	121	51	49	75	296
Chemical	118	212	228	110	668
	400	407	297	340	1,444
Unallocated corporate items					
Interest expense, net	(130)	(112)	(107)	(102)	(451)
Income taxes	(99)	(112)	7	(59)	(263)
Other	(7)	(2)	(3)	(20)	(32)
Income before extraordinary items	164	181	194	159	698
Extraordinary gain(loss), net	(30)	--	--	--	(30)
Net income(loss)	$ 134	$ 181(a)	$ 194(b)	$ 159	$ 668
Primary earnings per common share					
Income before extraordinary items	$ .44	$ .49	$ .53	$ .41	$ 1.86
Extraordinary gain(loss), net	(.09)	--	--	--	(.09)
Primary earnings(loss) per common share	$ .35	$ .49	$ .53	$ .41	$ 1.77
Fully diluted earnings per common share					
Income before extraordinary items	$ .43	$ .47	$ .50	$ .40	$ 1.81
Extraordinary gain(loss), net	(.09)	--	--	--	(.08)
Fully diluted earnings(loss) per common share	$ .34	$ .47	$ .50	$ .40	$ 1.73
Dividends per common share	$ .25	$ .25	$ .25	$ .25	$ 1.00
Market price per common share					
High	$ 27	$ 27 1/4	$ 25 7/8	$ 25 5/8	
Low	$ 20 1/8	$ 24 1/4	$ 21 1/2	$ 20 1/2	

(a) Includes a $130 million benefit related to a favorable litigation settlement, and a charge of $75 million for additional environmental reserves relating to various existing sites, and the related state tax effects in the chemical division.

(b) Includes a charge of $105 million for the write-down of an investment in an oil and gas project in the Republic of Komi, a $40 million benefit related to a favorable litigation settlement in the chemical division and a $100 million benefit for a reduction in the deferred tax asset valuation allowance.

In millions, except per-share amounts

Three months ended	March 31	June 30	September 30	December 31	Total Year
Divisional net sales					
Oil and gas	$ 705	$ 756	$ 779	$ 778	$ 3,018
Natural gas transmission	538	468	454	578	2,038
Chemical	1,472	1,456	1,325	1,117	5,370
Other	(1)	(1)	(1)	--	(3)
Net sales	$ 2,714	$ 2,679	$ 2,557	$ 2,473	$ 10,423
Gross profit	$ 687	$ 724	$ 594	$ 555	$ 2,560
Divisional earnings					
Oil and gas	$ 60	$ (30)	$ 46	$ (31)	$ 45
Natural gas transmission	75	62	54	22	213
Chemical	307	354	252	167	1,080
	442	386	352	158	1,338
Unallocated corporate items					
Interest expense, net	(144)	(133)	(133)	(130)	(540)
Income taxes	(125)	(73)	(83)	(14)	(295)
Other	5	7	3	(7)	8
Income before extraordinary items	178	187	139	7	511
Extraordinary gain(loss), net	--	--	--	--	--
Net income(loss)	$ 178	$ 187(a)	$ 139	$ 7(b)	$ 511
Primary earnings per common share					
Income before extraordinary items	$ .49	$ .51	$ .36	$ (.05)	$ 1.31
Extraordinary gain(loss), net	--	--	--	--	--
Primary earnings(loss) per common share	$ .49	$ .51	$ .36	$ (.05)	$ 1.31
Fully diluted earnings per common share					
Income before extraordinary items	$ .47	$ .49	$ .36	$ (.05)	$ 1.30
Extraordinary gain(loss), net	--	--	--	--	--
Fully diluted earnings(loss) per common share	$ .47	$ .49	$ .36	$ (.05)	$ 1.30
Dividends per common share	$ .25	$ .25	$ .25	$ .25	$ 1.00
Market price per common share					
High	$ 22	$ 24 3/8	$ 23 7/8	$ 23 1/2	
Low	$ 18	$ 21 1/4	$ 21 1/8	$ 20 1/8	

(a) Includes charges of $109 million for settlement of litigation in the oil and gas division, partially offset by a pretax gain of $40 million from the sale of Occidental's PVC facility at Addis, Louisiana.
(b) Includes reorganization charges of $132 million, of which $95 million was recorded in the oil and gas division and $37 million recorded in the natural gas transmission division.

SUPPLEMENTAL OIL AND GAS INFORMATION (Unaudited)

The following tables set forth Occidental's net interests in quantities of proved developed and undeveloped reserves of crude oil, condensate and natural gas and changes in such quantities. Crude oil reserves (in millions of barrels) include condensate. The reserves are stated after applicable royalties. Estimates of reserves have been made by Occidental engineers. These estimates include reserves in which Occidental holds an economic interest under service contracts and other arrangements.

RESERVES
Oil in millions of barrels, natural gas in billions of cubic feet

	United States		Other Western Hemisphere		Eastern Hemisphere and Other		Total Worldwide	
	Oil	Gas	Oil(a)	Gas	Oil	Gas	Oil	Gas
PROVED DEVELOPED AND UNDEVELOPED RESERVES								
BALANCE AT DECEMBER 31, 1993	195	1,980	395	3	203	153	793	2,136
Revisions of previous estimates	3	(5)	68	--	21	--	92	(5)
Improved recovery	10	2	--	--	5	--	15	2
Extensions and discoveries	10	78	22	--	18	27	50	105
Purchases of proved reserves	22	154	--	--	56	193	78	347
Sales of proved reserves	--	(3)	(23)	(3)	--	--	(23)	(6)
Production	(22)	(227)	(44)	--	(21)	(19)	(87)	(246)
BALANCE AT DECEMBER 31, 1994	218	1,979	418	--	282	354	918	2,333
Revisions of previous estimates	6	25	14	--	51	(14)	71	11
Improved recovery	6	6	24	--	12	--	42	6
Extensions and discoveries	5	35	8	--	12	373	25	408
Purchases of proved reserves	--	4	--	--	--	9	--	13
Sales of proved reserves	(16)(b)	(5)	--	--	(9)(b)	(37)	(25)	(42)
Production	(23)	(223)	(47)	--	(31)	(46)	(101)	(269)
BALANCE AT DECEMBER 31, 1995	196	1,821	417	--	317	639	930	2,460
Revisions of previous estimates	11	26	(19)	--	77	200	69	226
Improved recovery	1	--	--	--	18	--	19	--
Extensions and discoveries	16	105	3	--	11	40	30	145
Purchases of proved reserves	1	18	--	--	--	3	1	21
Sales of proved reserves	(1)	(6)	--	--	(46)	--	(47)	(6)
Production	(21)	(220)	(47)	--	(37)	(42)	(105)	(262)
BALANCE AT DECEMBER 31, 1996	203	1,744	354	--	340	840	897	2,584
PROPORTIONAL INTEREST IN EQUITY INVESTEES' RESERVES								
December 31, 1993	4	35	11	90	29	58	44	183
December 31, 1994	5	32	11	84	25	46	41	162
December 31, 1995	5	36	12	81	21	39	38	156
DECEMBER 31, 1996	5	47	14	77	20	30	39	154

See footnotes on following page.

RESERVES continued
Oil in millions of barrels, natural gas in billions of cubic feet

	United States		Other Western Hemisphere		Eastern Hemisphere and Other		Total Worldwide	
	Oil	Gas	Oil(a)	Gas	Oil	Gas	Oil	Gas
PROVED DEVELOPED RESERVES								
December 31, 1993	155	1,792	300	3	103	56	558	1,851
December 31, 1994	169	1,851	258	--	173	264	600	2,115
December 31, 1995	149	1,747	283	--	195	235	627	1,982
DECEMBER 31, 1996	153	1,677	260	--	213	205	626	1,882
PROPORTIONAL INTEREST IN EQUITY INVESTEES' RESERVES								
December 31, 1993	4	27	6	83	27	54	37	164
December 31, 1994	4	27	7	77	24	38	35	142
December 31, 1995	5	30	10	75	16	31	31	136
DECEMBER 31, 1996	4	41	13	69	15	25	32	135

(a) Portions of these reserves are being produced pursuant to exclusive service contracts.
(b) Includes approximately 14 million and 6 million barrels of oil (which approximate 17.7 million barrels of WTI-equivalent oil) in the United States and Eastern Hemisphere and Other, respectively, associated with the advance sale of crude oil (see Note 8).

STANDARDIZED MEASURE, INCLUDING YEAR-TO-YEAR CHANGES THEREIN, OF DISCOUNTED FUTURE NET CASH FLOWS For purposes of the following disclosures, estimates were made of quantities of proved reserves and the periods during which they are expected to be produced. Future cash flows were computed by applying year-end prices to Occidental's share of estimated annual future production from proved oil and gas reserves, net of royalties. Future development and production costs were computed by applying year-end costs to be incurred in producing and further developing the proved reserves. Future income tax expenses were computed by applying, generally, year-end statutory tax rates (adjusted for permanent differences, tax credits and allowances) to the estimated net future pretax cash flows. The discount was computed by application of a 10 percent discount factor. The calculations assumed the continuation of existing economic, operating and contractual conditions at each of December 31, 1996, 1995 and 1994. However, such arbitrary assumptions have not necessarily proven to be the case in the past. Other assumptions of equal validity would give rise to substantially different results.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS
In millions

	United States	Other Western Hemisphere(a)	Eastern Hemisphere and Other	Total Worldwide
AT DECEMBER 31, 1996				
Future cash flows	$ 8,887	$ 4,642	$ 8,399	$ 21,928
Future costs				
Production costs and other operating expenses	(3,296)	(1,853)	(3,139)	(8,288)
Development costs(b)	(514)	(289)	(1,184)	(1,987)
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	5,077	2,500	4,076	11,653
Future income tax expense	(1,646)	(875)	(457)	(2,978)
FUTURE NET CASH FLOWS	3,431	1,625	3,619	8,675
Ten percent discount factor	(1,462)	(555)	(1,418)	(3,435)
STANDARDIZED MEASURE	1,969	1,070	2,201	5,240
Share of equity investees' standardized measure	117	104	234	455
	$ 2,086	$ 1,174	$ 2,435	$ 5,695
AT DECEMBER 31, 1995				
Future cash flows	$ 6,110	$ 4,206	$ 5,639	$ 15,955
Future costs				
Production costs and other operating expenses	(2,479)	(1,824)	(2,303)	(6,606)
Development costs(b)	(496)	(269)	(689)	(1,454)
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	3,135	2,113	2,647	7,895
Future income tax expense	(916)	(655)	(234)	(1,805)
FUTURE NET CASH FLOWS	2,219	1,458	2,413	6,090
Ten percent discount factor	(979)	(564)	(957)	(2,500)
STANDARDIZED MEASURE	1,240	894	1,456	3,590
Share of equity investees' standardized measure	76	53	239	368
	$ 1,316	$ 947	$ 1,695	$ 3,958
AT DECEMBER 31, 1994				
Future cash flows	$ 6,333	$ 3,769	$ 4,253	$ 14,355
Future costs				
Production costs and other operating expenses	(2,557)	(1,830)	(1,748)	(6,135)
Development costs(b)	(560)	(321)	(169)	(1,050)
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	3,216	1,618	2,336	7,170
Future income tax expense	(928)	(517)	(138)	(1,583)
FUTURE NET CASH FLOWS	2,288	1,101	2,198	5,587
Ten percent discount factor	(1,004)	(448)	(833)	(2,285)
STANDARDIZED MEASURE	1,284	653	1,365	3,302
Share of equity investees' standardized measure	49	47	258	354
	$ 1,333	$ 700	$ 1,623	$ 3,656

(a) Includes amounts applicable to operating interests in which Occidental receives an agreed-upon fee per barrel of crude oil produced.
(b) Includes dismantlement and abandonment costs.

CHANGES IN THE STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS FROM PROVED RESERVE QUANTITIES
In millions

For the years ended December 31,	1996	1995	1994
BEGINNING OF YEAR	$ 3,590	$ 3,302	$ 2,216
Sales and transfers of oil and gas produced, net of production costs and other operating expenses	(1,640)	(1,169)	(764)
Net change in prices received per barrel, net of production costs and other operating expenses	2,604	672	477
Extensions, discoveries and improved recovery, net of future production and development costs	576	170	215
Change in estimated future development costs	(620)	(110)	(163)
Revisions of quantity estimates	863	394	246
Development costs incurred during the period	573	401	328
Accretion of discount	305	369	260
Net change in income taxes	(655)	(195)	(108)
Purchases and sales of reserves in place, net	(403)	(247)	599
Changes in production rates and other	47	3	(4)
NET CHANGE	1,650	288	1,086
END OF YEAR	$ 5,240	$ 3,590	$ 3,302

The information set forth below does not include information with respect to operations of equity investees.

The following table sets forth, for each of the three years in the period ended December 31, 1996, Occidental's approximate average sales prices and average production costs of oil and gas. Production costs are the costs incurred in lifting the oil and gas to the surface and include gathering, treating, primary processing, field storage, property taxes and insurance on proved properties, but do not include depreciation, depletion and amortization, royalties, income taxes, interest, general and administrative and other expenses.

AVERAGE SALES PRICES AND AVERAGE PRODUCTION COSTS OF OIL AND GAS

For the years ended December 31,	United States	Other Western Hemisphere(a,b)	Eastern Hemisphere and Other(a)
1996			
Oil			
Average sales price ($/bbl.)	$ 18.98	$ 12.65	$ 17.66
Gas			
Average sales price ($/Mcf)	$ 2.11	$ --	$ 2.23
Average oil and gas production cost ($/bbl.)(c)	$ 4.04	$ 3.34	$ 4.09
1995			
Oil			
Average sales price ($/bbl.)	$ 15.61	$ 10.62	$ 14.47
Gas			
Average sales price ($/Mcf)	$ 1.51	$ --	$ 2.07
Average oil and gas production cost ($/bbl.)(c)	$ 3.96	$ 3.34	$ 3.65
1994			
Oil			
Average sales price ($/bbl.)	$ 14.21	$ 10.19	$ 12.08
Gas			
Average sales price ($/Mcf)	$ 1.85	$ 1.72	$ 1.15
Average oil and gas production cost ($/bbl.)(c)	$ 4.16	$ 3.75	$ 3.56

(a) Sales prices are calculated before royalties with respect to certain of Occidental's interests.
(b) Sales prices include fees received under service contracts.
(c) Natural gas volumes have been converted to equivalent barrels based on energy content of six Mcf of gas to one barrel of oil.

The following table sets forth, for each of the three years in the period ended December 31, 1996, Occidental's net productive and dry exploratory and development wells drilled.

NET PRODUCTIVE AND DRY EXPLORATORY AND DEVELOPMENT WELLS DRILLED

For the years ended December 31,		United States	Other Western Hemisphere	Eastern Hemisphere and Other	Total Worldwide
1996					
Oil--	Exploratory	--	2.8	3.6	6.4
	Development	61.6	23.2	18.4	103.2
Gas--	Exploratory	2.6	--	2.0	4.6
	Development	103.2	--	1.7	104.9
Dry--	Exploratory	5.5	2.5	6.2	14.2
	Development	15.6	0.5	2.1	18.2
1995					
Oil--	Exploratory	1.4	0.7	2.0	4.1
	Development	79.3	20.6	26.8	126.7
Gas--	Exploratory	9.0	--	1.7	10.7
	Development	90.1	--	4.7	94.8
Dry--	Exploratory	5.5	2.7	7.9	16.1
	Development	14.5	0.4	--	14.9
1994					
Oil--	Exploratory	1.5	--	3.0	4.5
	Development	139.6	10.8	58.6	209.0
Gas--	Exploratory	0.6	--	1.0	1.6
	Development	104.7	--	1.0	105.7
Dry--	Exploratory	3.2	--	12.5	15.7
	Development	19.5	0.9	0.6	21.0

The following table sets forth, as of December 31, 1996, Occidental's productive oil and gas wells (both producing wells and wells capable of production). The numbers in parentheses indicate the number of wells with multiple completions.

PRODUCTIVE OIL AND GAS WELLS

Wells at December 31, 1996		United States		Other Western Hemisphere		Eastern Hemisphere and Other		Total Worldwide	
Oil--	Gross(a)	9,592	(268)	382	(-)	778	(21)	10,752	(289)
	Net(b)	5,280	(61)	265	(-)	402	(21)	5,947	(82)
Gas--	Gross(a)	3,970	(184)	--	(-)	113	(-)	4,083	(184)
	Net(b)	2,551	(43)	--	(-)	36	(-)	2,587	(43)

(a) The total number of wells in which interests are owned or which are operated under service contracts.
(b) The sum of fractional interests.

The following table sets forth, as of December 31, 1996, Occidental's participation in exploratory and development wells being drilled.

PARTICIPATION IN EXPLORATORY AND DEVELOPMENT WELLS BEING DRILLED

Wells at December 31, 1996		United States	Other Western Hemisphere	Eastern Hemisphere and Other	Total Worldwide
Exploratory and development wells--	Gross	59	3	18	80
	Net	43	3	7	53

At December 31, 1996, Occidental was participating in 102 pressure maintenance and waterflood projects in the United States, 1 in Latin America, 27 in the Middle East and 6 in Russia.

The following table sets forth, as of December 31, 1996, Occidental's holdings of developed and undeveloped oil and gas acreage.

OIL AND GAS ACREAGE

Thousands of acres		United States	Other Western Hemisphere	Eastern Hemisphere and Other	Total Worldwide
Developed(a)--	Gross(b)	2,288	135	11,379	13,802
	Net(c)	1,535	126	5,457	7,118
Undeveloped(d)--	Gross(b)	1,521	9,162	35,587	46,270
	Net(c)	806	7,084	21,110	29,000

(a) Acres spaced or assigned to productive wells.
(b) Total acres in which interests are held.
(c) Sum of the fractional interests owned, based on working interests or shares of production, if under production-sharing agreements.
(d) Acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas, regardless of whether the acreage contains proved reserves.

The following table sets forth, for each of the three years in the period ended December 31, 1996, Occidental's domestic oil and gas production.

OIL AND NATURAL GAS PRODUCTION--DOMESTIC

	Oil Production Thousands of barrels per day			Natural Gas Production Millions of cubic feet per day		
	1996	1995	1994	1996	1995	1994
California	2	5	5	--	--	--
Gulf of Mexico	10	11	11	154	157	180
Kansas	6	6	7	186	193	194
Louisiana	6	7	3	43	39	23
Mississippi	1	1	--	3	4	5
New Mexico	3	3	3	24	22	20
Oklahoma	4	5	5	52	57	60
Texas	21	21	22	126	128	131
Wyoming	--	--	--	9	8	5
Other States	4	5	3	4	4	2
TOTAL	57	64	59	601	612	620

The following table sets forth, for each of the three years in the period ended December 31, 1996, Occidental's international oil and gas production.

OIL AND NATURAL GAS PRODUCTION--INTERNATIONAL

	Oil Production Thousands of barrels per day			Natural Gas Production Millions of cubic feet per day		
	1996	1995	1994	1996	1995	1994
Argentina	--	--	4	--	--	1
Colombia	29	30	28	--	--	--
Congo	4	9	2	--	--	--
Ecuador	18	20	18	--	--	--
Netherlands	--	--	--	72	78	--
Oman	13	12	12	--	--	--
Pakistan	6	6	7	43	49	52
Peru	54	58	61	--	--	--
Qatar	38	20	3	--	--	--
Russia	25	23	21	--	--	--
Venezuela	27	21	8	--	--	--
Yemen	15	15	14	--	--	--
TOTAL	229	214	178	115	127	53

EXHIBIT 21

LIST OF SUBSIDIARIES

The following is a list of the Registrant's subsidiaries at December 31, 1996, other than certain subsidiaries that did not in the aggregate constitute a significant subsidiary.

NAME	JURISDICTION OF FORMATION
B & D Cogen Funding Corp.	Delaware
Compania Occidental de Hidrocarburos, Inc.	California
Glenn Springs Holdings, Inc.	Delaware
Laurel Industries, Inc.	Ohio
MC Exploration Corporation	Delaware
MC Leasing, Inc.	Delaware
MC Panhandle, Inc.	Delaware
MidCon Corp.	Delaware
MidCon Exploration Company	Delaware
MidCon Gas Services Corp.	Delaware
MidCon Texas Gas Limited, Inc.	Delaware
MidCon Texas Pipeline, L.P.	Delaware
MidCon Texas Pipeline Operator, Inc.	Delaware
Natural Gas Odorizing, Inc.	Oklahoma
Natural Gas Pipeline Company of America	Delaware
NGPL Offshore Company	Delaware
NGPL-Canyon Compression Co.	Delaware
NGPL-Trailblazer Inc.	Delaware
Occidental C.O.B. Partners	Delaware
Occidental Chemical Chile S.A.I.	Chile
Occidental Chemical Corporation	New York
Occidental Chemical Europe, S.A.	Belgium
Occidental Chemical Holding Corporation	California
Occidental Chemical International, Inc.	California
Occidental Crude Sales, Inc.	Delaware
Occidental de Colombia, Inc.	Delaware
Occidental Exploration and Production Company	California
Occidental International Exploration and Production Company	California
Occidental Netherlands, Inc.	Delaware
Occidental of Oman, Inc.	Liberia
Occidental of Russia Ltd.	Bermuda
Occidental Oil and Gas Corporation	California
Occidental Peninsula, Inc.	Delaware
Occidental Peruana, Inc.	California
Occidental Petroleum (Malaysia) Ltd.	Bermuda
Occidental Petroleum (Pakistan), Inc.	Delaware
Occidental Petroleum (South America), Inc.	Delaware
Occidental Petroleum Investment Co.	California
Occidental Petroleum of Qatar Ltd.	Bermuda
Occidental Philippines, Inc.	California
Occidental Quimica do Brasil Ltda.	Brazil
Occidental Receivables, Inc.	California
Occidental Tower Corporation	Delaware
Oxy CH Corporation	California
Oxy Chemical Corporation	California

(Continued on next page)

NAME	JURISDICTION OF FORMATION
Oxy Petrochemicals Inc.	Delaware
OXY USA Inc.	Delaware
Oxy VCM Corporation	Delaware
Oxy Westwood Corporation	California
Oxychem (Canada), Inc.	Canada
Palo Duro Pipeline Company, Inc.	Delaware
PDG Chemical Inc.	Delaware
Placid Oil Company	Delaware
Repsol Occidental Corporation	Delaware
Vulcan Material Plastico S.A.	Brazil

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of (a) our report, dated January 31, 1997 appearing in Occidental Petroleum Corporation's Annual Report for the year ended December 31, 1996, and (b) our report, dated January 31, 1997, appearing in Occidental Petroleum Corporation's Annual Report on Form 10-K for the year ended December 31, 1996, into Occidental Petroleum Corporation's previously filed Registration Statements Nos. 33-5487, 33-5490, 33-14662, 33-23798, 33-40054, 33-44791, 33-47636, 33-60492, 33-59395, 33-64719, 333-11725, 333-11897, 333-21019 and 333-17879.

Los Angeles, California
March 19, 1997

ARTHUR ANDERSEN LLP

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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DEC-31-1996
DEC-31-1996
279
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659
24
633
2,190
23,177
9,369
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2,725
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7,037
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698
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1.73