

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2006

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-9210

**OCCIDENTAL PETROLEUM CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**95-4035997**

(I.R.S. Employer Identification No.)

**10889 Wilshire Boulevard  
Los Angeles, California**

(Address of principal executive offices)

**90024**

(Zip Code)

**(310) 208-8800**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. (See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).  Yes  No

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

Class  
Common stock \$.20 par value

Outstanding at June 30, 2006  
422,669,741 shares

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

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**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements (unaudited)**

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED CONDENSED BALANCE SHEETS  
 June 30, 2006 AND DECEMBER 31, 2005  
 (Amounts in millions)

	2006	2005
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,356	\$ 2,188
Short-term investments	227	252
Receivables, net	3,664	3,099
Inventories	721	716
Prepaid expenses and other	255	256
Assets of discontinued operations	325	426
Total current assets	6,548	6,937
LONG-TERM RECEIVABLES, net	317	377
INVESTMENTS IN UNCONSOLIDATED ENTITIES	1,488	1,209
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation, depletion and amortization of \$10,687 at June 30, 2006 and \$9,774 at December 31, 2005	22,382	17,171
OTHER ASSETS	428	414
	\$ 31,163	\$ 26,108

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS  
June 30, 2006 AND DECEMBER 31, 2005  
(Amounts in millions)

	2006	2005
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt and capital lease liabilities	\$ 71	\$ 46
Accounts payable	2,498	2,046
Accrued liabilities	1,831	1,718
Domestic and foreign income taxes	254	326
Liabilities of discontinued operations	172	136
Total current liabilities	4,826	4,272
LONG-TERM DEBT, net of current maturities and unamortized discount	2,816	2,873
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>		
Deferred and other domestic and foreign income taxes	2,044	970
Liabilities of discontinued operations	208	—
Other	2,949	2,621
	5,201	3,591
MINORITY INTEREST	358	340
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, at par value	87	80
Treasury stock	(978)	(8)
Additional paid-in capital	6,998	4,908
Retained earnings	12,199	10,425
Accumulated other comprehensive income	(344)	(373)
	17,962	15,032
	\$ 31,163	\$ 26,108

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(Amounts in millions, except per-share amounts)

	Three months ended		Six months ended	
	June 30		June 30	
	2006	2005	2006	2005
<b>REVENUES</b>				
Net sales	\$ 4,599	\$ 3,385	\$ 8,995	\$ 6,558
Interest, dividends and other income	74	33	128	66
Gains on disposition of assets, net	16	143	19	147
	<u>4,689</u>	<u>3,561</u>	<u>9,142</u>	<u>6,771</u>
<b>COSTS AND OTHER DEDUCTIONS</b>				
Cost of sales	2,134	1,588	4,073	3,086
Selling, general and administrative and other operating expenses	347	305	691	564
Environmental remediation	9	10	16	19
Exploration expense	50	107	121	145
Interest and debt expense, net	72	61	140	136
	<u>2,612</u>	<u>2,071</u>	<u>5,041</u>	<u>3,950</u>
Income before taxes and other items	2,077	1,490	4,101	2,821
Provision for domestic and foreign income and other taxes	881	26	1,786	610
Minority interest	34	29	71	50
Income from equity investments	(42)	(45)	(111)	(116)
Income from continuing operations	1,204	1,480	2,355	2,277
Discontinued operations, net	(347)	56	(269)	105
<b>NET INCOME</b>	<u>\$ 857</u>	<u>\$ 1,536</u>	<u>\$ 2,086</u>	<u>\$ 2,382</u>
<b>BASIC EARNINGS PER COMMON SHARE</b>				
Income from continuing operations	\$ 2.80	\$ 3.68	\$ 5.51	\$ 5.68
Discontinued operations, net	(0.81)	0.14	(0.63)	0.26
Basic earnings per common share	<u>\$ 1.99</u>	<u>\$ 3.82</u>	<u>\$ 4.88</u>	<u>\$ 5.94</u>
<b>DILUTED EARNINGS PER COMMON SHARE</b>				
Income from continuing operations	\$ 2.77	\$ 3.63	\$ 5.45	\$ 5.60
Discontinued operations, net	(0.80)	0.14	(0.62)	0.26
Diluted earnings per common share	<u>\$ 1.97</u>	<u>\$ 3.77</u>	<u>\$ 4.83</u>	<u>\$ 5.86</u>
<b>DIVIDENDS PER COMMON SHARE</b>				
	<u>\$ 0.36</u>	<u>\$ 0.31</u>	<u>\$ 0.72</u>	<u>\$ 0.62</u>
<b>BASIC SHARES</b>				
	<u>430.1</u>	<u>401.9</u>	<u>427.3</u>	<u>401.2</u>
<b>DILUTED SHARES</b>				
	<u>433.9</u>	<u>407.3</u>	<u>432.2</u>	<u>406.8</u>

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(Amounts in millions)

	2006	2005
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,086	\$ 2,382
Adjustments to reconcile income to net cash provided by operating activities:		
Discontinued operations, net	269	(105)
Depreciation, depletion and amortization of assets	953	673
Reversal of tax reserves	—	(619)
Deferred income tax provision	(76)	(42)
Other non-cash charges to income	301	359
Gains on disposition of assets, net	(19)	(147)
Income from equity investments	(111)	(116)
Dry hole and impairment expense	40	105
Changes in operating assets and liabilities	(438)	(128)
Other operating, net	(103)	(89)
Operating cash flow from continuing operations	<u>2,902</u>	<u>2,273</u>
Operating cash flow from discontinued operations	198	80
Net cash provided by operating activities	<u>3,100</u>	<u>2,353</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(1,242)	(998)
Purchase of businesses, net	(1,511)	(1,720)
Sales of businesses and disposal of property, plant, and equipment, net	674	53
Short term investments - purchases	(90)	(46)
Short term investments - sales	115	56
Sales of equity investments and available-for-sale investments	—	299
Equity investments and other investing, net	(74)	56
Investing cash flow from continuing operations	<u>(2,128)</u>	<u>(2,300)</u>
Investing cash flow from discontinued operations	(33)	(56)
Net cash used by investing activities	<u>(2,161)</u>	<u>(2,356)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	118	105
Payments on long-term debt and capital lease liabilities	(736)	(535)
Proceeds from issuance of common stock	3	3
Purchase of treasury stock	(970)	—
Excess tax benefits related to share-based payments	92	—
Cash dividends paid	(303)	(232)
Stock options exercised	24	64
Other	1	29
Financing cash flow from continuing operations	<u>(1,771)</u>	<u>(566)</u>
Financing cash flow from discontinued operations	—	(2)
Net cash used by financing activities	<u>(1,771)</u>	<u>(568)</u>
Decrease in cash and cash equivalents	(832)	(571)
Cash and cash equivalents—beginning of period	2,188	1,199
Cash and cash equivalents—end of period	<u>\$ 1,356</u>	<u>\$ 628</u>

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

June 30, 2006

1. General

In these unaudited consolidated condensed financial statements, "Occidental" means Occidental Petroleum Corporation (OPC) and/or one or more entities where it owns a majority voting interest. Certain information and disclosures normally included in notes to consolidated financial statements have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations, but resultant disclosures are in accordance with accounting principles generally accepted in the United States of America as they apply to interim reporting. The consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in Occidental's Annual Report on Form 10-K for the year ended December 31, 2005 (2005 Form 10-K).

In the opinion of Occidental's management, the accompanying consolidated condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to fairly present Occidental's consolidated financial position as of June 30, 2006, and the consolidated statements of income and cash flows for the three and six months then ended, as applicable. The income and cash flows for the periods ended June 30, 2006 and 2005, are not necessarily indicative of the income or cash flows to be expected for the full year.

Certain financial statement elements and notes for the prior year have been reclassified to conform to the 2006 presentation.

2. Asset Acquisitions, Dispositions and Other Transactions

On January 30, 2006, Occidental completed the merger of Vintage Petroleum, Inc. (Vintage) into a wholly-owned Occidental subsidiary. Occidental acquired producing assets in Argentina, the United States, Yemen and Bolivia. The Argentine assets consist of 22 concessions, 19 of which Occidental will operate, located in the San Jorge Basin in southern Argentina and the Cuyo Basin in western Argentina. Occidental paid approximately \$1.3 billion to former Vintage shareholders for the cash portion of the merger consideration and issued approximately 28 million shares for the stock portion, which was valued at \$2.1 billion. In addition, Occidental assumed Vintage's debt, which had an estimated fair market value of \$585 million at closing. Occidental has divested a portion of Vintage's assets for proceeds of over \$700 million and intends to divest of more of these assets. Occidental believes that the merger provides significant growth opportunities represented by Vintage's assets in Argentina, California and Yemen, all of which will complement and enhance Occidental's current operations and production. Furthermore, the addition of Vintage's assets is expected to make significant long-term contributions to Occidental's cash flow.

The acquisition was accounted for in accordance with SFAS No. 141, "Business Combinations." The results of Vintage's operations have been included in the consolidated financial statements since January 30, 2006. A preliminary allocation of the purchase price has been made based on currently available information. The assets acquired and liabilities assumed were recorded at their estimated fair values at the acquisition date. However, certain information necessary to complete Occidental's final purchase price allocation is not yet available. Occidental is currently evaluating the assets to determine the fair value of the existing oil and gas reserves associated with the acquired assets. In addition, Occidental is in the process of divesting a portion of the assets acquired and is still gathering market information about these assets. Occidental also has not made a final determination of all the liabilities that may be attributable to the acquisition as well as the fair values of all existing liabilities, including any contingent liabilities. Occidental expects to finalize its allocation of the purchase price as soon as practicable.

At June 30, 2006, certain Vintage assets and their related liabilities are classified as held for sale as Occidental expects to divest of these assets in the next seven months. On the June 30, 2006 consolidated balance sheet, the assets of discontinued operations amount includes approximately \$325 million of property, plant and equipment that is being held for sale and the liabilities of discontinued operations includes \$14 million of liabilities held for sale. The results of operations for the assets held for sale are not included in the revenue, cost or production amounts and are treated as discontinued operations. Net revenues and pre-tax income for discontinued operations related to Vintage for the three months ended June 30, 2006 were \$119 million and \$36 million, respectively. Net revenues and pre-tax income for discontinued operations related to Vintage for the six months ended June 30, 2006 were \$176 million and \$57 million, respectively.

The following unaudited pro forma summary presents the consolidated results of operations as if the acquisition of Vintage had occurred at the beginning of each period (in millions):

Six Months Ended June 30,	2006	2005
<b>PRO FORMA RESULTS OF OPERATIONS</b>		
Revenues	\$ 9,209	\$ 7,063
Net income	\$ 2,058	\$ 2,454
Basic earnings per common share	\$ 4.82	\$ 5.71
Diluted earnings per common share	\$ 4.76	\$ 5.64

The unaudited pro forma data presented above use estimates and assumptions based on information currently available, and are not necessarily indicative of the results of operations of Occidental that would have occurred had such acquisition actually been consummated as of the beginning of the periods presented, nor are they necessarily indicative of future results of operations.

On May 15, 2006, Ecuador's Minister of Energy terminated Occidental's contract for the operation of Block 15, which comprised all of its oil producing operations in the country, and the Government of Ecuador seized Occidental's Block 15 assets shortly thereafter. The process resulting in this action began more than two years ago shortly after Occidental prevailed, by unanimous decision of an international arbitration panel, in a legal dispute over tax refunds that the Government of Ecuador wrongly withheld from Occidental. The panel's decision was subsequently upheld by a London court. As a result of the seizure, Occidental has classified its Block 15 operations as discontinued operations. In the second quarter of 2006, Occidental recorded a net after-tax charge of \$306 million in discontinued operations. This amount consists of after-tax charges for the write-off of the investment in Block 15 in Ecuador, as well as ship or pay obligations entered into with the OCP Pipeline to ship oil produced at Block 15, partially offset by \$109 million net of tax income from operations for the first five months of 2006.

Occidental's Block 15 assets and liabilities are classified as assets of discontinued operations and liabilities of discontinued operations on the consolidated balance sheets for all periods presented. Net revenues and pre-tax income for discontinued operations related to Ecuador for the three months ended June 30, 2006 and 2005, were \$101 million and \$56 million and \$133 million and \$70 million, respectively. Net revenues and pre-tax income for discontinued operations related to Ecuador for the six months ended June 30, 2006 and 2005 were \$275 million and \$148 million and \$263 million and \$140 million, respectively.

### 3. Accounting Changes

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." This Interpretation provides accounting guidance for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return as well as additional disclosures related to these tax positions. FIN No. 48 is



effective for fiscal years beginning after December 15, 2006. Occidental is currently assessing the effect of FIN No. 48 on its financial statements.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statement No. 133 and 140." This Statement provides new accounting guidance for embedded derivatives and other issues. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. Occidental is currently assessing the effect of SFAS No. 155 on its financial statements, but does not expect it to have a material effect on its financial statements.

4. Comprehensive Income

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

	Periods Ended June 30			
	Three months		Six months	
	2006	2005	2006	2005
Net income	\$ 857	\$ 1,536	\$ 2,086	\$ 2,382
Other comprehensive income items				
Foreign currency translation adjustments	2	—	5	(12)
Derivative mark-to-market adjustments	(51)	(81)	(98)	(265)
Minimum pension liability adjustments	(3)	(1)	(3)	(1)
Unrealized gain on securities	125	85	125	188
Other comprehensive income, net of tax	73	3	29	(90)
Comprehensive income	\$ 930	\$ 1,539	\$ 2,115	\$ 2,292

The three and six months ended June 30, 2006 unrealized gain on securities amount in the table above includes an after-tax gain of \$127 million related to the mark-to-market adjustment of the Lyondell available-for-sale cost method investment. See Note 13 for further information.

5. Supplemental Cash Flow Information

During the six months ended June 30, 2006 and 2005, net cash payments for federal, foreign and state income taxes were approximately \$1,294 million and \$715 million, respectively. Interest paid (net of interest capitalized of \$23 million and \$7 million, respectively) totaled approximately \$126 million and \$125 million for the six months ended June 30, 2006 and 2005, respectively. See Note 2 for information regarding the non-cash portion of businesses acquired. Net cash payments for federal, foreign and state income taxes paid by discontinued operations during the six months ended June 30, 2006 and 2005 were \$57 million and \$54 million, respectively.

6. Inventories

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

Balance at	June 30, 2006	December 31, 2005
Raw materials	\$ 74	\$ 83
Materials and supplies	258	177
Finished goods	506	573
	838	833
LIFO reserve	(117)	(117)
Total	\$ 721	\$ 716

7. Asset Retirement Obligations

The following summarizes the activity of the asset retirement obligations of which \$9 million and \$6 million is included in accrued liabilities at June 30, 2006 and 2005, respectively, and the remaining balance is included in other deferred credits and other liabilities (in millions):

Six Months Ended June 30,	2006	2005
Beginning balance	\$ 233	\$ 206
Liabilities incurred in the period	3	3
Liabilities settled in the period	(13)	(3)
Acquisition and other	71	20
Accretion expense	10	7
Ending balance	\$ 304	\$ 233

8. Environmental Expenditures

Occidental's operations in the United States are subject to stringent federal, state and local laws and regulations relating to improving or maintaining environmental quality. Foreign operations also are subject to environmental-protection laws. The laws that require or address environmental remediation may apply to past waste disposal practices and releases. In many cases, the laws apply regardless of fault, legality of the original activities or current ownership or control of sites. OPC or certain of its subsidiaries are currently participating in environmental assessments and cleanups under these laws at sites subject to the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), comparable state sites and other domestic and foreign remediation sites, including Occidental facilities and previously owned sites.

The following table presents Occidental's environmental remediation reserves at June 30, 2006, the current portion of which (\$83 million) is included in accrued liabilities. The remaining amount of \$329 million is included in other deferred credits and other liabilities. The reserves are grouped by three categories of environmental remediation sites (\$ amounts in millions):

	# of Sites	Reserve Balance
CERCLA & Equivalent Sites	131	\$ 234
Active Facilities	19	115
Closed or Sold Facilities	39	63
Total	189	\$ 412

In determining the environmental remediation reserves and the reasonably possible range of loss, Occidental refers to currently available information, including relevant past experience, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. Occidental believes it is reasonably possible that it will continue to incur additional liabilities beyond those recorded for environmental remediation at these and other sites. The range of reasonably possible loss for existing environmental remediation matters could be up to \$415 million beyond the amount accrued.

The following table shows additional detail regarding reserves for CERCLA or CERCLA-equivalent proceedings in which OPC or certain of its subsidiaries were involved at June 30, 2006 (\$ amounts in millions):

Description	# of Sites	Reserve Balance
Minimal/No Exposure <sup>(a)</sup>	107	\$ 3
Reserves between \$1-10 MM	17	55
Reserves over \$10 MM	7	176
Total	131	\$ 234

(a) Includes 29 sites for which Maxus Energy Corporation has retained the liability and indemnified Occidental, 9 sites where Occidental has denied liability without challenge, 59 sites where Occidental's reserves are less than \$50,000 each, and 10 sites where reserves are between \$50,000 and \$1 million each.

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

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

Since April 2004, Occidental Chemical Corporation (OxyChem), has been served with ten lawsuits filed in Nicaragua by approximately 2,600 individual plaintiffs. These individuals allege that they have sustained several billion dollars of personal injury damages as a result of their alleged exposure to a pesticide. OxyChem is aware of, but has not been served in, 21 additional cases in Nicaragua, which Occidental understands make similar allegations. In the opinion of management, these claims are without merit because, among other things, OxyChem believes that none of the pesticide it manufactured was ever sold or used in Nicaragua. Under the applicable Nicaraguan statute, defendants are required to pay pre-trial deposits so large as to effectively prohibit

defendants from participating fully in their defense. In previous situations, involving other defendants, Nicaraguan courts have proceeded to enter significant judgments against the defendants under that statute. OxyChem has filed a response to the complaints contesting jurisdiction without posting such pre-trial deposit. In December 2004, the judge in one of the cases (Osorio Case), ruled the court had jurisdiction over the defendants, including OxyChem, and that the plaintiffs had waived the requirement of the pre-trial deposit. OxyChem has appealed that portion of the ruling relating to the jurisdiction of the Nicaraguan courts. Thereafter, the trial court ordered defendants, including OxyChem, to file an answer. In order to preserve its jurisdictional defense, OxyChem elected not to make a substantive appearance in the Osorio Case. In August 2005, the judge in the Osorio Case entered judgment against several defendants, including OxyChem, for damages totaling approximately \$97 million. OxyChem has no assets in Nicaragua and, in the opinion of management, any judgment rendered under the statute, including in the Osorio Case, would be unenforceable in the United States.

On May 15, 2006, Ecuador's Minister of Energy terminated Occidental's contract for the operation of Block 15, alleging that Occidental had violated its Participation Contract for Block 15 and Ecuador's Hydrocarbons Law. The Government of Ecuador seized Occidental's Block 15 assets, which comprised all of its oil producing operations in the country, shortly thereafter. As a result of the seizure, Occidental has classified its Block 15 operations as discontinued operations. See Note 2 for more information. On May 17, 2006, Occidental filed an arbitration claim against the Government of Ecuador, seeking redress for illegal confiscation of the Block 15 operations with the International Centre for Settlement of Investment Disputes in Washington, D.C., invoking the protections of the U.S. – Ecuador Bilateral Investment Treaty. This process could take well over a year and Occidental cannot predict its outcome.

During the course of its operations, Occidental is subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. Taxable years prior to 2001 are generally closed for U.S. federal corporate income tax purposes. Corporate tax returns for taxable years 2001 through 2003 are in various stages of audit by the U.S. Internal Revenue Service. Disputes arise during the course of such audits as to facts and matters of law.

Occidental has guarantees outstanding at June 30, 2006, which encompass performance bonds, letters of credit, indemnities, commitments and other forms of guarantees provided by Occidental to third parties, mainly to provide assurance that Occidental and/or its subsidiaries and affiliates will meet their various obligations (guarantees). At June 30, 2006 the notional amount of the guarantees that are subject to the reporting requirements of FIN 45 was approximately \$330 million, which mostly consists of Occidental's guarantees of equity investees' debt and other commitments. This amount excludes approximately \$100 million related to Occidental's guarantee of its share of the senior debt of the OCP pipeline in Ecuador, as the total amount has been accrued on the consolidated balance sheet at June 30, 2006.

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

10. Income Taxes

The provision for taxes based on income for the 2006 and 2005 interim periods is based on projections of total year pretax income. The provision for income taxes for the three and six months ended June 30, 2005, includes a \$619 million tax benefit related to the resolution of certain IRS tax issues and a \$10 million charge related to a state income tax issue.

11. Stock-Based Incentive Plans

On July 1, 2005, Occidental adopted the fair value recognition provisions of SFAS No. 123R, "Share-Based Payments," under the modified prospective transition method. The following table shows the pro forma net income and earnings per share that Occidental would have recorded if compensation expense were determined using SFAS No. 123R for the three and six months ended June 30, 2005 (amounts in millions, except per share amounts):

	Periods Ended June 30, 2005	
	Three Months	Six Months
Net income	\$ 1,536	\$ 2,382
Add: Stock-based compensation included in net income, net of tax, under APB No. 25	38	73
Deduct : Stock-based compensation, net of tax, determined under SFAS No. 123R fair value method	(56)	(94)
<b>Pro-forma net income</b>	<b>\$ 1,518</b>	<b>\$ 2,361</b>
Earnings Per Share:		
Basic – as reported	\$ 3.82	\$ 5.94
Basic – pro forma	\$ 3.78	\$ 5.89
Diluted – as reported	\$ 3.77	\$ 5.86
Diluted – pro forma	\$ 3.73	\$ 5.80

12. Retirement Plans and Postretirement Benefits

Occidental has various defined benefit and defined contribution retirement plans for its salaried, domestic union and nonunion hourly, and certain foreign national employees.

The following tables set forth the components of the net periodic benefit costs for Occidental's defined benefit pension and postretirement benefit plans as of June 30 (in millions):

Three Months Ended June 30,	2006		2005	
	Pension Benefit	Postretirement Benefit	Pension Benefit	Postretirement Benefit
Net Periodic Benefit Cost				
Service cost	\$ 3	\$ 2	\$ 4	\$ 2
Interest cost	7	9	6	8
Expected return on plan assets	(8)	—	(9)	—
Recognized actuarial loss	2	4	—	4
Total	\$ 4	\$ 15	\$ 1	\$ 14

Six Months Ended June 30,	2006		2005	
	Pension Benefit	Postretirement Benefit	Pension Benefit	Postretirement Benefit
Net Periodic Benefit Cost				
Service cost	\$ 6	\$ 5	\$ 7	\$ 4
Interest cost	13	17	12	16
Expected return on plan assets	(16)	—	(16)	—
Amortization of prior service cost	1	—	—	—
Recognized actuarial loss	2	9	1	8
Total	\$ 6	\$ 31	\$ 4	\$ 28

Occidental did not fund any of its domestic defined benefit pension plans for the six months ended June 30, 2006 and it does not expect to contribute any further amount in 2006.

13. Investments in Unconsolidated Entities

Since August 2002, when Occidental acquired its investment in Lyondell Chemical Company (Lyondell), two senior executives of Occidental have held seats on Lyondell's board of directors. One of Occidental's senior executives did not stand for re-election to Lyondell's board of directors at its annual meeting on May 4, 2006. As a result, Occidental management believes that it has lost the ability to exercise significant influence over Lyondell's financial and operating policies and has discontinued accruing its share of Lyondell earnings or losses under equity-method accounting. Subsequent to May 4, 2006, Occidental has accounted for its Lyondell shares as an available-for-sale cost method investment.

## 14. Industry Segments

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

	Oil and Gas	Chemical	Corporate and Other	Total
<b>Six months ended June 30, 2006</b>				
Net sales	\$ 6,417	\$ 2,514	\$ 64	\$ 8,995
Pretax operating profit (loss)	\$ 3,863	\$ 498	\$ (219) <sup>(a)</sup>	\$ 4,142
Income taxes	—	—	(1,787) <sup>(b)</sup>	(1,787)
Discontinued operations, net	—	—	(269) <sup>(c)</sup>	(269)
Net income (loss)	\$ 3,863	\$ 498	\$ (2,275)	\$ 2,086
<b>Six months ended June 30, 2005</b>				
Net sales	\$ 4,309	\$ 2,189	\$ 60	\$ 6,558
Pretax operating profit (loss)	\$ 2,534	\$ 439	\$ (86) <sup>(a)</sup>	\$ 2,887
Income taxes	—	—	(610) <sup>(b)</sup>	(610)
Discontinued operations, net	—	—	105 <sup>(c)</sup>	105
Net income (loss)	\$ 2,534	\$ 439	\$ (591) <sup>(d)</sup>	\$ 2,382

(a) Includes unallocated net interest expense, administration expense and other items.

Includes all foreign and domestic income taxes. The 2005 amount includes a \$619 million tax benefit related to the resolution of certain tax issues with the IRS (b) and a \$10 million charge related to a state income tax issue.

The 2006 discontinued operations amount includes the after-tax results of the operations of the Vintage properties that are held for sale and the Ecuador Block 15 operations for the first five months of 2006 as well as the write-off of the Block 15 investment and the ship or pay obligations in Ecuador. The 2005 (c) discontinued operations amount includes the after-tax results of the Ecuador Block 15 operations during 2005.

Includes a \$10 million pre-tax interest charge to redeem the 7.65 percent senior notes (\$6 million net of tax), which were due in February 2006, and a pre-tax (d) gain on sale of Lyondell stock of \$140 million (\$89 million net of tax).

## 15. Subsequent Events

On July 20, 2006, Occidental's Board of Directors authorized an increase in the quarterly dividend to \$0.44 per share of common stock on a pre-split basis, compared to the previous quarterly rate of \$0.36 per share. In addition, the Board increased the number of shares authorized for the previously announced share repurchase program to 20 million pre-split shares. The share repurchases will continue to be funded solely from available cash from operations. The Board of Directors also authorized a two-for-one stock split in the form of a stock dividend to Occidental's shareholders of record on August 1, 2006, with distribution of the shares to occur on August 15, 2006. The total number of authorized shares of common stock and associated par value per share were unchanged by this action. Share and per share information in the consolidated condensed statements of income and stockholders' equity information in the consolidated condensed balance sheets presented in this report are on a pre-split basis.

On August 7, 2006, Occidental announced an agreement with Plains Exploration & Production Company to acquire certain oil and gas assets for \$865 million in cash. The transaction is expected to close on or about October 1, 2006.

Condensed Consolidating Financial Information

Vintage Petroleum, LLC is the Occidental subsidiary into which Vintage merged. Payment of the Vintage Petroleum, LLC 8.25 percent senior notes due 2012 is guaranteed by Occidental Petroleum Corporation (Guarantor). The following condensed supplemental consolidating financial information reflects the summarized financial information of Vintage Petroleum, LLC, and its Guarantor and OPC's non-guarantor subsidiaries (in millions):

16.

CONDENSED CONSOLIDATING BALANCE SHEET  
As of June 30, 2006

	Occidental Petroleum Corporation	Vintage Petroleum, LLC	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>					
Current assets	\$ 1,711	\$ 543	\$ 4,353	\$ (59)	\$ 6,548
Investments in subsidiaries and unconsolidated entities	34,828	18	1,266	(34,624)	1,488
Property, plant and equipment, net	1	4,522	17,859	—	22,382
Other non-current assets	11,266	770	28,647	(39,938)	745
	<u>\$ 47,806</u>	<u>\$ 5,853</u>	<u>\$ 52,125</u>	<u>\$ (74,621)</u>	<u>\$ 31,163</u>
<b>LIABILITIES AND EQUITY</b>					
Current liabilities	\$ 371	\$ 176	\$ 4,338	\$ (59)	\$ 4,826
Long-term debt, net	1,932	295	589	—	2,816
Other long-term liabilities	27,541	1,831	15,767	(39,938)	5,201
Minority interest	—	—	358	—	358
Stockholders' equity	17,962	3,551	31,073	(34,624)	17,962
	<u>\$ 47,806</u>	<u>\$ 5,853</u>	<u>\$ 52,125</u>	<u>\$ (74,621)</u>	<u>\$ 31,163</u>



CONDENSED CONSOLIDATING STATEMENT OF INCOME  
For the three months ended June 30, 2006

	Occidental Petroleum Corporation	Vintage Petroleum, LLC	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>REVENUES</b>					
Net Sales	\$ —	\$ 268	\$ 4,331	\$ —	\$ 4,599
Interest, dividends and other income	4	—	149	(63)	90
	<u>4</u>	<u>268</u>	<u>4,480</u>	<u>(63)</u>	<u>4,689</u>
<b>COSTS AND OTHER DEDUCTIONS</b>					
Cost of sales	—	136	1,998	—	2,134
Selling, general and administrative and other operating expenses	87	16	303	—	406
Interest and debt expense, net	120	6	9	(63)	72
	<u>207</u>	<u>158</u>	<u>2,310</u>	<u>(63)</u>	<u>2,612</u>
Income before taxes and other items	(203)	110	2,170	—	2,077
Provision for domestic and foreign income and other taxes	(74)	36	919	—	881
Minority interest	—	—	34	—	34
(Income)/loss from equity investments	(986)	—	(42)	986	(42)
Income from continuing operations	857	74	1,259	(986)	1,204
Discontinued operations, net	—	24	(371)	—	(347)
<b>NET INCOME</b>	<u>\$ 857</u>	<u>\$ 98</u>	<u>\$ 888</u>	<u>\$ (986)</u>	<u>\$ 857</u>

CONDENSED CONSOLIDATING STATEMENT OF INCOME  
For the six months ended June 30, 2006

	Occidental Petroleum Corporation	Vintage Petroleum, LLC	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>REVENUES</b>					
Net Sales	\$ —	\$ 413	\$ 8,582	\$ —	\$ 8,995
Interest, dividends and other income	10	—	256	(119)	147
	10	413	8,838	(119)	9,142
<b>COSTS AND OTHER DEDUCTIONS</b>					
Cost of sales	—	214	3,859	—	4,073
Selling, general and administrative and other operating expenses	165	24	639	—	828
Interest and debt expense, net	226	12	21	(119)	140
	391	250	4,519	(119)	5,041
Income before taxes and other items	(381)	163	4,319	—	4,101
Provision for domestic and foreign income and other taxes	(139)	53	1,872	—	1,786
Minority interest	—	—	71	—	71
(Income)/loss from equity investments	(2,328)	—	(111)	2,328	(111)
Income from continuing operations	2,086	110	2,487	(2,328)	2,355
Discontinued operations, net	—	37	(306)	—	(269)
<b>NET INCOME</b>	\$ 2,086	\$ 147	\$ 2,181	\$ (2,328)	\$ 2,086

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
For the six months ended June 30, 2006

	Occidental Petroleum Corporation	Vintage Petroleum, LLC	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Operating cash flow from continuing operations	\$ (1,200)	\$ 66	\$ 4,036	\$ —	\$ 2,902
Operating cash flow from discontinued operations	—	66	132	—	198
Net cash provided by operating activities	<u>(1,200)</u>	<u>132</u>	<u>4,168</u>	<u>—</u>	<u>3,100</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Capital expenditures	—	(84)	(1,158)	—	(1,242)
Purchase of businesses, net	(1,511)	—	—	—	(1,511)
Other investing, net	18	673	(66)	—	625
Investing cash flow from continuing operations	(1,493)	589	(1,224)	—	(2,128)
Investing cash flow from discontinued operations	—	(21)	(12)	—	(33)
Net cash used by investing activities	<u>(1,493)</u>	<u>568</u>	<u>(1,236)</u>	<u>—</u>	<u>(2,161)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Proceeds from long-term debt	—	—	118	—	118
Payments on long-term debt and capital lease liabilities	(450)	(274)	(12)	—	(736)
Purchase of treasury stock	(970)	—	—	—	(970)
Cash dividends paid	(303)	—	—	—	(303)
Intercompany	4,295	(421)	(3,874)	—	—
Other financing, net	119	1	—	—	120
Net cash provided (used) by financing activities	<u>2,691</u>	<u>(694)</u>	<u>(3,768)</u>	<u>—</u>	<u>(1,771)</u>
(Decrease) Increase in cash and cash equivalents	(2)	6	(836)	—	(832)
Cash and cash equivalents — beginning of period	2,161	—	27	—	2,188
Cash and cash equivalents — end of period	<u>\$ 2,159</u>	<u>\$ 6</u>	<u>\$ (809)</u>	<u>\$ —</u>	<u>\$ 1,356</u>

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Consolidated Results of Operations

Occidental (as defined in Note 1 to the consolidated condensed financial statements) reported net income for the first six months of 2006 of \$2.1 billion, on net sales of \$9.0 billion, compared with net income of \$2.4 billion, on net sales of \$6.6 billion for the same period of 2005. Diluted earnings per common share were \$4.83 for the first six months of 2006, compared with diluted earnings per share of \$5.86 for the same period of 2005. Diluted core earnings per common share were \$5.45 for the first six months of 2006, compared with diluted core earnings per common share of \$3.96 for the same period in 2005. Occidental reported net income for the second quarter of 2006 of \$857 million, on net sales of \$4.6 billion, compared with net income of \$1.5 billion, on net sales of \$3.4 billion for the same period of 2005. Diluted earnings per common share were \$1.97 for the second quarter of 2006, compared with diluted earnings per share of \$3.77 for the same period in 2005. Diluted core earnings per common share were \$2.77 for the second quarter of 2006, compared with diluted core earnings per share of \$1.96 for the same period in 2005.

Net income for the first six months and the second quarter of 2006 included a net after-tax loss of \$269 million and \$347 million, respectively, in discontinued operations, which includes the impairment charge for Occidental's Block 15 investment in Ecuador and income from Vintage properties held for sale. Net income for the first six months and the second quarter of 2005 included a \$619 million tax benefit resulting from an IRS settlement, a \$140 million pre-tax gain on sale of 11 million shares of Lyondell Chemical Company (Lyondell) stock, a \$26 million pre-tax expense related to a contract settlement and after-tax income from discontinued operations of \$56 million. Net income for the first six months and second quarter of 2006, compared to the same periods in 2005, also reflected higher worldwide oil and gas prices and production and higher chemical volumes, partially offset by higher operating expenses and increased DD&A rates.

### Selected Income Statement Items

The increase in net sales of \$1.2 billion and \$2.4 billion for the three and six months ended June 30, 2006 compared with the same periods in 2005, reflected higher worldwide crude oil, natural gas and chemical prices, higher production from the Vintage acquisition and the resumption of producing operations in Libya in the third quarter of 2005 and higher chemical volumes. For the three and six months ended June 30, 2005, the gains on disposition of assets account included a pre-tax gain of \$140 million on the sale of 11 million shares of Lyondell stock.

The increase in cost of sales of \$546 million and \$987 million for the three and six months ended June 30, 2006, compared with the same periods in 2005, reflected higher oil and gas production costs and volumes, higher energy and chemical raw material costs and higher DD&A expense. The increase of \$42 million and \$127 million in selling, general and administrative and other operating expenses for the three and six months ended June 30, 2006, compared to the same periods in 2005, reflected increases in share-based compensation expense, various oil and gas costs, including production-related taxes, and other operating costs. The decrease of \$57 million and \$24 million in exploration expense for the three and six months ended June 30, 2006, compared to the same periods in 2005, was due to a 2005 impairment of an unproved property at Elk Hills of \$66 million that was partially offset by increases in the Middle East/North Africa exploration program. The provision for income taxes for the three and six months ended June 30, 2005, included a \$619 million tax benefit related to the resolution of certain IRS tax issues. The provision for income taxes for the six months ended June 30, 2005, included a \$10 million charge related to a state tax issue.

### Selected Analysis of Financial Position

The increase in receivables, net of \$565 million at June 30, 2006, compared with December 31, 2005, was due to higher worldwide oil and gas prices and production volumes. The increase in property, plant and equipment of \$5.2 billion at June 30, 2006, compared to December 31, 2005, was due to the Vintage Petroleum, Inc. (Vintage) acquisition completed in the first quarter of 2006. The increase in investments in unconsolidated entities of \$279 million at June 30, 2006, compared to December 31, 2005, was due to the mark-to-market adjustments on the Lyondell investment, which became an available-for-sale cost method investment in May 2006.

The increase of \$452 million in accounts payable at June 30, 2006, compared to December 31, 2005, was due to higher prices and volumes for purchased oil and gas in the marketing and trading operations. The increase in deferred and other domestic and foreign income taxes of \$1.1 billion at June 30, 2006, compared to December 31, 2005, was due to additional deferred taxes recorded as part of the Vintage acquisition purchase accounting. The increase in other deferred credits and other liabilities of \$328 million at June 30, 2006, compared with December 31, 2005, was primarily the result of accruals related to the Vintage acquisition and the Oman Block 9 extension. The increase in the contra-equity treasury stock account of \$970 million at June 30, 2006, compared with December 31, 2005, was due to the implementation of the share repurchase program in 2006. The increase in additional paid-in capital of \$2.1 billion at June 30, 2006, compared to December 31, 2005, was the result of the stock issued as consideration for the Vintage acquisition.

## Segment Operations

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

	Periods Ended June 30			
	Three Months Ended		Six Months Ended	
	2006	2005	2006	2005
<b>Net Sales</b>				
Oil and gas	\$ 3,292	\$ 2,220	\$ 6,417	\$ 4,309
Chemical	1,273	1,128	2,514	2,189
Other	34	37	64	60
<b>Net Sales</b>	<u>\$ 4,599</u>	<u>\$ 3,385</u>	<u>\$ 8,995</u>	<u>\$ 6,558</u>
<b>Segment Earnings</b>				
Oil and gas	\$ 1,953	\$ 1,255	\$ 3,863	\$ 2,534
Chemical	250	225	498	439
	2,203	1,480	4,361	2,973
<b>Unallocated Corporate Items</b>				
Interest expense, net <sup>(a)</sup>	(33)	(47)	(62)	(108)
Income taxes <sup>(b)</sup>	(882)	(26)	(1,787)	(610)
Other <sup>(c)</sup>	(84)	73	(157)	22
<b>Income from Continuing Operations</b>	1,204	1,480	2,355	2,277
Discontinued operations, net of tax <sup>(d)</sup>	(347)	56	(269)	105
<b>Net Income</b>	<u>\$ 857</u>	<u>\$ 1,536</u>	<u>\$ 2,086</u>	<u>\$ 2,382</u>

(a) The second quarter and six months 2006 include \$4 million pre-tax interest charges to purchase various debt issues in the open market. The six months 2005 includes \$11 million pre-tax interest charges to purchase various debt issues in the open market.

(b) The second quarter 2005 includes a \$619 million tax benefit related to the resolution of certain tax issues with the U.S. Internal Revenue Service (IRS). The six months 2005 also includes a net \$10 million charge related to a state income tax issue.

(c) The second quarter 2005 includes a \$140 million pre-tax gain from the sale of 11 million shares of Lyondell.

(d) On May 15, 2006, Ecuador's Minister of Energy terminated Occidental's contract for the operation of Block 15 and the Government of Ecuador seized Occidental's Block 15 assets shortly thereafter. As a result of the seizure, Occidental has classified its Block 15 operations as discontinued operations on a retrospective application basis. The second quarter and six months 2006 discontinued operations also include income from the Vintage properties that were held for sale.

### Significant Items Affecting Earnings

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

The following table sets forth the core earnings and significant items affecting earnings for each operating segment and corporate and other for the three months ended June 30, 2006 and 2005:

(in millions, except per-share amounts)	Three Months Ended June 30			
	2006	Diluted EPS	2005	Diluted EPS
<b>TOTAL REPORTED EARNINGS</b>	<u>\$ 857</u>	<u>\$ 1.97</u>	<u>\$ 1,536</u>	<u>\$ 3.77</u>
<b><u>Oil and Gas</u></b>				
Segment Earnings	\$ 1,953		\$ 1,255	
Less: Contract Settlement	—		(26)	
Segment Core Earnings	<u>1,953</u>		<u>1,281</u>	
<b><u>Chemical</u></b>				
Segment Earnings	250		225	
No significant items affecting earnings	—		—	
Segment Core Earnings	<u>250</u>		<u>225</u>	
<b>Total Segment Core Earnings</b>	<u>2,203</u>		<u>1,506</u>	
<b><u>Corporate and Other</u></b>				
Corporate Results — Non Segment*	(1,346)		56	
Less:				
Gain on sale of Lyondell shares	—		140	
Debt purchase expense	—		(1)	
Settlement of federal tax issue	—		619	
Tax effect of pre-tax adjustments	—		(51)	
Discontinued operations, net of tax	<u>(347)</u>		<u>56</u>	
Corporate Core Results — Non Segment	<u>(999)</u>		<u>(707)</u>	
<b>Total Core Earnings</b>	<u>\$ 1,204</u>	<u>\$ 2.77</u>	<u>\$ 799</u>	<u>\$ 1.96</u>

\* Interest expense, income taxes, general & administrative expense and other, and non-core items.

The following table sets forth the core earnings and significant items affecting earnings for each operating segment and corporate and other for the six months ended June 30, 2006 and 2005:

(in millions, except per-share amounts)	Six Months Ended June 30			
	2006	Diluted EPS	2005	Diluted EPS
<b>TOTAL REPORTED EARNINGS</b>	<u>\$ 2,086</u>	<u>\$ 4.83</u>	<u>\$ 2,382</u>	<u>\$ 5.86</u>
<b><u>Oil and Gas</u></b>				
Segment Earnings	\$ 3,863		\$ 2,534	
Less: Contract Settlement	—		(26)	
Segment Core Earnings	<u>3,863</u>		<u>2,560</u>	
<b><u>Chemical</u></b>				
Segment Earnings	498		439	
No significant items affecting earnings	—		—	
Segment Core Earnings	<u>498</u>		<u>439</u>	
<b>Total Segment Core Earnings</b>	<u>4,361</u>		<u>2,999</u>	
<b><u>Corporate and Other</u></b>				
Corporate Results — Non Segment*	(2,275)		(591)	
Less:				
Gain on sale of Lyondell shares	—		140	
Debt purchase expense	—		(11)	
Settlement of federal tax issue	—		619	
State tax issue charge	—		(10)	
Tax effect of pre-tax adjustments	—		(47)	
Discontinued operations, net of tax	(269)		105	
Corporate Core Results — Non Segment	<u>(2,006)</u>		<u>(1,387)</u>	
<b>Total Core Earnings</b>	<u>\$ 2,355</u>	<u>\$ 5.45</u>	<u>\$ 1,612</u>	<u>\$ 3.96</u>

\* Interest expense, income taxes, general & administrative expense and other, and non-core items.

## Worldwide Effective Tax Rate

The following table sets forth the calculation of the worldwide effective tax rate for reported income and core earnings:

(in millions)	Periods Ended June 30			
	Three Months		Six Months	
	2006	2005	2006	2005
<b>REPORTED INCOME</b>				
Oil & Gas <sup>(a)</sup>	\$ 1,953	\$ 1,255	\$ 3,863	\$ 2,534
Chemicals	250	225	498	439
Corporate & other	(117)	26	(219)	(86)
Pre-tax income	<u>2,086</u>	<u>1,506</u>	<u>4,142</u>	<u>2,887</u>
Income tax expense				
Federal and state	427	(258)	886	90
Foreign <sup>(a)</sup>	455	284	901	520
Total	<u>882</u>	<u>26</u>	<u>1,787</u>	<u>610</u>
Income from continuing operations	<u>\$ 1,204</u>	<u>\$ 1,480</u>	<u>\$ 2,355</u>	<u>\$ 2,277</u>
Worldwide effective tax rate	<u>42%</u>	<u>2%</u>	<u>43%</u>	<u>21%</u>
<b>CORE EARNINGS</b>				
Oil & Gas <sup>(a)</sup>	\$ 1,953	\$ 1,281	\$ 3,863	\$ 2,560
Chemical	250	225	498	439
Corporate & other	(117)	(113)	(219)	(215)
Pre-tax income	<u>2,086</u>	<u>1,393</u>	<u>4,142</u>	<u>2,784</u>
Income tax expense				
Federal and state	427	310	886	652
Foreign <sup>(a)</sup>	455	284	901	520
Total	<u>882</u>	<u>594</u>	<u>1,787</u>	<u>1,172</u>
Core Earnings	<u>\$ 1,204</u>	<u>\$ 799</u>	<u>\$ 2,355</u>	<u>\$ 1,612</u>
Worldwide effective tax rate	<u>42%</u>	<u>43%</u>	<u>43%</u>	<u>42%</u>

(a) Revenues and income tax expense include taxes owed by Occidental but paid by governmental entities on its behalf. Oil and gas pre-tax income includes revenue amounts by period (in millions): second quarter 2006—\$282, second quarter 2005—\$226, first six months 2006—\$572 and first six months 2005—\$413.

The three and six months ended June 30, 2005 worldwide effective tax rate reflected a \$619 million tax benefit related to the resolution of certain tax issues with the IRS. The recorded tax benefit was the result of a closing agreement with the IRS, which resolved foreign tax credit issues as part of the IRS audit of tax years 1997-2000.



**Oil and Gas Segment**

Summary of Operating Statistics	Periods Ended June 30			
	Three Months		Six Months	
	2006	2005	2006	2005
<b>Net Production per Day:</b>				
<b>Crude Oil and Natural Gas Liquids (MBL)</b>				
United States	265	245	266	245
Latin America	72	36	67	34
Middle East/North Africa	118	90	117	95
Other Eastern Hemisphere	5	6	4	6
<b>Natural Gas (MMCF)</b>				
United States	601	548	592	538
Latin America	41	—	34	—
Middle East	35	61	30	58
Other Eastern Hemisphere	80	72	77	75
<b>Barrels of Oil Equivalent (MBOE) per day <sup>(a)</sup></b>				
Consolidated subsidiaries	586	491	576	492
Other interests	23	25	25	27
Worldwide production <sup>(b)</sup>	609	516	601	519
<b>Average Sales Price:</b>				
<b>Crude Oil (\$/BBL)</b>				
United States	\$ 62.14	\$ 46.72	\$ 58.69	\$ 45.47
Latin America	\$ 56.47	\$ 46.36	\$ 54.28	\$ 46.08
Middle East/North Africa	\$ 65.08	\$ 48.72	\$ 61.57	\$ 45.18
Other Eastern Hemisphere	\$ 60.60	\$ 46.84	\$ 55.78	\$ 42.76
Total consolidated subsidiaries	\$ 61.88	\$ 47.19	\$ 58.66	\$ 45.41
Other interests	\$ 41.27	\$ 34.99	\$ 37.41	\$ 31.60
Total Worldwide <sup>(b)</sup>	\$ 60.67	\$ 46.27	\$ 57.39	\$ 44.39
<b>Natural Gas (\$/MCF)</b>				
United States	\$ 6.24	\$ 6.18	\$ 7.28	\$ 6.07
Latin America	\$ 1.87	\$ —	\$ 1.82	\$ —
Middle East	\$ 0.97	\$ 0.96	\$ 0.96	\$ 0.96
Other Eastern Hemisphere	\$ 3.05	\$ 2.28	\$ 2.95	\$ 2.25
Total consolidated subsidiaries	\$ 5.39	\$ 5.26	\$ 6.26	\$ 5.15
Other interests	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.14
Total Worldwide <sup>(b)</sup>	\$ 5.23	\$ 5.16	\$ 6.05	\$ 5.02

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

(b) Occidental has classified its Ecuador Block 15 operations as discontinued operations on a retrospective application basis and excluded them from this table.

Oil and gas segment and core earnings for the six months ended June 30, 2006, were \$3.9 billion compared with \$2.5 billion of segment earnings and \$2.6 billion of core earnings for the same period in 2005. For the three months ended June 30, 2006, oil and gas segment and core earnings were \$2.0 billion compared with \$1.3 billion of segment earnings and core earnings for the same period in 2005. The increase in earnings for three and six months ended June 30, 2006, compared to the same periods in 2005, reflected higher worldwide crude oil and natural gas prices, higher production for crude oil and natural gas and lower exploration expense, partially offset by higher oil and gas operating expenses, including production-related taxes and utility costs, and higher DD&A rates. The increase in net

sales of \$1.1 billion and \$2.1 billion for the three and six months ended June 30, 2006, compared with the same periods in 2005, reflected higher worldwide crude oil and natural gas prices and production.

The increase in production for the three and six months ended June 30, 2006, was due to the Vintage acquisition and the resumption of producing operations in Libya in the third quarter of 2005.

The average West Texas Intermediate (WTI) price in the second quarter of 2006 was \$70.70 per barrel and the average New York Mercantile Exchange (NYMEX) price for natural gas was \$7.26 per million BTUs, compared to \$53.17 per barrel and \$6.80 per million BTUs, respectively, for the second quarter 2005. Occidental's realized oil price for the second quarter of 2006 was \$60.67 per barrel compared to \$46.27 per barrel for the second quarter of 2005. Occidental's realized price differential to WTI improved in the second quarter of 2006 to 86% of WTI as compared to 85% in the first quarter of 2006. For the first six months of 2006, Occidental's realized oil price was \$57.39 per barrel compared to last year's realized price of \$44.39 for first six months of 2005. A change of 25 cents per million BTUs in NYMEX gas prices impacts quarterly oil and gas segment earnings by approximately \$12 million while a \$1.00 per-barrel change in oil prices has a quarterly pre-tax impact of approximately \$38 million.

Average production costs for the first six months of 2006 were \$11.14 per barrel of oil equivalent (BOE) compared to the 2005 production cost of \$8.81 per BOE. Included in the increase of \$2.33 per BOE were utility costs of 15 cents, gas plant costs of 14 cents, ad valorem and production taxes of 31 cents and export taxes. Argentina export taxes resulting from higher energy prices represented 38 cents of this increase. The remaining change was the result of workover, maintenance and other costs. Higher energy prices also reduced the volumes produced under production sharing contracts, which resulted in spreading gross costs for the total production operated by Occidental over fewer net barrels.

On January 30, 2006, Occidental completed the merger of Vintage into a wholly-owned Occidental subsidiary. Occidental acquired producing assets in Argentina, the United States, Yemen and Bolivia. The Argentine assets consist of 22 concessions, 19 of which Occidental will operate, located in the San Jorge Basin in southern Argentina and the Cuyo Basin in western Argentina. Occidental paid approximately \$1.3 billion to former Vintage shareholders for the cash portion of the merger consideration and issued approximately 28 million shares for the stock portion, which was valued at \$2.1 billion. In addition, Occidental assumed Vintage's debt, which had an estimated fair market value of \$585 million at closing. Occidental has divested a portion of Vintage's assets for proceeds of over \$700 million and intends to divest of more of these assets. Occidental believes that the merger provides significant growth opportunities represented by Vintage's assets in Argentina, California and Yemen, all of which will complement and enhance Occidental's current operations and production. Furthermore, the addition of Vintage's assets is expected to make significant long-term contributions to Occidental's cash flow. The results of operations for the assets held for sale are not included in the revenue, cost or production amounts and are treated as discontinued operations.

On August 7, 2006, Occidental announced an agreement with Plains Exploration & Production Company to acquire certain oil and gas assets for \$865 million in cash. Occidental estimates that the acquisition will add proved reserves of approximately 56 million barrels of oil equivalent. The principal properties being acquired are adjacent to Occidental's existing properties in California and the Permian Basin in West Texas. This transaction is consistent with Occidental's U.S. strategy of focusing on its core geographic areas in California and Texas.

Occidental plans to apply the techniques that it has used successfully to enhance production in its other U.S. operations. Occidental expects to substantially increase the current production rate of 8,900 net barrels of oil equivalent per day within the next few years. The transaction, which is accretive to earnings and cash flow and will be financed from cash on hand, is expected to close on or about October 1, 2006.

### ***Chemical Segment***

Chemical segment and core earnings for the first six months of 2006 were \$498 million, compared with \$439 million for the same period of 2005. Chemical segment and core earnings for the three months ended June 30, 2006 were \$250 million, compared with \$225 million for the same period of 2005. The increase in earnings for the first three and six

months ended June 30, 2006, compared with the same periods in 2005, was due to increased chlorine and caustic soda volumes.

### **Corporate and Other**

Unallocated corporate items – income taxes for the three and six months ended June 30, 2005, includes a \$619 million tax benefit resulting from the resolution of certain tax issues with IRS, and for the six months ended June 30, 2005, includes a \$10 million charge related to a state tax issue.

Since August 2002, when Occidental acquired its investment in Lyondell, two senior executives of Occidental have held seats on Lyondell's board of directors. One of Occidental's senior executives did not stand for re-election to Lyondell's board of directors at its annual meeting on May 4, 2006. As a result, Occidental management believes that it has lost the ability to exercise significant influence over Lyondell's financial and operating policies and has discontinued accruing its share of Lyondell earnings or losses under equity-method accounting. Subsequent to May 4, 2006, Occidental has accounted for its Lyondell shares as an available-for-sale cost method investment.

On May 15, 2006, Ecuador's Minister of Energy terminated Occidental's contract for the operation of Block 15, which comprised all of its oil producing operations in the country, and the Government of Ecuador seized Occidental's Block 15 assets shortly thereafter. The process resulting in this action began more than two years ago shortly after Occidental prevailed, by unanimous decision of an international arbitration panel, in a legal dispute over tax refunds that the Government of Ecuador wrongly withheld from Occidental. The panel's decision was subsequently upheld by a London court. As a result of the seizure, Occidental has classified its Block 15 operations as discontinued operations. In the second quarter of 2006, Occidental recorded a net after-tax charge of \$306 million in discontinued operations. This amount consists of after-tax charges for the write-off of the investment in Block 15 in Ecuador, as well as ship or pay obligations entered into with the OCP Pipeline to ship oil produced at Block 15, partially offset by \$109 million net of tax income from operations for the first five months of 2006.

### **Liquidity and Capital Resources**

Occidental's net cash provided by operating activities was \$3.1 billion for the first six months of 2006, compared with \$2.4 billion for the same period of 2005. The significant increase in operating cash flow in 2006, compared to 2005, resulted from several factors. The most important drivers were the significantly higher oil and natural gas prices and production and, to a much lesser extent, higher chemical volumes. In the first six months of 2006, compared to the same period in 2005, Occidental's realized oil price was higher by 29 percent and Occidental's realized natural gas price increased almost 20 percent in the U.S., where over 80 percent of Occidental's natural gas was produced. Oil and gas production for the first six months of 2006, compared to the same period in 2005, increased almost 16 percent. Chemical volume increases had a less significant effect on cash flow because chemical segment earnings and cash flow are significantly smaller than those for the oil and gas segment.

Increases in the costs of producing oil and gas, such as purchased goods and services, utility and gas plant costs and production taxes, partially offset oil and gas sales price increases, but such cost increases had a much lower effect on cash flow than the realized price increases. Other cost elements, such as labor costs and overheads, are not significant drivers of cash flow because they are mainly fixed within a narrow range over the short-to-intermediate term.

Occidental's net cash used by investing activities was \$2.2 billion for the first six months of 2006, compared with \$2.4 billion for the same period of 2005. The 2006 amount includes \$1.3 billion in cash consideration paid as part of the Vintage acquisition partially offset by \$658 million of cash proceeds from the Vintage assets held for sale. The 2005 amount includes cash payments for the Permian Basin transactions and the acquisition of the Vulcan chlor-alkali manufacturing facilities, which were partially offset by the cash proceeds from the sale of Lyondell common stock. Capital expenditures for the first six months of 2006 were \$1.2 billion, including \$1.1 billion in oil and gas. Capital expenditures for the first six months of 2005 were \$1.0 billion, including \$932 million in oil and gas.

Occidental's net cash used by financing activities was \$1.8 billion in the first six months of 2006, compared with \$568 million for the same period of 2005. The 2006 amount includes \$970 million of cash paid for repurchases of 10.0

million shares of Occidental's common stock at an average price of \$96.59 per share. In the second quarter of 2006, Occidental repurchased 7.6 million common shares at an average price of \$98.11 per share. In February 2006, Occidental announced a common stock repurchase plan for an intermediate target total of approximately 30 million shares. In July 2006, the Board of Directors increased the number of shares authorized for the previously announced repurchase program to 20 million pre-split shares. The share repurchases will continue to be funded solely from available cash from operations. The 2006 amount also includes net debt payments of \$618 million. The 2005 amount includes net debt payments of \$430 million.

Available but unused lines of committed bank credit totaled approximately \$1.5 billion at June 30, 2006, and cash and cash equivalents and short-term investments totaled \$1.6 billion on the June 30, 2006 balance sheet.

At June 30, 2006, under the most restrictive covenants of certain financing agreements, Occidental's capacity for additional unsecured borrowing was approximately \$41.8 billion, and the capacity for the payment of cash dividends and other distributions on, and for acquisitions of, Occidental's capital stock was approximately \$15.9 billion, assuming that such dividends, distributions and acquisitions were made without incurring additional borrowing.

Occidental currently expects to spend approximately \$3.0 billion on its 2006 capital spending program. Although its income and cash flows are largely dependent on oil and gas prices and production, Occidental believes that cash on hand, short-term investments and cash generated from operations will be sufficient to fund its operating needs, capital expenditure requirements, dividend payments and potential acquisitions.

On July 20, 2006, Occidental's Board of Directors authorized an increase in the quarterly dividend to \$0.44 per share of common stock on a pre-split basis, compared to the previous quarterly rate of \$0.36 per share. The Board of Directors also authorized a two-for-one stock split in the form of a stock dividend to Occidental's shareholders of record on August 1, 2006, with distribution of the shares to occur on August 15, 2006. The total number of authorized common stock shares and associated par value per share was unchanged by this action. Share and per share information in the consolidated condensed statements of income and stockholders' equity information in the consolidated condensed balance sheets presented in this report are on a pre-split basis.

On August 7, 2006, Occidental announced an agreement with Plains Exploration & Production Company to acquire certain oil and gas assets for \$865 million in cash. The transaction is expected to close on or about October 1, 2006.

### 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 environmental quality. Foreign operations also are subject to environmental-protection laws. The laws that require or address environmental remediation may apply to past waste disposal practices and releases. In many cases, the laws apply regardless of fault, legality of the original activities or current ownership or control of sites. OPC or certain of its subsidiaries are currently participating in environmental assessments and cleanups under these laws at sites subject to the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), comparable state sites and other domestic and foreign remediation sites, including Occidental facilities and previously owned sites.

The following table presents Occidental's environmental remediation reserves at June 30, 2006, the current portion of which (\$83 million) is included in accrued liabilities. The remaining amount of \$329 million is included in other deferred credits and other liabilities. The reserves are grouped by three categories of environmental remediation sites (\$ amounts in millions):

	# of Sites	Reserve Balance
CERCLA & Equivalent Sites	131	\$ 234
Active Facilities	19	115
Closed or Sold Facilities	39	63
Total	189	\$ 412

In determining the environmental remediation reserves and the reasonably possible range of loss, Occidental refers to currently available information, including relevant past experience, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. Occidental believes it is reasonably possible that it will continue to incur additional liabilities beyond those recorded for environmental remediation at these and other sites. The range of reasonably possible loss for existing environmental remediation matters could be up to \$415 million beyond the amount accrued.

The following table shows additional detail regarding reserves for CERCLA or CERCLA-equivalent proceedings in which OPC or certain of its subsidiaries were involved at June 30, 2006 (\$ amounts in millions):

Description	# of Sites	Reserve Balance
Minimal/No Exposure <sup>(a)</sup>	107	\$ 3
Reserves between \$1-10 MM	17	55
Reserves over \$10 MM	7	176
Total	131	\$ 234

(a) Includes 29 sites for which Maxus Energy Corporation has retained the liability and indemnified Occidental, 9 sites where Occidental has denied liability without challenge, 59 sites where Occidental's reserves are less than \$50,000 each, and 10 sites where reserves are between \$50,000 and \$1 million each.

Refer to the "Environmental Liabilities and Expenditures" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2005 Form 10-K for additional information regarding Occidental's environmental expenditures.

#### **Lawsuits, Claims, Commitments, Contingencies and Related Matters**

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

On May 15, 2006, Ecuador's Minister of Energy terminated Occidental's contract for the operation of Block 15, alleging that Occidental had violated its Participation Contract for Block 15 and Ecuador's Hydrocarbons Law. The Government of Ecuador seized Occidental's Block 15 assets, which comprised all of its oil producing operations in the country, shortly thereafter. As a result of the seizure, Occidental has classified its Block 15 operations as discontinued operations. See Corporate and Other for more information. On May 17, 2006, Occidental filed an arbitration claim against the Government of Ecuador, seeking redress for illegal confiscation of the Block 15 operations with the International Centre for Settlement of Investment Disputes in Washington, D.C., invoking the protections of the U.S. – Ecuador Bilateral Investment Treaty. This process could take well over a year and Occidental cannot predict its outcome.

During the course of its operations, Occidental is subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. Taxable years prior to 2001 are generally closed for U.S. federal corporate income tax purposes. Corporate tax returns for taxable years 2001 through 2003 are in various stages of audit by the U.S. Internal Revenue Service. Disputes arise during the course of such audits as to facts and matters of law.

Occidental has guarantees outstanding at June 30, 2006, which encompass performance bonds, letters of credit, indemnities, commitments and other forms of guarantees provided by Occidental to third parties, mainly to provide assurance that Occidental and/or its subsidiaries and affiliates will meet their various obligations (guarantees). At June 30, 2006 the notional amount of the guarantees that are subject to the reporting requirements of FIN 45 was approximately \$330 million, which mostly consists of Occidental's guarantees of equity investees' debt and other commitments. This amount excludes approximately \$100 million related to Occidental's guarantee of its share of the senior debt of the OCP pipeline in Ecuador, as the total amount has been accrued on the consolidated balance sheet at June 30, 2006.

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

### **Accounting Changes**

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." This Interpretation provides accounting guidance for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return as well as additional disclosures related to these tax positions. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. Occidental is currently assessing the effect of FIN No. 48 on its financial statements.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statement No. 133 and 140." This Statement provides new accounting guidance for embedded derivatives and other issues. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. Occidental is currently assessing the effect of SFAS No. 155 on its financial statements, but does not expect it to have a material effect on its financial statements.

### **Safe Harbor Statement Regarding Outlook and Forward-Looking Information**

Portions of this report contain forward-looking statements and involve risks and uncertainties that could materially affect expected results of operations, liquidity, cash flows and business prospects. Factors that could cause results to differ materially include, but are not limited to: exploration risks such as drilling unsuccessful wells; global commodity pricing fluctuations; higher-than-expected costs; potential liability for remedial actions under existing or future environmental regulations and litigation; potential liability resulting from pending or future litigation; general domestic and international political conditions; potential disruption or interruption of Occidental's production or manufacturing facilities due to accidents, political events or insurgent activity; potential failure to achieve expected production from existing and future oil and gas development projects; the supply/demand considerations for Occidental's products; any general economic recession or slowdown domestically or internationally; regulatory uncertainties; and not successfully completing, or any material delay of, any development of new fields, expansion, capital expenditure, efficiency-improvement project, acquisition or disposition. Forward-looking statements are generally accompanied by words such as "estimate", "project", "predict", "will", "anticipate", "plan", "intend", "believe", "expect" or similar expressions that convey the uncertainty of future events or outcomes. You should not place undue reliance on these forward-looking statements. Unless legally required, Occidental does not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Certain risks that may affect Occidental's results of operations and financial position appear in Part 1, Item 1A of Occidental's 2005 Annual Report on Form 10-K.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

For the three and six months ended June 30, 2006, there were no material changes in the information required to be provided under Item 305 of Regulation S-K included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations (Incorporating Item 7A) – Derivative Activities and Market Risk" in Occidental's 2005 Annual Report on Form 10-K.

### **Item 4. Controls and Procedures**

Occidental's Chief Executive Officer and Chief Financial Officer supervised and participated in Occidental's evaluation of its disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in Occidental's periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by Occidental in the reports that it files or submits under the Exchange Act is accumulated and communicated to Occidental's management to allow timely decisions regarding required disclosure. Based upon that evaluation, Occidental's Chief Executive Officer and Chief Financial Officer concluded that Occidental's disclosure controls and procedures are effective.

There has been no change in Occidental's internal control over financial reporting identified in connection with the evaluation required under the Exchange Act Rules that occurred during Occidental's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, Occidental's internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

The OxyVinyls partnership voluntarily entered into a consent decree with the U.S. Environmental Protection Agency, the State of New Jersey and the Louisville Metropolitan Air Pollution Control District regarding contested compliance allegations at four manufacturing facilities. Under the terms of the agreement, OxyVinyls will undertake emission reduction projects expected to reduce by almost 50 percent the combined vinyl chloride emissions from the four facilities at a cost of approximately \$1.1 million. OxyVinyls also agreed to pay \$125,000 toward a dust control study in New Jersey, and to pay penalties of approximately \$340,000 to resolve alleged state and federal law violations. The consent decree was entered by the U.S. District Court for the Northern District of Texas in July 2006.

**Item 2. Share Repurchase Activities**

Occidental's share repurchase activities as of June 30, 2006, were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(b)</sup>	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs <sup>(b)</sup>
First Quarter 2006	2,411,940	\$ 91.79	2,205,400	
April 1 – 30, 2006	1,365,500	\$100.72	1,365,500	
May 1 – 31, 2006	4,404,273 <sup>(a)</sup>	\$ 98.64	4,318,300	
June 1 – 30, 2006	1,856,500	\$ 94.93	1,856,500	
Second Quarter 2006	7,626,273	\$ 98.11	7,540,300	
<b>Total 2006</b>	<b>10,038,213</b>	<b>\$ 96.59</b>	<b>9,745,700</b>	<b>10,254,300</b>

(a) Occidental purchased 85,973 shares in May from the trustee of its defined contribution savings plan.

(b) In 2006, Occidental announced a common stock repurchase plan for an intermediate target total of approximately 30 million shares. In July 2006, the Board of Directors increased the number of shares authorized for the previously announced share repurchase program to 20 million pre-split shares. A cumulative total of 10,134,994 shares have been purchased since December 2005.



#### Item 4. Submission of Matters to a Vote of Security-Holders

Occidental's 2006 Annual Meeting of Stockholders (the Annual Meeting) was held on May 5, 2006. The following actions were taken at the Annual Meeting, for which proxies were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended:

1. The twelve nominees proposed by the Board of Directors were elected as directors by the following votes:

<u>NOMINEE</u>	<u>VOTES FOR</u>	<u>WITHHELD</u>
Spencer Abraham	369,893,523	4,451,732
Ronald W. Burkle	194,263,291	180,081,964
John S. Chalsty	296,434,895	77,910,360
Edward P. Djerejian	370,088,345	4,256,910
R. Chad Dreier	297,551,145	76,794,110
John E. Feick	370,231,896	4,113,359
Ray R. Irani	365,487,867	8,857,388
Irvin W. Maloney	297,093,684	77,251,571
Rodolfo Segovia	367,243,269	7,101,986
Aziz D. Syriani	366,723,149	7,622,106
Rosemary Tomich	296,688,723	77,656,532
Walter L. Weisman	370,017,405	4,327,850

2. The ratification of the selection of KPMG as independent auditors was approved. The proposal received: 369,453,414 votes for, 2,326,288 votes against, and 2,565,553 abstentions.

3. The amendment of the Restated Certificate of Incorporation to increase the authorized capital stock was approved. The proposal received 315,438,881 votes for, 55,809,689 votes against and 3,096,685 abstentions.

4. A stockholder proposal requesting a limitation on executive compensation was not approved.\* The proposal received 11,359,098 votes for; 316,141,999 votes against; 3,686,211 abstentions and 43,157,947 broker non-votes.

5. A stockholder proposal requesting a scientific report on global warming was not approved.\* The proposal received 21,040,827 votes for; 267,430,570 votes against; 42,715,816 abstentions and 43,158,042 broker non-votes.

6. A stockholder proposal requesting election of directors by majority vote was not approved.\* The proposal received 186,244,803 votes for; 141,502,826 votes against; 3,439,576 abstentions and 43,158,050 broker non-votes. On July 20, 2006, Occidental amended its By-Laws to provide that in an uncontested election, any nominee for director who receives a greater number of votes "against" his or her election than votes "for" such election must promptly tender his or her resignation and to provide procedures for consideration of such tenders.

\* Occidental's By-laws provide that, unless otherwise required by law, any question brought before the annual meeting shall be decided by the affirmative vote of a majority of the shares present in person or by proxy at the meeting for the purposes of determining a quorum.

## Item 6. Exhibits

- 3.(ii) Bylaws of Occidental Petroleum Corporation, as amended through July 20, 2006.
- 10.1 Terms and Conditions of Target Performance-Based Restricted Share Unit Award Under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan (filed as Exhibit 10.1 to Occidental's Current Report on Form 8-K dated July 19, 2006 (date of earliest event reported), File No. 1-9210).
- 10.2 Amendment to Occidental Petroleum Corporation 2005 Deferred Stock Program.
- 10.3 Amendment to Occidental Petroleum Corporation 2005 Deferred Compensation Program.
- 10.4 Terms and Conditions of Stock Appreciation Rights (SARs) under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan.
- 10.5 Terms and Conditions of Restricted Share Unit Award under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan.
- 11 Statement regarding the computation of earnings per share for the three and six months ended June 30, 2006 and 2005.
- 12 Statement regarding the computation of total enterprise ratios of earnings to fixed charges for the six months ended June 30, 2006 and 2005 and for each of the five years in the period ended December 31, 2005.
- 31.1 Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certifications of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

## SIGNATURES

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

OCCIDENTAL PETROLEUM CORPORATION

DATE: August 7, 2006

/s/ Jim A. Leonard

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Jim A. Leonard, Vice President and Controller  
(Principal Accounting and Duly Authorized Officer)

## EXHIBIT INDEX

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**BY-LAWS  
OF  
OCCIDENTAL PETROLEUM CORPORATION  
(hereinafter called the "Corporation")**

ARTICLE I

**OFFICES**

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

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

ARTICLE II

**MEETING OF STOCKHOLDERS**

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

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

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

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

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

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

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

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

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

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

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

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

*SECTION 5. Voting.* Unless otherwise required by law, the Certificate of Incorporation or these By-laws, any question brought before any meeting of stockholders shall be decided by the affirmative vote of a majority of the shares present in person or by proxy at the meeting for the purposes of determining the presence of a quorum at such meeting. Unless otherwise provided in the Certificate of Incorporation, each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the

capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. No vote at any meeting of stockholders need be by written ballot unless the Board of Directors, in its discretion, or the officer of the Corporation presiding at the meeting, in his discretion, specifically directs the use of a written ballot.

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

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

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

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

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

### ARTICLE III

#### **DIRECTORS**

SECTION 1. *Number and Election of Directors.* Subject to the rights, if any, of holders of preferred stock issued by the Corporation to elect directors of the Corporation, the Board of Directors shall consist of one or more directors, the number of which shall be twelve (12) until changed by resolution duly adopted by the Board of Directors from time to time. Except as provided in *Section 3* of this *Article III*, directors shall be elected by a plurality of the votes cast at Annual Meetings of Stockholders, and, subject to *Section 12* of this *Article III*, each director so elected shall hold office until his successor is duly elected and qualified, or until his earlier death, disqualification, resignation or removal. No person shall be eligible for election as a director of the Corporation who shall have reached the age of seventy-five (75) at the date of such election, unless such requirement shall have been unanimously waived by the members of the Corporate Governance, Nominating and Social Responsibility Committee and such Committee's action

shall have been ratified and approved by a majority of the disinterested directors on the Board of Directors. Directors need not be stockholders.

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

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

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation between September 1 and November 30 of the year preceding the Annual Meeting. To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person, and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (b) as to the stockholder giving the notice, (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder, (iii) a description of all arrangements or understandings between the stockholder or the beneficial owner, if any, on whose behalf the nomination is made and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made by such stockholder, (iv) whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends to distribute proxy materials, (v) a representation that the stockholder intends to appear, in person or by another person authorized in accordance with the General Corporation Law of the State of Delaware to act as proxy for the stockholder, at the Annual Meeting to nominate the persons named in the stockholder's notice, and (vi) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Exchange Act. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

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

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

SECTION 4. *Duties and Powers.* The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all



such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-laws directed or required to be exercised or done by the stockholders.

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

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

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

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

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

SECTION 10. *Compensation.* The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors and/or a stated annual fee as a director. No such payment shall preclude any director

from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

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

SECTION 12. *Resignation of Directors.* In an uncontested election, any nominee for director who receives a greater number of votes “against” his or her election than votes “for” such election (a “Majority Against Vote”) shall promptly tender his or her resignation following certification of the stockholder vote by the Inspector of Elections.

The Corporate Governance, Nominating and Social Responsibility Committee shall promptly consider the resignation, and possible responses based on the relevant facts and circumstances (including, for example and not by way of limitation, the reason for the Majority Against Vote, the director’s qualifications and role on the Board of Directors) and whether acceptance of the resignation is in the best interest of the Corporation) and make a recommendation to the Board of Directors. The Board of Directors will act on the Corporate Governance, Nominating and Social Responsibility Committee’s recommendation within 90 days following certification of the stockholder vote by the Inspector of Elections. Any director who tenders his or her resignation pursuant to this provision shall not participate in the Corporate Governance Committee’s recommendation or Board of Directors’ action regarding whether to accept the resignation. If each member of the Corporate Governance, Nominating and Social Responsibility Committee received a Majority Against Vote at the same election, then the independent directors who did not receive a Majority Against Vote shall appoint a committee amongst themselves to consider the resignations and recommend to the Board of Directors whether to accept them. However, if the only directors who did not receive a Majority Against Vote in the same election constitute three or fewer directors, all directors may participate in the action regarding whether to accept the resignations.

The Board of Directors will promptly disclose its decision-making process and decision regarding whether to accept or reject the director’s resignation in a Form 8-K furnished to the Securities and Exchange Commission.

Notwithstanding the obligation to offer to resign for a Majority Against Vote, any director may resign at any time for any other reason. In such instance, the resignation shall be effective upon giving written notice to the Corporate Secretary, unless the notice specifies a later time for such resignation to become effective, and no action shall be required by the Board of Directors for the resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor prior to such effective time to take office when such resignation becomes effective.

## ARTICLE IV

### OFFICERS

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

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

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

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

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

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

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

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

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

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

SECTION 11. *Assistant Secretaries.* Except as may be otherwise provided in these By-laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chairman of the Board of Directors, the President, any Vice President, if there be any, or the Secretary, and in the absence of the Secretary or in the event of

his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

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

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

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

## ARTICLE V

### STOCK

SECTION 1. *Uncertificated Shares.* Effective April 25, 2003, the shares of Common Stock of the Corporation shall be uncertificated. Notwithstanding that the shares of Common Stock of the corporation shall be uncertificated, every holder of stock of any class or series in the Corporation shall be entitled to have a certificate signed by, or in the name of the Corporation (i) by the Chairman or Vice Chairman of the Board of Directors, or the President, an Executive Vice President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, representing the number of shares registered in certificate form.

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

SECTION 3. *Lost, Stolen or Destroyed Certificates.* The Board of Directors may direct a new certificate to be issued in accordance with Section 1 of this Article V in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

SECTION 4. *Transfers.* Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-laws. Transfers of stock shall be made on the books of the Corporation (i) in the case of uncertificated shares, only by the person named in the stock register of the Corporation, by an attorney lawfully constituted in writing by such person or by any other representative of such person

acceptable to the Corporation, and (ii) in the case of shares registered in certificate form, only by the person named in the certificate, by an attorney lawfully constituted in writing by such person or by any other representative of such person acceptable to the Corporation and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued in accordance with Section 1 of this Article V.

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

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

## ARTICLE VI

### NOTICES

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

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

## ARTICLE VII

### GENERAL PROVISIONS

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

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

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

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

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

## ARTICLE VIII

### INDEMNIFICATION

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

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

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

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

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

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

SECTION 7. *Non-exclusivity and Survival of Indemnification.* The indemnification and advancement of expenses provided by this *Article VIII* shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and



as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in *Sections 1* and *2* of this *Article VIII* shall be made to the fullest extent permitted by law. The provisions of this *Article VIII* shall not be deemed to preclude the indemnification of any person who is not specified in *Sections 1* or *2* of this *Article VIII* but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise. The indemnification and advancement of expenses provided by this *Article VIII* shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

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

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

**AMENDMENT NUMBER 1  
OCCIDENTAL PETROLEUM CORPORATION  
2005 DEFERRED STOCK PROGRAM**

**WHEREAS**, Occidental Petroleum Corporation (the “Company”) maintains the Occidental Petroleum Corporation 2005 Deferred Stock Program (the “2005 DSP”) for the purpose of allowing key management and highly compensated employees of the Company and its affiliates to defer receipt of compensation payable in shares of Company common stock under the Company’s equity plans;

**WHEREAS**, the Company maintains the Occidental Petroleum Corporation 2005 Deferred Compensation Plan (the “2005 DCP”) for the purpose of providing a tax-deferred opportunity for key management and highly compensated employees of the Company and its affiliates to accumulate additional retirement income through deferrals of cash compensation;

**WHEREAS**, the Company grants performance stock awards (the “Performance Stock Awards”) under and as defined in equity plans maintained by the Company;

**WHEREAS**, the Performance Stock Awards may be payable partially in shares of Company common stock and partially in cash;

**WHEREAS**, the Company currently permits eligible participants to defer the payment of Performance Stock Awards, provided that any such election must apply to the entire award;

**WHEREAS**, if payment of a Performance Stock Award is deferred, the portion payable in Company common stock is deferred under the 2005 DSP and the portion, if any, payable in cash (including dividend equivalents that accumulate during the performance period) is deferred under the 2005 DCP;

**WHEREAS**, the Company finds it desirable to allow participants to make separate elections as to the cash and share portions of Performance Stock Awards;

**WHEREAS**, under Section 409A of the Internal Revenue Code, individuals may change their elections as to the form of distribution of deferred compensation if certain requirements are satisfied;

**WHEREAS**, the Company finds it desirable to allow participants to make up to two changes to their distribution elections;

**NOW, THEREFORE**, effective November 1, 2006, the DSP is amended as follows:

ARTICLE IV  
DEFERRED SHARE ACCOUNTS

1. Section 3.1(a) is amended in its entirety as follows:

(a) Participation. An Eligible Person may make an advance Deferral Election in respect of an Elective Deferral Award in order to receive a credit of Deferred Shares under this Program. Unless otherwise specified by the terms of a Qualifying Performance Stock Award, any Deferral Election as to such Qualifying Performance Stock Award may apply to (1) all payments resulting from the Qualifying Performance Stock Award whether made in share units or cash (including dividend equivalents that accumulate during the performance period), (2) only payments of share units resulting from the Qualifying Performance Stock Award, or (3) only payments of cash (including dividend equivalents that accumulate during the performance period) resulting from the Qualifying Performance Stock Award. Any deferrals of cash resulting from the Qualifying Performance Stock Award will be deferred under the Occidental Petroleum Corporation 2005 Deferred Compensation Plan. A Deferral Election for any other Elective Deferral Award must apply to all share units subject to the Elective Deferral Award.

2. Section 4.1(a) is amended in its entirety to read as follows:

“(a) Vesting of Qualifying Stock Awards. As of the date that all or any portion of (i) an Elective Deferral Award that is subject to a Deferral Election under Section 3.1 or (ii) a Mandatory Deferral Award becomes vested or is certified for payment, as the case may be, no Shares shall be issued to the Eligible Person. Instead, as of the date that all or any portion of such award becomes vested or is certified for payment, as the case may be, the Eligible Person’s Deferred Share Account shall be credited with the number of Deferred Shares that is equal to the number of share units that would otherwise be paid in Shares (as opposed to cash) on that date. If any portion of a Qualifying Performance Stock Award is payable in cash and delivery of the Shares is deferred under this Program by the terms of the award, such cash portion shall be automatically deferred and credited to the Participants’ deferral account under the Occidental Petroleum Corporation 2005 Deferred Compensation Plan.”

3. Section 4.4(c)(i) is modified by adding the following sentence to the end of the paragraph:

“Notwithstanding anything herein to the contrary, a distribution of

Deferred Shares in the form of a series of annual installments or as a combination of a lump sum followed by annual installments shall be treated as a single payment for purposes of Section 409A of the Code.”

4. Section 4.4(c)(iii) is amended in its entirety to read as follows:

“(iii) Changes to Retirement Distribution Election. A Participant may change his election as to the form of Retirement distribution under this Program subject to the following conditions: (1) the election shall not be effective until twelve (12) months after the election is filed with the Committee; (2) the election must defer the lump sum payment or the initial amount of an installment payment for a period of at least five (5) years from the date that the lump sum payment or initial amount of the installment payment, as the case may be, was otherwise payable; and (3) the election must be made at least twelve (12) months prior to the beginning of the calendar year in which the lump sum payment or initial amount of the installment payment, as the case may be, would have been payable if no change in the form of distribution were ever made. Any change of election as to the form of retirement distribution under any other deferral plan or program of the Company made by an Eligible Person after such Eligible Person’s first Deferral Election under this Program shall have no effect on such Eligible Person’s form of Retirement distribution under this Program. Notwithstanding the foregoing, a Participant may only change his election as to the time and form of Retirement distribution under this Program twice. Each such change must satisfy all of the requirements of this Section 4.4(c)(iii).”

**IN WITNESS WHEREOF**, the Company has caused its duly authorized officer to execute this amendment this

\_\_\_\_\_ day of \_\_\_\_\_, 2006.

**OCCIDENTAL PETROLEUM CORPORATION**

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

Richard W. Hallock

Executive Vice-President, Human Resources

**AMENDMENT NUMBER 2**  
**OCCIDENTAL PETROLEUM CORPORATION**  
**2005 DEFERRED COMPENSATION PLAN**

**WHEREAS**, Occidental Petroleum Corporation (the “Company”) maintains the Occidental Petroleum Corporation 2005 Deferred Compensation Plan (the “2005 DCP”), for the purpose of providing a tax-deferred opportunity for key management and highly compensated employees of the Company and its affiliates to accumulate additional retirement income through deferrals of cash compensation;

**WHEREAS**, the Company maintains the Occidental Petroleum Corporation 2005 Deferred Stock Program (the “2005 DSP”) for the purpose of allowing key management and highly compensated employees of the Company and its affiliates to defer receipt of compensation payable in shares of Company common stock under the Company’s equity plans;

**WHEREAS**, the Company grants performance stock awards (the “Performance Stock Awards”) under and as defined in equity plans maintained by the Company;

**WHEREAS**, the Performance Stock Awards may be payable partially in shares of Company common stock and partially in cash;

**WHEREAS**, the Company currently permits eligible participants to defer the payment of Performance Stock Awards, provided that any such election must apply to the entire award;

**WHEREAS**, if payment of a Performance Stock Award is deferred, the portion payable in Company common stock is deferred under the 2005 DSP and the portion, if any, payable in cash (including dividend equivalents that accumulate during the performance period) is deferred under the 2005 DCP;

**WHEREAS**, the Company finds it desirable to allow participants to make separate elections as to the cash and share portions of Performance Stock Awards;

**WHEREAS**, under Section 409A of the Internal Revenue Code, individuals may change their elections as to the form of distribution of deferred compensation amounts if certain requirements are satisfied;

**WHEREAS**, the Company finds it desirable to allow participants to make up to two changes to their retirement distribution elections;

**NOW, THEREFORE**, effective November 1, 2006, the DCP is amended as follows:

ARTICLE II  
DEFINITIONS

1. The definition of Performance Award Cash Deferral is

amended in its entirety to read as follows:

“Performance Award Cash Deferral. ‘Performance Award Cash Deferral’ means that portion of a Qualifying Performance Stock Award that is deferred under this Plan as provided in Section 4.1(c) of this Plan.”

ARTICLE IV  
PARTICIPATION

2. Section 4.1(c) is amended in its entirety to read as follows:

“(c) Deferral of Performance Award Cash Payments. (i) If a Qualifying Performance Stock Award is subject to mandatory deferral by its terms, the cash portion, if any, of such award (including dividend equivalents that accumulate during the performance period) shall be automatically deferred under this Plan. If such deferral is elective by the terms of the Qualifying Performance Stock Award, then unless otherwise specified by the terms of the Qualifying Performance Stock Award, an Eligible Employee may, in accordance with Section 4.1(c)(ii), make an advance deferral election that applies to (1) all payments resulting from the Qualifying Performance Stock Award; (2) only payments of share units resulting from the Qualifying Performance Stock Award; or (3) only payments of cash (including dividend equivalents that accumulate during the performance period) resulting from the Qualifying Performance Stock Award. Any deferrals of share units resulting from the Qualifying Performance Stock Award will be deferred under the Occidental Petroleum Corporation 2005 Deferred Stock Program. If the portion of a Qualifying Performance Stock Award that is payable in cash is deferred under this Plan (either at the election of the Eligible Employee or by the terms of the award), such cash portion shall be credited to the Eligible Employee’s DCP Deferral Account as a Performance Award Cash Deferral.

(ii) In the case of a Qualifying Performance Stock Award with an elective deferral feature and that qualifies as ‘performance based compensation’ as defined in Proposed Treasury Regulations Section 1.409A-1(e) (or any successor regulation), a Deferral Election Form must be delivered to the Committee at least 12 months before the award becomes certified as payable. In the case of any other Qualifying Performance Stock Award with an elective deferral feature, a Deferral Election Form must be delivered to the Committee no later than 30 days after the date of grant of such award and at least 12 months before the award becomes vested. Any Deferral Election Form received by the Committee at a time

other than as described herein will be considered void and shall have no force or effect. Notwithstanding the foregoing, if applicable law requires that a deferral election be made at an earlier date in order to defer taxation with respect to a Qualifying Performance Stock Award, the Committee shall require the Deferral Election Form to be filed by such earlier date, and any Deferral Election Form received by the Committee after such date shall be considered void and shall have no force or effect.”

ARTICLE V  
BENEFITS

3. Section 5.1(b) is amended in its entirety to read as follows:

“(b) Retirement. (i) On a Distribution Election Form filed simultaneously with and in the same manner as the first Deferral Election Form that a Participant is required to file in accordance with the requirements set forth in Section 4.1 hereof, a Participant (A) may elect to have the Retirement Benefit, which may consist solely of the Participant’s Savings Plan Restoration Account, paid to him in a lump sum, annual payments for any other number of years between two (2) and 20 years or, if available as an option on the Distribution Election Form provided to the Participant, in a combination of an initial lump sum payment followed by annual installments over the next one (1) to 20 years, and (B) may elect to have the amount of each annual installment determined under either the Amortization Method or the Fractional Method. If a Participant fails to elect either the Amortization Method or the Fractional Method, such Participant shall be deemed to have elected the Fractional Method.

(ii) Notwithstanding anything herein to the contrary, an election to receive distribution in a series of annual installments or as a combination of a lump sum followed by annual installments shall be treated as a single payment for purposes of Section 409A of the Code.

(iii) Subject to Section 5.1(b)(iv), a Participant may change his election as to the form of Retirement distribution under this Program subject to the following conditions: (A) the election shall not be effective until twelve (12) months after the election is filed with the Committee; (B) the election must defer the lump sum payment or the initial amount of an installment payment for a period of at least five (5) years from the date that the lump sum payment or initial amount of the installment payment, as the case may be, was otherwise payable; and (C) the election must be made at least twelve (12) months prior to the beginning of the calendar



year in which the lump sum payment or initial amount of the installment payment, as the case may be, would have been payable if no change as to the form of distribution were ever made.

(iv) A Participant may only make two changes pursuant to Section 5.1(b)(iii). Each such change must satisfy all of the requirements of Section 5.1(b)(iii).”

4. The last sentence of Section 5.2(c) is replaced with the following:

“A Participant may change his election as to the form of payment to his Beneficiary subject to the following conditions: (1) the election shall not be effective until twelve (12) months after the election is filed with the Committee; and (2) the election must be made at least twelve (12) months prior to the beginning of the calendar year in which the lump sum payment or initial amount of the installment payment, as the case may be, would have been payable if no change as to the form of distribution were ever made. Each such change must satisfy all of the requirements of this Section 5.2(c).”

**IN WITNESS WHEREOF**, the Company has caused its duly authorized officer to execute this amendment this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

**OCCIDENTAL PETROLEUM CORPORATION**

By: \_\_\_\_\_  
Richard W. Hallock  
Executive Vice-President, Human Resources

**OCCIDENTAL PETROLEUM CORPORATION  
2005 LONG-TERM INCENTIVE PLAN  
STOCK APPRECIATION RIGHTS (SARs)  
TERMS AND CONDITIONS**

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Date of Grant: July 19, 2006

Number of SARs: See "Shares Granted/Awarded" (Grant Acknowledgement screen)

Grant Price: \$100.89

Expiration Date: July 19, 2016

Vesting Schedule:

1 <sup>st</sup> Anniversary	33-1/3 Percent of Number of SARs
2 <sup>nd</sup> Anniversary	33-1/3 Percent of Number of SARs
3 <sup>rd</sup> Anniversary	33-1/3 Percent of Number of SARs

The following **Terms and Conditions** (these "Terms and Conditions") are set forth as of the Date of Grant between OCCIDENTAL PETROLEUM CORPORATION, a Delaware corporation ("Occidental"), and with its subsidiaries (the "Company"), and the Eligible Employee receiving this grant (the "Grantee").

1. **STOCK APPRECIATION RIGHTS.** For the purposes of these Terms and Conditions, Stock Appreciation Rights ("SARs") are the right to receive in shares of Occidental Common Stock the excess, if any, of the fair market value at the date and time of exercise of the number of shares of Occidental Common Stock equal to the number of SARs being exercised over the Fair Market Value of such number of shares of Occidental Common Stock on the Date of Grant (the "Grant Price").
2. **GRANT OF SARs.** As of the Date of Grant, Occidental grants to the Grantee the Number of SARs indicated on the Grant acknowledgement Screen at the Grant Price. All SARs may be exercised in accordance with these Terms and Conditions and the Occidental Petroleum Corporation 2005 Long-Term Incentive Plan, as amended from time to time (the "Plan"). This Grant shall not be an option to purchase Occidental Common Stock and shall confer no stockholder rights upon the Grantee.
3. **TERM OF SARs.** The term of these SARs begins on the Date of Grant and expires on the tenth anniversary of the Date of Grant (the "Expiration Date") unless they are terminated earlier as provided in Section 7.
4. **RIGHT TO EXERCISE.** Unless these SARs have expired, terminated, or accelerated, on each anniversary of the Date of Grant, the amount of SARs indicated above in the Vesting Schedule for such anniversary will become exercisable on a cumulative basis until all of the SARs are fully exercisable. The projected Vesting Schedule with the number of SARs vesting on each anniversary is shown on the Grant Detail screen (from Grant Summary page, click "View Detail & History"). SARs may be exercised, in whole or in part, only for the amount of SARs that are vested on the date of exercise. The last date to exercise these SARs is the New York Stock Exchange trading day prior to the earlier of the date these SARs terminate and the Expiration Date.

5. **SARS NONTRANSFERABLE.** These Terms and Conditions, the SARs and the right to receive Common Shares upon exercise of the SARs may not be transferred nor assigned by the Grantee other than to a beneficiary designated on a form approved by the Company or will, or if the Grantee dies without designating a beneficiary and without a valid will, by the laws of descent and distribution. During the Grantee's lifetime, only the Grantee, or in the event of his or her legal incapacity, a properly appointed guardian or legal representative may exercise these SARs.

6. **NOTICE OF EXERCISE.**

(a) To exercise these SARs, the Grantee must give oral or written notice to Occidental or any agent designated by Occidental to administer grants made under the Plan. If Occidental has designated an agent, notice must be given to the agent to be effective and, except for limit orders (if permitted), must be received on a New York Stock Exchange trading day during the trading day (9:30 AM - 4 PM Eastern Time). The notice of exercise must state the amount of SARs the Grantee wishes to exercise. The date the notice is received is the exercise date unless limit orders are permitted by the Administrator or any agent designated by Occidental and the notice contains a limit order in accordance with the procedures established by the Administrator or the agent, in which case the exercise date is the trading date on the New York Stock Exchange during the limit order period on which the price of the Common Stock traded on the New York Stock Exchange reaches the price specified in the notice. The fair market value used to determine the proceeds will be the value indicated as such by the Administrator or the agent on the exercise date. If requested, any oral notice of exercise shall be confirmed in writing the same day before the close of trading on the New York Stock Exchange.

(b) **CALCULATION OF SHARES ISSUABLE UPON EXERCISE.** At exercise, Grantee will be issued the number of whole shares of Common Stock obtained by dividing (X) the product of (i) the number of SARS exercised times (ii) the difference between the Grant Price and the Exercise Value by (Y) the Exercise Value. If the calculation results in a fractional share, the Grantee will receive cash for the fractional share (but not for any whole shares) equal to the product of the fraction times the Exercise Value. For the purpose of the foregoing calculations, the Exercise Value equals the fair market value of one share of Occidental Common Stock at the date and time of exercise (unless otherwise required by the administrator).

(c) **FEES, TAXES.** The Grantee will be obligated to pay transaction fees imposed by Occidental's agent, if one is designated, and any applicable taxes on the Grantee's profits.

7. **TERMINATION OF RIGHT TO EXERCISE.** The right to exercise these SARs terminates automatically and without further notice on the date the Grantee ceases to be an employee of the Company for any reason whatsoever, except as follows:

(a) **If the Grantee dies,** the SARs will vest immediately as of the date of the Grantee's death for the full Number of SARs. All SARs may be exercised up to the Expiration Date by a transferee acceptable under Section 5.

(b) **If the Grantee becomes permanently and totally disabled,** the SARs will continue to vest in accordance with the Vesting Schedule, and they may be exercised up to the Expiration Date. For purposes of these Terms and Conditions, to be "permanently and totally disabled" means to be unable to engage in any substantial gainful activity by reason of an

impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of at least twelve (12) months.

(c) **If the Grantee retires**, the SARs will continue to vest in accordance with the Vesting Schedule, and they may be exercised up to the Expiration Date. For purposes of these Terms and Conditions, “retire” means to retire with the consent of the Company.

(d) **If the Grantee terminates employment with the Company for any reason other than death, permanent and total disability, retirement or cause (whether or not in breach of local labor laws)**, the SARs will cease to vest as of the close of business on the last day of the Grantee’s active employment. Any vested SARs may be exercised up to the sooner of (i) three (3) months following the last day of the Grantee’s active employment and (ii) the Expiration Date. Only the amount of SARs exercisable as of the Grantee’s last day of employment pursuant to the Vesting Schedule may be exercised. For the purposes of these Terms and Conditions, “cause” means the Grantee’s (W) failure to satisfactorily perform the duties of his or her job or negligence in carrying out the Company’s legal obligations, (X) refusal to carry out any lawful order of the Company, (Y) breach of any legal duty to the Company, or (Z) conduct constituting moral turpitude or conviction of a crime which may diminish the Grantee’s ability to effectively act on the Company’s behalf or with or on behalf of others.

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

8. **ACCELERATION OF SARs.** If a Change in Control Event as defined in the Plan occurs, all SARs shall become immediately exercisable unless, prior to the occurrence of the Change in Control Event, the Administrator, as provided in Section 7.1 of the Plan, determines that such Event will not accelerate these SARs or that acceleration will occur for only part of the SARs granted or at a different time. Any such determination by the Administrator is binding on the Grantee.

9. **NO EMPLOYMENT CONTRACT.** Nothing in these Terms and Conditions confers upon the Grantee any right with respect to continued employment by the Company, nor limits in any manner the right of the Company to terminate the employment or adjust the compensation of the Grantee.

10. **TAXES AND WITHHOLDING.** The Grantee is responsible for any federal, state, local or foreign tax, including income tax, social insurance, payroll tax, payment on account or other tax-related withholding with respect to the grant of SARs (including the grant, vesting and exercise of SARs and the receipt of Common Shares and sale of Common Shares). The Company does not guarantee any particular tax treatment or results in connection with the grant, vesting or exercise of SARs. If the Company must withhold any tax in connection with the exercise of these SARs, the Grantee shall satisfy all or any part of any such withholding obligation by surrendering to the Company a portion of the Common Shares that are issued to the Grantee pursuant to this Agreement. Any Common Shares so surrendered by the Grantee shall be credited against the Grantee’s withholding obligation at their Fair Market Value on the exercise date.

11. **COMPLIANCE WITH LAW.** The Company will make reasonable efforts to comply with all applicable federal, state and foreign securities laws; however, these SARs are not exercisable if their exercise would result in a violation of any such law by the Company.
12. **RELATION TO OTHER BENEFITS.** The benefits received by the Grantee under these Terms and Conditions will not be taken into account or treated as normal salary or compensation in determining any benefits to which the Grantee may be entitled under any profit sharing, retirement, bonus, long service or other benefit or compensation plan maintained by the Company, including the amount of any life insurance coverage available to any beneficiary of the Grantee under any life insurance plan covering employees of the Company, or as part of the calculation of any severance, resignation, termination, redundancy or end of service payments. The grant of these SARs does not create any contractual or other right to receive future grants of SARs, or benefits in lieu of SARs, even if the Grantee has a history of receiving SARs or other stock awards.
13. **ADJUSTMENTS.** The Grant Price, the number of SARs and the number of Shares of Common Stock or type of security covered by this Grant may be adjusted as the Administrator determines pursuant to Section 7.2 of the Plan in order to prevent dilution or expansion of the Grantee's rights under these Terms and Conditions as a result of events such as stock dividends, stock splits, or other change in the capital structure of Occidental, or any merger, consolidation, spin-off, liquidation or other corporate transaction or event having a similar effect. If any such adjustment occurs, the Company will give the Grantee written notice of the adjustment containing an explanation of the nature of the adjustment.
14. **AMENDMENTS.** The Plan may be modified, amended, suspended or terminated by the Company at any time, as provided in the Plan. Any amendment to the Plan will be deemed to be an amendment to these Terms and Conditions to the extent it is applicable to these Terms and Conditions; however, except to the extent necessary to comply with applicable law, no amendment will adversely affect the rights of the Grantee under these Terms and Conditions without the Grantee's consent.
15. **SEVERABILITY.** If one or more of the provisions of these Terms and Conditions is invalidated for any reason by a court of competent jurisdiction, the invalidated provisions shall be deemed to be separable from the other provisions of these Terms and Conditions, and the remaining provisions of these Terms and Conditions will continue to be valid and fully enforceable.
16. **RELATION TO PLAN; INTERPRETATION.** These Terms and Conditions are subject to the terms and conditions of the Plan. In the event of any inconsistent provisions between these Terms and Conditions and the Plan, the provisions of the Plan control. Capitalized terms used in these Terms and Conditions without definitions have the meanings assigned to them in the Plan. References to Sections are to Sections of these Terms and Conditions unless otherwise noted.
17. **ADMINISTRATIVE PROCEDURES.** The Administrator, directly or through its agent, reserves the right to adopt procedures with respect to the exercise of these SARs. In the event of any inconsistent provisions between such procedures, these Terms and Conditions and the Plan, the provisions of the Plan control.

18. **SUCCESSORS AND ASSIGNS.** Subject to Section 5, the provisions of these Terms and Conditions shall be for the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Grantee, and the successors and assigns of the Company.

19. **GOVERNING LAW.** The laws of the State of Delaware govern the interpretation, performance, and enforcement of these Terms and Conditions.

20. **NOTICES.** Except as the Company may otherwise direct for exercise notices, any notice to the Company provided for in these Terms and Conditions will be given to its Secretary at 10889 Wilshire Boulevard, Los Angeles, California 90024, and any notice to the Grantee will be addressed to the Grantee at his or her address currently on file with the Company. Except as provided in Section 6 for exercise notices, any written notice will be deemed to be duly given when received if delivered personally or sent by telecopy, e-mail, or the United States mail, first class registered mail, postage and fees prepaid, and addressed as provided in this paragraph. Any party may change the address to which notices are to be given by written notice to the other party as specified in the preceding sentence.

21. **PRIVACY RIGHTS.** By accepting this award, the Grantee explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in these Terms and Conditions by and among, as applicable, the Company and its affiliates for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. The Company holds or may receive from any agent designated by the Company certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in Occidental, details of this SARs award or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the purpose of implementing, administering and managing the Plan, including complying with applicable tax and securities laws ("Data"). Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan. These recipients may be located in the Grantee's country or elsewhere, and may have different data privacy laws and protections than the Grantee's country. By accepting these Terms and Conditions, the Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes described above. The Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting the Administrator in writing. Refusing or withdrawing consent may affect the Grantee's ability to participate in the Plan.

22. **ELECTRONIC DELIVERY.** The Company may, in its sole discretion, decide to deliver any documents related to this SARs award granted under the Plan or future grants that may be granted under the Plan (if any) by electronic means or to request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

23. **GRANTEE'S REPRESENTATIONS AND RELEASES.** By accepting the grant, the Grantee acknowledges that the Grantee has read these Terms and Conditions and understands that (i)

the grant of these SARs is made voluntarily by Occidental in its discretion with no liability on the part of any of its direct or indirect subsidiaries, and that, if the Grantee is not an employee of Occidental, the Grantee is not, and will not be considered, an employee of Occidental but the Grantee is a third party (employee of a subsidiary) to whom these SARs are granted; (ii) the Grantee's participation in the Plan is voluntary; (iii) the future value of the SARs cannot be predicted and Occidental does not assume liability in the event the SARs have no value in the future; and, (iv) subject to the terms of any tax equalization agreement between the Grantee and the entity employing the Grantee, the Grantee will be solely responsible for the payment or nonpayment of taxes imposed or threatened to be imposed by any authority of any jurisdiction.

In consideration of the grant of these SARs, no claim or entitlement to compensation or damages shall arise from termination of these SARs or diminution in value of these SARs resulting from termination of the Grantee's employment by the Company or the Grantee's employer (for any reason whatsoever and whether or not in breach of local labor laws). The Grantee irrevocably releases the Company and, if not Occidental, the Grantee's employer, from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting these Terms and Conditions, the Grantee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim.

**OCCIDENTAL PETROLEUM CORPORATION  
2005 LONG-TERM INCENTIVE PLAN  
RESTRICTED SHARE UNIT AWARD  
TERMS AND CONDITIONS**

Date of Grant:	July 19, 2006	
Number of Restricted Share Units:	See "Shares Granted/Awarded" (Grant Acknowledgment screen)	
Vesting Schedule:	1 <sup>st</sup> Anniversary	33-1/3 Percent of Restricted Share Units
	2 <sup>nd</sup> Anniversary	33-1/3 Percent of Restricted Share Units
	3 <sup>rd</sup> Anniversary	33-1/3 Percent of Restricted Share Units

The following **Terms and Conditions** (these "Terms and Conditions") are set forth as of the Date of Grant between OCCIDENTAL PETROLEUM CORPORATION, a Delaware corporation ("Occidental"), and with its subsidiaries (the "Company"), and the Eligible Employee receiving this Award (the "Grantee").

**1. GRANT OF RESTRICTED SHARE UNITS.** In accordance with these Terms and Conditions and the Occidental Petroleum Corporation 2005 Long-Term Incentive Plan, as amended from time to time (the "Plan"), Occidental grants to the Grantee as of the Date of Grant the right to receive on each anniversary date Common Shares equal to the number of Restricted Share Units (as defined below) that vest on such date according to the schedule set forth above. For the purposes of these Terms and Conditions, "Restricted Share Unit" means a bookkeeping entry equivalent to a whole or fractional Common Share. Restricted Share Units are not shares and have no voting rights or, except as stated in Section 4, dividend rights.

**2. RESTRICTIONS ON TRANSFER.** These Terms and Conditions, the Restricted Share Units and the right to receive Common Shares may not be transferred or assigned by the Grantee other than (i) to a beneficiary designated on a form approved by the Company (if permitted by local law) or by will or, if the Grantee dies without designating a beneficiary or a valid will, by the laws of descent and distribution, or (ii) pursuant to a domestic relations order, if applicable, (if approved or ratified by the Administrator).

**3. VESTING AND FORFEITURE OF RESTRICTED SHARE UNITS.** (a) Subject to Sections 3(b) and (c), on each anniversary of the Date of Grant the amount of Restricted Share Units indicated above in the Vesting Schedule for such anniversary will vest and become nonforfeitable if the Grantee remains in the continuous employ of the Company through such date. The projected Vesting Schedule with the number of Restricted Share Units vesting on each anniversary is shown on the Grant Detail screen (from Grant Summary page, click "View Detail & History"). The continuous employment of the Grantee will not be deemed to have been interrupted by reason of the transfer of the Grantee's employment among the Company and its affiliates or an approved leave of absence.

(b) Notwithstanding Section 3(a), if the Grantee dies or becomes permanently disabled while in the employ of the Company, retires with the consent of the Company, or terminates employment for the convenience of the Company (each of the foregoing, a "Vesting Event"),



then Restricted Share Units that have not vested prior to the date of the Vesting Event will become fully vested and nonforfeitable as of such date.

(c) Notwithstanding Section 3(a), if a Change in Control Event occurs prior to the end of the Vesting Schedule, all of the Restricted Share Units that have not yet vested shall immediately become fully vested and nonforfeitable unless, prior to the occurrence of the Change in Control Event, the Administrator, as provided in Section 7.1 of the Plan, determines that such Event will not accelerate these Restricted Share Units or that acceleration will occur for only part of the Restricted Share Units granted or at a different time. Any such determination by the Administrator is binding on the Grantee.

**4. CREDITING AND PAYMENT OF DIVIDEND EQUIVALENTS.** With respect to the Restricted Share Units granted to the Grantee, the Grantee will be credited on the books and records of Occidental with an amount (the "Dividend Equivalent") equal to the amount per share of any cash dividends declared by the Board on the outstanding Common Shares until the shares vest, or, if earlier, up to the date on which the Grantee forfeits all or any portion of the Restricted Share Units. Until the Restricted Share Units have vested, Occidental will pay in cash to the Grantee an amount equal to the Dividend Equivalents credited to such Grantee as promptly as may be practicable after the Grantee has been credited with a Dividend Equivalent.

**5. NO EMPLOYMENT CONTRACT.** Nothing in these Terms and Conditions confers upon the Grantee any right with respect to continued employment by the Company, nor limits in any manner the right of the Company to terminate the employment or adjust the compensation of the Grantee.

**6. TAXES AND WITHHOLDING.** The Grantee is responsible for any federal, state, local or foreign tax, including income tax, social insurance, payroll tax, payment on account or other tax-related withholding (including hypothetical tax required pursuant to any Company policy with respect to income tax equalization) with respect to the grant of Restricted Share Units (including the grant, the vesting, the receipt of Common Shares, the sale of Common Shares and the receipt of dividends or Dividend Equivalents, if any). The Company does not guarantee any particular tax treatment or results in connection with the grant or vesting of the Restricted Share Units or the payment of Dividend Equivalents. If the Company must withhold any tax in connection with granting of Restricted Share Units or the payment of Dividend Equivalents pursuant to this grant of Restricted Share Units, the Grantee by acknowledging these Terms and Conditions agrees that, so long as the Grantee is an employee of the Company for tax purposes, all or any part of any such withholding obligation shall be deducted from the Grantee's wages, other cash compensation (including regular pay) or Dividend Equivalents. The Grantee shall pay to the Company any amount that cannot be satisfied by the means previously described. If the Company must withhold any tax in connection with the vesting of Restricted Share Units, the Grantee shall satisfy all or any part of any such withholding obligation by surrendering to the Company a portion of the Common Shares that are issued to the Grantee pursuant to this Agreement. Any Common Shares so surrendered by the Grantee shall be credited against the Grantee's withholding obligation at their Fair Market Value on the vesting date.

**7. COMPLIANCE WITH LAW.** The Company will make reasonable efforts to comply with all applicable federal, state and foreign securities laws; however, the Company will not issue any Common Shares or other securities pursuant to these Terms and Conditions if their issuance would result in a violation of any such law by the Company.

**8. RELATION TO OTHER BENEFITS.** The benefits received by the Grantee under these Terms and Conditions will not be taken into account or treated as normal salary or compensation in determining any benefits to which the Grantee may be entitled under any profit sharing, retirement, bonus, long service or other benefit or compensation plan maintained by the Company, including the amount of any life insurance coverage available to any beneficiary of the Grantee under any life insurance plan covering employees of the Company, or as part of the calculation of any severance, resignation, termination, redundancy or end of service payments. This grant of Restricted Share Units does not create any contractual or other right to receive future grants of Restricted Share Units, or benefits in lieu of Restricted Share Units, even if the Grantee has a history of receiving Restricted Share Units or other stock awards.

**9. ADJUSTMENTS.** The number or kind of shares of stock covered by this Restricted Share Unit Award may be adjusted as the Administrator determines pursuant to Section 7.2 of the Plan in order to prevent dilution or expansion of the Grantee's rights under these Terms and Conditions as a result of events such as stock dividends, stock splits, or other change in the capital structure of Occidental, or any merger, consolidation, spin-off, liquidation or other corporate transaction or event having a similar effect. If any such adjustment occurs, the Company will give the Grantee written notice of the adjustment containing an explanation of the nature of the adjustment.

**10. AMENDMENTS.** The Plan may be modified, amended, suspended or terminated by the Company at any time, as provided in the Plan. Any amendment to the Plan will be deemed to be an amendment to these Terms and Conditions to the extent it is applicable to these Terms and Conditions; however, except to the extent necessary to comply with applicable law, no amendment will adversely affect the rights of the Grantee under these Terms and Conditions without the Grantee's consent.

**11. SEVERABILITY.** If one or more of the provisions of these Terms and Conditions is invalidated for any reason by a court of competent jurisdiction, the invalidated provisions shall be deemed to be separable from the other provisions of these Terms and Conditions, and the remaining provisions of these Terms and Conditions will continue to be valid and fully enforceable.

**12. RELATION TO PLAN; INTERPRETATION.** These Terms and Conditions are subject to the terms and conditions of the Plan. In the event of any inconsistent provisions between these Terms and Conditions and the Plan, the provisions of the Plan control. Capitalized terms used in these Terms and Conditions without definitions have the meanings assigned to them in the Plan. References to Sections are to Sections of these Terms and Conditions unless otherwise noted.

**13. SUCCESSORS AND ASSIGNS.** Subject to Sections 2 and 3, the provisions of these Terms and Conditions shall be for the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Grantee, and the successors and assigns of the Company.

**14. GOVERNING LAW.** The laws of the State of Delaware govern the interpretation, performance, and enforcement of these Terms and Conditions.

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

**16. PRIVACY RIGHTS.** By accepting this award, the Grantee explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in these Terms and Conditions by and among, as applicable, the Company and its affiliates for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. The Company holds or may receive from any agent designated by the Company certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in Occidental, details of this Restricted Share Unit award or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the purpose of implementing, administering and managing the Plan, including complying with applicable tax and securities laws ("Data"). Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan. These recipients may be located in the Grantee's country or elsewhere, and may have different data privacy laws and protections than the Grantee's country. By accepting these Terms and Conditions, the Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes described above. The Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting the Administrator in writing. Refusing or withdrawing consent may affect the Grantee's ability to participate in the Plan.

**17. ELECTRONIC DELIVERY.** The Company may, in its sole discretion, decide to deliver any documents related to this Restricted Share Unit award granted under the Plan or future awards that may be granted under the Plan (if any) by electronic means or to request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

**18. GRANTEE'S REPRESENTATIONS AND RELEASES.** By accepting this award, the Grantee acknowledges that the Grantee has read these Terms and Conditions and understands that (i) the grant of this Restricted Share Unit award is made voluntarily by Occidental in its discretion with no liability on the part of any of its direct or indirect subsidiaries and that, if the Grantee is not an employee of Occidental, the Grantee is not, and will not be considered, an employee of Occidental but the Grantee is a third party (employee of a subsidiary) to whom this Restricted Share Unit award is granted; (ii) the Grantee's participation in the Plan is voluntary; (iii) the future value of any Common shares issued pursuant to this Restricted Share Unit award cannot be predicted and Occidental does not assume liability in the event such Common Shares have no value in the future; and (iv) subject to the terms of any tax equalization agreement between

the Grantee and the entity employing the Grantee, the Grantee will be solely responsible for the payment or nonpayment of taxes imposed or threatened to be imposed by any authority of any jurisdiction.

In consideration of the grant of this Restricted Share Unit award, no claim or entitlement to compensation or damages shall arise from termination of this Restricted Share Unit award or diminution in value of this Restricted Share Unit award or Common Shares issued pursuant to this Restricted Share Unit award resulting from termination of the Grantee's employment by the Company or the Grantee's employer (for any reason whatsoever and whether or not in breach of local labor laws) and the Grantee irrevocably releases the Company and, if not Occidental, the Grantee's employer, from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting these Terms and Conditions, the Grantee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim.

## OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

**COMPUTATION OF EARNINGS PER SHARE**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005**  
(Amounts in millions, except per-share amounts)

	Three Months		Six Months	
	2006	2005	2006	2005
<b>BASIC EARNINGS PER SHARE</b>				
Earnings applicable to common stock	\$ 857	\$ 1,536	\$ 2,086	\$ 2,382
Basic shares				
Weighted average common shares outstanding	432.1	399.0	426.7	398.3
Treasury stock	(5.9)	—	(3.3)	—
Vested, unissued restricted stock	2.0	1.2	2.0	1.2
Deferred shares	1.9	1.7	1.9	1.7
Basic shares	<u>430.1</u>	<u>401.9</u>	<u>427.3</u>	<u>401.2</u>
Basic earnings per share				
Income from continuing operations	\$ 2.80	\$ 3.68	\$ 5.51	\$ 5.68
Discontinued operations, net	(0.81)	0.14	(0.63)	0.26
Basic earnings per common share	<u>\$ 1.99</u>	<u>\$ 3.82</u>	<u>\$ 4.88</u>	<u>\$ 5.94</u>
<b>DILUTED EARNINGS PER SHARE</b>				
Earnings applicable to common stock	\$ 857	\$ 1,536	\$ 2,086	\$ 2,382
Diluted shares				
Basic shares	430.1	401.9	427.3	401.2
Dilutive effect of exercise of options outstanding	2.6	4.5	3.7	4.7
Deferred, restricted stock	1.2	0.9	1.2	0.9
Diluted shares	<u>433.9</u>	<u>407.3</u>	<u>432.2</u>	<u>406.8</u>
Diluted earnings per share				
Income from continuing operations	\$ 2.77	\$ 3.63	\$ 5.45	\$ 5.60
Discontinued operations, net	(0.80)	0.14	(0.62)	0.26
Diluted earnings per common share	<u>\$ 1.97</u>	<u>\$ 3.77</u>	<u>\$ 4.83</u>	<u>\$ 5.86</u>

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

	Six Months Ended June 30			Year Ended December 31				
	2006	2005	2005	2004	2003	2002	2001	
Income from continuing operations	\$ 2,355	\$ 2,277	\$ 5,040	\$ 2,406	\$ 1,559	\$ 1,167	\$ 1,172	
Add:								
Minority interest <sup>(a)</sup>	71	50	73	75	62	77	143	
Adjusted income from equity investments <sup>(b)</sup>	(38)	(45)	(50)	(6)	69	308	89	
	<u>2,388</u>	<u>2,282</u>	<u>5,063</u>	<u>2,475</u>	<u>1,690</u>	<u>1,552</u>	<u>1,404</u>	
Add:								
Provision (credit) for taxes on income (other than foreign oil and gas taxes)	908	108	705	976	658	(49)	164	
Interest and debt expense <sup>(c)</sup>	143	138	300	266	335	310	412	
Portion of lease rentals representative of the interest factor	25	19	47	40	8	6	7	
	<u>1,076</u>	<u>265</u>	<u>1,052</u>	<u>1,282</u>	<u>1,001</u>	<u>267</u>	<u>583</u>	
Earnings before fixed charges	<u>\$ 3,464</u>	<u>\$ 2,547</u>	<u>\$ 6,115</u>	<u>\$ 3,757</u>	<u>\$ 2,691</u>	<u>\$ 1,819</u>	<u>\$ 1,987</u>	
Fixed charges								
Interest and debt expense including capitalized interest <sup>(c)</sup>	\$ 166	\$ 145	\$ 326	\$ 281	\$ 341	\$ 321	\$ 417	
Portion of lease rentals representative of the interest factor	25	19	47	40	8	6	7	
Total fixed charges	<u>\$ 191</u>	<u>\$ 164</u>	<u>\$ 373</u>	<u>\$ 321</u>	<u>\$ 349</u>	<u>\$ 327</u>	<u>\$ 424</u>	
Ratio of earnings to fixed charges	<u>18.14</u>	<u>15.53</u>	<u>16.39</u>	<u>11.70</u>	<u>7.71</u>	<u>5.56</u>	<u>4.69</u>	

(a) Represents minority interests in net income of majority-owned subsidiaries and partnerships having fixed charges.

(b) Represents income from less-than-50-percent-owned equity investments adjusted to reflect only dividends received.

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

**RULE 13a — 14(a) / 15d — 14(a)**  
**CERTIFICATION**  
**PURSUANT TO §302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ray R. Irani, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Occidental Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2006

/s/ Ray R. Irani

Ray R. Irani

Chairman of the Board of Directors, President and  
Chief Executive Officer

**RULE 13a — 14(a) / 15d — 14(a)**  
**CERTIFICATION**  
**PURSUANT TO §302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen I. Chazen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Occidental Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2006

/s/ Stephen I. Chazen  
Stephen I. Chazen  
Senior Executive Vice President and  
Chief Financial Officer



**CERTIFICATION OF CEO AND CFO PURSUANT TO  
18 U.S.C. § 1350,  
AS ADOPTED PURSUANT TO  
§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Occidental Petroleum Corporation (the "Company") for the fiscal period ended June 30, 2006, as filed with the Securities and Exchange Commission on August 7, 2006 (the "Report"), Ray R. Irani, as Chief Executive Officer of the Company, and Stephen I. Chazen, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ray R. Irani

Name: Ray R. Irani  
Title: Chairman of the Board of Directors, President and Chief Executive Officer  
Date: August 7, 2006

/s/ Stephen I. Chazen

Name: Stephen I. Chazen  
Title: Senior Executive Vice President and Chief Financial Officer  
Date: August 7, 2006

A signed original of this written statement required by Section 906 has been provided to Occidental Petroleum Corporation and will be retained by Occidental Petroleum Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.