

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1998

OR

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

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

Commission file number 1-9210

OCCIDENTAL PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

95-4035997

(I.R.S. Employer  
Identification No.)10889 WILSHIRE BOULEVARD  
LOS ANGELES, CALIFORNIA

(Address of principal executive offices)

90024

(Zip code)

(310) 208-8800

(Registrant's telephone number, including area code)

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

Yes  No 

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

Class	Outstanding at September 30, 1998
----- Common stock \$.20 par value	----- 345,921,059 shares

## OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

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## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED CONDENSED BALANCE SHEETS  
 SEPTEMBER 30, 1998 and DECEMBER 31, 1997  
 (Amounts in millions)

	1998	1997
	=====	=====
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 118	\$ 113
Receivables, net	629	813
Inventories	481	604
Prepaid expenses, note receivable and other	1,598	386
Total current assets	2,826	1,916
LONG-TERM RECEIVABLES, net	115	153
EQUITY INVESTMENTS	1,990	921
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of \$6,672 at September 30, 1998 and \$7,967 at December 31, 1997	9,899	8,590
OTHER ASSETS	514	470
NET ASSETS OF DISCONTINUED OPERATIONS	--	3,232
	\$15,344	\$15,282
	=====	=====

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED CONDENSED BALANCE SHEETS  
 SEPTEMBER 30, 1998 and DECEMBER 31, 1997  
 (Amounts in millions)

	1998	1997
=====	=====	=====
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt and capital lease liabilities	\$ 1,400	\$ 6
Notes payable	30	35
Accounts payable	512	717
Accrued liabilities	864	1,063
Domestic and foreign income taxes	63	49
	-----	-----
Total current liabilities	2,869	1,870
	-----	-----
LONG-TERM DEBT, net of current maturities and unamortized discount	5,830	4,925
	-----	-----
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred and other domestic and foreign income taxes	925	1,028
Other	2,234	3,173
	-----	-----
	3,159	4,201
	-----	-----
STOCKHOLDERS' EQUITY		
Nonredeemable preferred stock, stated at liquidation value	269	1,125
ESOP preferred stock, at par value	--	1,400
Unearned ESOP shares	--	(1,348)
Common stock, at par value	69	68
Additional paid-in capital	3,873	4,149
Retained earnings(deficit)	(696)	(1,097)
Accumulated other comprehensive income	(29)	(11)
	-----	-----
	3,486	4,286
	-----	-----
	\$15,344	\$15,282
=====	=====	=====

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997  
(Amounts in millions, except per-share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	1998	1997	1998	1997
<b>REVENUES</b>				
Net sales				
Oil and gas operations	\$ 1,030	\$ 883	\$ 2,509	\$ 2,780
Chemical operations	631	1,124	2,395	3,302
	1,661	2,007	4,904	6,082
Interest, dividends and other income	39	30	189	64
Gains on disposition of assets, net (Note 3)	133	--	544	(1)
Income from equity investments (Note 11)	2	(5)	10	25
	1,835	2,032	5,647	6,170
<b>COSTS AND OTHER DEDUCTIONS</b>				
Cost of sales	1,373	1,448	3,838	4,379
Selling, general and administrative and other operating expenses	181	248	572	625
Environmental remediation	--	6	--	24
Exploration expense	27	18	79	60
Interest and debt expense, net	136	107	412	323
	1,717	1,827	4,901	5,411
Income from continuing operations before taxes	118	205	746	759
Provision for domestic and foreign income and other taxes (Note 10)	80	75	383	364
Income from continuing operations	38	130	363	395
Discontinued operations, net (Note 3)	--	27	38	99
<b>NET INCOME</b>	38	157	401	494
Preferred dividends	(4)	(21)	(13)	(67)
<b>EARNINGS APPLICABLE TO COMMON STOCK</b>	\$ 34	\$ 136	\$ 388	\$ 427
<b>BASIC EARNINGS PER COMMON SHARE</b>				
Income from continuing operations	\$ .10	\$ .32	\$ 1.00	\$ .99
Discontinued operations, net	--	.08	.11	.30
Basic earnings per common share	\$ .10	\$ .40	\$ 1.11	\$ 1.29
<b>DILUTED EARNINGS PER COMMON SHARE</b>				
Income from continuing operations	\$ .10	\$ .31	\$ .99	\$ .96
Discontinued operations, net	--	.07	.10	.27
Diluted earnings per common share	\$ .10	\$ .38	\$ 1.09	\$ 1.23
<b>DIVIDENDS PER COMMON SHARE</b>				
	\$ .25	\$ .25	\$ .75	\$ .75
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
	350.0	335.6	351.2	331.8

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997  
(Amounts in millions)

	1998	1997
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income from continuing operations	\$ 363	\$ 395
Adjustments to reconcile income to net cash provided(used) by operating activities:		
Depreciation, depletion and amortization of assets	653	598
Deferred income tax provision	319	96
Other noncash charges to income	41	63
Gains on disposition of assets, net	(544)	1
Income from equity investments	(10)	(25)
Exploration expense	79	60
Changes in operating assets and liabilities	(596)	(318)
Other operating, net	(227)	(225)
	-----	-----
	78	645
Operating cash flow from discontinued operations	(244)	218
	-----	-----
Net cash provided(used) by operating activities	(166)	863
	-----	-----
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(840)	(1,008)
Buyout of operating leases	--	(20)
Sale of businesses and disposals of property, plant and equipment, net	3,326	101
Purchase of businesses, net	(3,528)	(4)
Other investing, net	48	35
	-----	-----
	(994)	(896)
Investing cash flow from discontinued operations	(5)	(46)
	-----	-----
Net cash used by investing activities	(999)	(942)
	-----	-----
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	919	77
Net proceeds from commercial paper and revolving credit agreements	1,775	508
Payments on long-term debt and capital lease liabilities	(313)	(320)
Proceeds from issuance of common stock	22	16
Repurchase of common stock	(937)	--
Proceeds(payments) of notes payable	(5)	3
Cash dividends paid	(296)	(316)
Other financing, net	5	2
	-----	-----
	1,170	(30)
Financing cash flow from discontinued operations	--	15
	-----	-----
Net cash provided(used) by financing activities	1,170	(15)
	-----	-----
Increase(decrease) in cash and cash equivalents	5	(94)
Cash and cash equivalents--beginning of period	113	258
	-----	-----
Cash and cash equivalents--end of period	\$ 118	\$ 164

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

September 30, 1998

1. General

The accompanying unaudited consolidated condensed financial statements have been prepared by Occidental Petroleum Corporation (Occidental) pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in notes to consolidated financial statements have been condensed or omitted pursuant to such rules and regulations, but resultant disclosures are in accordance with generally accepted accounting principles as they apply to interim reporting. The consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto incorporated by reference in Occidental's Annual Report on Form 10-K for the year ended December 31, 1997 (1997 Form 10-K).

In the opinion of Occidental's management, the accompanying consolidated condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly Occidental's consolidated financial position as of September 30, 1998 and the consolidated results of operations for the three and nine months then ended and the consolidated cash flows for the nine months then ended. The results of operations and cash flows for the periods ended September 30, 1998 are not necessarily indicative of the results of operations or cash flows to be expected for the full year.

Certain financial statements and notes for the prior year have been changed to conform to the 1998 presentation.

Reference is made to Note 1 to the consolidated financial statements incorporated by reference in the 1997 Form 10-K for a summary of significant accounting policies.

2. Changes in Accounting Principles

Effective January 1, 1998, Occidental adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 130--"Reporting Comprehensive Income." This statement establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The prior year financial statements have been restated to conform to the new presentation. Occidental's comprehensive income was \$383 million and \$482 million for the nine months ended September 30, 1998 and 1997, respectively, and \$27 million and \$154 million for the third quarter of 1998 and 1997, respectively.

Effective January 1, 1998, Occidental adopted the provisions of SFAS No. 131--"Disclosures about Segments of an Enterprise and Related Information." This statement establishes standards for reporting and display of information about operating segments. It supersedes or amends several Financial Accounting Standards Board (FASB) statements, most notably, SFAS No. 14--"Financial Reporting for Segments of a Business Enterprise." The implementation of SFAS No. 131 did not have an impact on Occidental's consolidated financial position or results of operations. Occidental now reports equity earnings or losses from unconsolidated subsidiaries in the respective business segment rather than, as previously reported, as a Corporate item. Accordingly, 1997 segment results have been restated.

In June 1998, the FASB issued SFAS No. 133--"Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives in the statement of financial position and measure those instruments at fair value. Occidental must implement SFAS No. 133 by the first quarter of 2000 and has not yet made a final determination of its impact on the financial statements.

## 3. Asset Acquisitions and Dispositions

On January 31, 1998, Occidental completed the sale of all of the issued and outstanding shares of common stock of MidCon Corp. (MidCon), its natural gas transmission and marketing business to K N Energy, Inc. (K N Energy). Occidental sold the shares to K N Energy in return for a cash payment of \$2.1 billion less payments for taxes and certain other expenses. The net cash proceeds from the transaction were approximately \$1.7 billion. Additionally, in connection with the sale K N Energy issued a fixed-rate interest bearing note secured by letters of credit, payable January 4, 1999, to Occidental in the initial principal amount of \$1.4 billion, in exchange for a note previously issued to Occidental by the MidCon Corp. ESOP Trust. In the fourth quarter of 1997 Occidental classified MidCon and its subsidiaries as a discontinued operation. As of December 31, 1997, the operating assets and liabilities of MidCon were reclassified as net assets of discontinued operations on the balance sheet.

On February 5, 1998, Occidental acquired the U.S. government's approximate 78 percent interest in the Elk Hills Naval Petroleum Reserve oil and gas fields (Elk Hills Field) for approximately \$3.5 billion. Occidental's results of operations include the operations of the Elk Hills Field from the date of acquisition. Pro forma net income for the nine months ended September 30, 1998, including historical Elk Hills results as if the acquisition had occurred at January 1, 1998, would not have been materially different. Pro forma net income for the three and nine months ended September 30, 1997, including historical Elk Hills results as if the acquisition had occurred at January 1, 1997, would have been \$139 million (\$.35 earnings per share) and \$464 million (\$1.19 earnings per share), respectively. Pro forma revenues would have been \$5.7 billion and \$6.5 billion for the nine months ended September 30, 1998 and 1997, respectively, and \$1.9 billion and \$2.1 billion for the three months ended September 30, 1998 and 1997, respectively. The pro forma calculations were made with historical operating results for the Elk Hills Field prior to ownership by Occidental and give effect to certain adjustments including increased depreciation, depletion and amortization to reflect the value assigned to Elk Hills property, plant and equipment, increased interest expense assuming the acquisition was completely financed, and income and property tax effects but did not reflect anticipated future production enhancements in the Elk Hills Field and operational cost improvements expected to be realized.

In February 1998, Occidental sold its entire interest in an oilfield development project in Venezuela for approximately \$205 million in cash plus contingent payments over six years based on oil prices. In March 1998, Occidental sold certain Oklahoma oil and gas properties and interests in the Austin Chalk area of Louisiana and in the Rocky Mountain region and other oil and gas properties for aggregate proceeds of approximately \$231 million. These sales resulted in first quarter 1998 net pretax gains of approximately \$105 million.

In April 1998, Occidental sold certain oil and gas properties in Texas for approximately \$63 million. Also in April 1998, Occidental sold the stock of its MC Panhandle subsidiary, which owns certain natural gas interests in the West Panhandle field in Texas, for approximately \$99 million and sold certain oil and gas properties in Louisiana and Mississippi for approximately \$190 million. In May 1998, Occidental sold certain oil properties in Kansas and Colorado for approximately \$70 million and sold certain gas properties in Kansas and Oklahoma for approximately \$125 million. Occidental recorded net pretax gains of approximately \$290 million in the second quarter of 1998 from the sale of these and other nonstrategic oil and gas properties.

In May 1998, Occidental contributed its ethylene, propylene, ethylene oxide and ethylene glycol derivatives businesses (collectively, the petrochemicals business) to a joint venture partnership called Equistar Chemicals, LP (Equistar), in return for a 29.5 percent interest in such partnership, receipt of approximately \$420 million in cash and the assumption by Equistar of approximately \$205 million of Occidental capital lease obligations and other liabilities. Lyondell Petrochemical Company (Lyondell) and Millennium Chemicals, Inc. (Millennium), through their respective subsidiaries, were the original partners of Equistar. Lyondell owns 41 percent of Equistar and Occidental and Millennium each own 29.5 percent. Following the closing of the transaction, the assets and liabilities transferred to the partnership (primarily property, plant and equipment and inventories) were removed from the balance sheet and an equity investment was recorded. Occidental's results of operations and cash flows include amounts related to the assets transferred up to the transaction



closing date. Subsequent to the closing date, Occidental has accounted for the joint venture as an equity investment. Occidental did not record a gain or loss on the transaction.

In June 1998, Occidental signed a nonbinding letter of intent with The Geon Company (Geon) providing, among other things, for the combination of certain polyvinyl chloride resin and vinyl chloride monomer plants and certain chlor-alkali facilities of the two companies in a joint venture. Under the agreement, Occidental will own 76 percent and Geon will own 24 percent of such joint venture company. The transaction is expected to be completed by the first quarter of 1999, after signing of definitive agreements and receipt of approvals by Geon shareholders and certain governmental regulatory agencies.

In July 1998, Occidental sold the stock of Occidental Netherlands, Inc. for approximately \$275 million, in cash and the assumption of debt, plus future contingent payments. Occidental Netherlands owns interests in eight gas-producing licenses in the Dutch North Sea and a 38.6 percent interest in Noordgastransport B.V., which owns the gas pipeline system that services the area. Occidental recorded a pretax gain on the disposition of approximately \$137 million.

In September 1998, Occidental and the Royal Dutch/Shell Group (Shell) consummated the exchange of Occidental's oil and gas interests in the Philippines and Malaysia for Shell's oil and gas interests in Yemen and its interests in the Cravo Norte, Samore, Soapaga and Rondon association contracts in Colombia. Shell also received a cash payment at closing of approximately \$89 million. No gain or loss was recorded on the transaction.

#### 4. Supplemental Cash Flow Information

Cash payments during the nine months ended September 30, 1998 and 1997 included federal, foreign and state income taxes of approximately \$198 million and \$129 million, respectively. Interest paid, net of interest capitalized, totaled approximately \$358 million and \$310 million for the nine months ended September 30, 1998 and 1997, respectively.

#### 5. Cash and Cash Equivalents

Cash equivalents consist of highly liquid money-market mutual funds and bank deposits with maturities of three months or less when purchased. Cash equivalents totaled \$81 million and \$50 million at September 30, 1998 and December 31, 1997, respectively.

#### 6. Inventories

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

Balance at =====	September 30, 1998 =====	December 31, 1997 =====
Raw materials	\$ 45	\$ 102
Materials and supplies	191	189
Work in process	10	22
Finished goods	273	342
	-----	-----
	519	655
LIFO reserve	(38)	(51)
	-----	-----
Total	\$ 481	\$ 604
	=====	=====

7. Property, Plant and Equipment

Reference is made to the consolidated balance sheets and Note 1 thereto incorporated by reference in the 1997 Form 10-K for a description of investments in property, plant and equipment.

8. Retirement Plans and Postretirement Benefits

Reference is made to Note 14 to the consolidated financial statements incorporated by reference in the 1997 Form 10-K for a description of the retirement plans and postretirement benefits of Occidental and its subsidiaries.

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

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

During the course of its operations, Occidental is subject to audit by taxing authorities for varying periods in various tax jurisdictions.

Occidental has certain other commitments under contracts, guarantees and joint ventures, and certain other contingent liabilities.

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

Reference is made to Note 10 to the consolidated financial statements incorporated by reference in the 1997 Form 10-K for information concerning Occidental's long-term purchase obligations for certain products and services.

10. Income Taxes

The provision for taxes based on income for the 1998 and 1997 interim periods was computed in accordance with Interpretation No. 18 of APB Opinion No. 28 on reporting taxes for interim periods and was based on projections of total year pretax income.

At December 31, 1997, Occidental had, for U.S. federal income tax return purposes, an alternative minimum tax credit carryforward of \$165 million available to reduce future income taxes. The alternative minimum tax credit carryforward does not expire.

## 11. Investments

Investments in companies, other than oil and gas exploration and production companies, in which Occidental has a voting stock interest of at least 20 percent, but not more than 50 percent, and certain partnerships are accounted for on the equity method. At September 30, 1998, Occidental's equity investments consisted primarily of a 29.5 percent interest in Equistar acquired in May 1998, an investment of approximately 29 percent in the common shares of Canadian Occidental Petroleum Ltd. and various chemical partnerships and joint ventures. The following table presents Occidental's proportionate interest in the summarized financial information of its equity method investments (in millions):

	Periods Ended September 30			
	Three Months		Nine Months	
	1998	1997	1998	1997
	=====	=====	=====	=====
Revenues	\$ 522	\$ 245	\$ 1,128	\$ 707
Costs and expenses	520	250	1,118	682
Net income	\$ 2	\$ (5)	\$ 10	\$ 25
	=====	=====	=====	=====

## 12. Summarized Financial Information of Wholly-Owned Subsidiary

Occidental has guaranteed the payments of principal of, and interest on, certain publicly traded debt securities of its subsidiary, OXY USA Inc. (OXY USA). The following tables present summarized financial information for OXY USA (in millions):

	Periods Ended September 30			
	Three Months		Nine Months	
	1998	1997	1998	1997
	=====	=====	=====	=====
Revenues	\$ 161	\$ 216	\$ 1,005	\$ 740
Costs and expenses	161	188	802	626
Net income	\$ --	\$ 28	\$ 203(a)	\$ 114
	=====	=====	=====	=====

(a) Includes net gains on the sale of certain nonstrategic assets of \$106 million in the second quarter.

Balance at	September 30, 1998	December 31, 1997
=====	=====	=====
Current assets	\$ 74	\$ 150
Intercompany receivable	\$ 347	\$ 29
Noncurrent assets	\$ 1,735	\$ 2,024
Current liabilities	\$ 208	\$ 259
Interest bearing note to parent	\$ 73	\$ 89
Noncurrent liabilities	\$ 908	\$ 1,106
Stockholders' equity	\$ 967(a)	\$ 749

(a) Includes a capital contribution of \$17 million in the third quarter.

## 13. Industry Segments

Occidental adopted the provisions of SFAS No. 131--"Disclosures about Segments of an Enterprise and Related Information" effective January 1, 1998. The following table presents the required interim segment disclosures (in millions):

	Oil and Gas	Chemical	Corporate	Total
Nine months ended September 30, 1998				
Net sales	\$ 2,509	\$ 2,395	\$ --	\$ 4,904
Pretax operating profit(loss)	\$ 890	\$ 278	\$ (422)(a)	\$ 746
Income taxes	122	(2)	263(b)	383
Discontinued operations, net	--	--	38	38
Net income(loss)	\$ 768(c)	\$ 280(d)	\$ (647)	\$ 401
Nine months ended September 30, 1997				
Net sales	\$ 2,780	\$ 3,302	\$ --	\$ 6,082
Pretax operating profit(loss)	\$ 741	\$ 509	\$ (491)(a)	\$ 759
Income taxes	211	19	134(b)	364
Discontinued operations, net	--	--	99	99
Net income(loss)	\$ 530	\$ 490	\$ (526)(e)	\$ 494

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

(b) Includes unallocated income taxes.

(c) Includes net gains on the sale of certain nonstrategic assets of \$532 million and other charges of \$42 million.

(d) Includes a \$30 million pretax charge for reorganization and other costs.

(e) Includes a \$75 million pretax charge to amend certain employment agreements with two senior executives.

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

## RESULTS OF OPERATIONS

Occidental is experiencing a period of historically low energy and commodity chemical prices that have adversely affected earnings. The duration of this period of low prices cannot be predicted. However, consistent with the more streamlined Occidental that has resulted from a series of sales, acquisitions and exchanges of assets, Occidental has substantially reduced administrative staff which will result in reduced costs at its divisions and corporate headquarters locations.

Occidental's net income for the first nine months of 1998 was \$401 million, on net sales of \$4.9 billion, compared with \$494 million, on net sales of \$6.1 billion, for the same period of 1997. Occidental's net income for the third quarter of 1998 was \$38 million, on net sales of \$1.7 billion, compared with \$157 million, on net sales of \$2.0 billion, for the same period of 1997. Basic earnings per common share were \$1.11 for the first nine months of 1998, compared with \$1.29 for the same period of 1997. Basic earnings per common share were \$.10 for the third quarter of 1998, compared with \$.40 for the same period of 1997.

The 1998 earnings for the first nine months included net pretax gains of approximately \$532 million from the sale of certain nonstrategic oil and gas properties, as part of an asset redeployment program, of which \$137 million was recorded in the third quarter. The 1998 earnings also included a \$30 million charge for the write-off of certain exploration projects and a \$12 million reorganization charge in the third quarter for the oil and gas division, a \$30 million second quarter charge for reorganization and other costs and a favorable adjustment of estimates for fringe benefit and railcar expense in the third quarter in the chemical division and \$38 million of income from discontinued operations to reflect the closing of the sale of MidCon Corp. (MidCon), the natural gas transmission and marketing subsidiary, and the finalization of the discontinued operations reserve in the first quarter. The 1997 earnings for the three and nine months ended September 30 included income from discontinued operations of \$27 million and \$99 million, respectively. Earnings before special items were \$3 million and \$139 million for the three and nine months ended September 30, 1998, respectively, compared with \$184 million and \$449 million for the same periods in 1997, respectively. The 1997 earnings also included a third quarter charge, net of taxes, of \$54 million to amend certain employment agreements with two senior executives. The decrease in earnings before special items in both periods primarily reflected lower worldwide crude oil prices and lower chemical margins, partially offset by increased crude oil production in the United States and Eastern Hemisphere. The lower chemical margins reflected the impact of lower prices for most major chemical products, partially offset by higher caustic soda prices and lower energy and raw material prices.

The decrease in net sales for the three and nine months ended September 30, 1998, compared with the same periods in 1997, primarily reflected lower worldwide crude oil prices in the oil and gas division and lower prices and volumes for certain chemical products and also reflected the absence of revenues related to the petrochemical assets contributed to Equistar Chemicals, LP (Equistar) in May 1998.

Interest, dividends and other income for the three and nine months ended September 30, 1998 included, among other things, interest earned on a \$1.4 billion note received (the \$1.4 billion note receivable) in exchange for a note previously issued to Occidental by the MidCon Corp. ESOP Trust. The increase in interest and debt expense reflected the impact of higher debt levels in 1998. The decrease in income from equity investments for the nine months ended September 30, 1998, compared with the same period in 1997, reflected lower equity earnings from Canadian Occidental Petroleum Ltd. and the OxyMar chemical joint venture, offset in part by equity earnings from Equistar in 1998 and the improvement in equity earnings from certain chemical joint ventures in Thailand.

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

	Periods Ended September 30			
	Three Months		Nine Months	
	1998	1997	1998	1997
DIVISIONAL NET SALES				
Oil and gas	\$ 1,030	\$ 883	\$ 2,509	\$ 2,780
Chemical	631	1,124	2,395	3,302
NET SALES	\$ 1,661	\$ 2,007	\$ 4,904	\$ 6,082
DIVISIONAL EARNINGS				
Oil and gas	\$ 156	\$ 144	\$ 768	\$ 530
Chemical	62	209	280	490
	218	353	1,048	1,020
UNALLOCATED CORPORATE ITEMS				
Interest expense, net	(106)	(100)	(336)	(302)
Income taxes, administration and other	(74)	(123)	(349)	(323)
INCOME FROM CONTINUING OPERATIONS	38	130	363	395
Discontinued operations, net	--	27	38	99
NET INCOME	\$ 38	\$ 157	\$ 401	\$ 494

Oil and gas earnings for the first nine months of 1998 were \$768 million, compared with \$530 million for the same period of 1997. Oil and gas divisional earnings before special items were \$278 million for the first nine months of 1998, compared with \$530 million for the first nine months of 1997. Oil and gas earnings for the third quarter of 1998 were \$156 million, compared with \$144 million for the same period of 1997. Oil and gas earnings before special items were \$61 million for the third quarter of 1998, compared with \$144 million for the third quarter of 1997. The first nine months of 1998 earnings included pretax gains of approximately \$532 million related to the sale of nonstrategic assets located in Venezuela, the Netherlands, and the United States, of which \$137 million was recorded in the third quarter for the sale of Occidental's interests in the Netherlands. The 1998 third quarter earnings also included a \$30 million charge for the write-off of certain exploration projects and a \$12 million reorganization charge. The decrease in earnings before special items in both periods primarily reflected the negative impact of lower worldwide crude oil prices, partially offset by increased crude oil production in the United States and Eastern Hemisphere. The decrease in revenues for the nine months ended September 30, 1998, compared with the same period in 1997, reflected the impact of lower worldwide crude oil prices and lower domestic natural gas prices partially offset by increased crude oil production in the United States and Eastern Hemisphere. The increase in revenues for the three months ended September 30, 1998, compared with the same period in 1997, reflected higher oil trading activity and increased crude oil production in the United States and Eastern Hemisphere partially offset by lower worldwide crude oil prices. Approximately 39 percent and 33 percent of oil and gas net sales were attributed to oil and gas trading activity in the first nine months of 1998 and 1997, respectively. The results of oil and gas trading were not significant. Oil and gas prices are sensitive to complex factors, which are outside the control of Occidental. Accordingly, Occidental is unable to predict with certainty the direction, magnitude or impact of future trends in sales prices for oil and gas.

Chemical earnings for the first nine months of 1998 were \$280 million, compared with \$490 million for the same period of 1997. Chemical earnings before special items were \$310 million for the first nine months of 1998, compared with \$490 million for the first nine months of 1997. Chemical earnings for the third quarter of 1998 were \$62 million, compared with \$209 million for the same period of 1997. The 1998 earnings reflected a \$30 million pretax charge for reorganization and other costs in the second quarter and a favorable adjustment of estimates for fringe benefit and railcar expense in the third quarter. The decrease in earnings before special items in both periods

primarily reflected the impact of lower prices for most major chemical products, partially offset by higher caustic soda margins and lower energy and raw material prices. The decrease in net sales for the three and nine months ended September 30, 1998, compared with the same periods in 1997, primarily reflected the absence of revenues related to the petrochemical assets contributed to Equistar in May 1998 as well as lower prices and volumes for most chemical products. Most of Occidental's chemical products are commodity in nature, the prices of which are sensitive to a number of complex factors. Accordingly, Occidental is unable to accurately forecast the trend of sales prices for its commodity chemical products.

Divisional earnings include credits in lieu of U.S. federal income taxes. In the first nine months of 1998 and 1997, divisional earnings benefited by \$28 million and \$30 million, respectively, from credits allocated. This included credits of \$8 million and \$20 million at oil and gas and chemical, respectively, in the first nine months of 1998 and \$10 million and \$20 million at oil and gas and chemical, respectively, for the first nine months of 1997.

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

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

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

#### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Occidental's net cash provided by operating activities from continuing operations was \$78 million for the first nine months of 1998, compared with net cash provided of \$645 million for the same period of 1997. The decrease primarily reflected the impact of lower worldwide crude oil prices and lower chemical prices. Included in total cash flow from operating activities is cash used by discontinued operations of \$244 million in 1998 and cash provided by discontinued operations of \$218 million in 1997. The 1998 cash used by discontinued operations included the negative effect of \$250 million of receivables repurchased in connection with the sale of MidCon. The 1998 and 1997 noncash charges included employee benefit plans expense and various other charges. The 1998 noncash charges also included a charge for the write-off of an investment in certain exploration properties and previously announced reorganization accruals.

Occidental's net cash used by investing activities was \$999 million for the first nine months of 1998, compared with \$942 million for the same period of 1997. The 1998 amount reflected cash used of \$3.5 billion for the purchase of the Elk Hills Field and capital expenditures of \$840 million. The 1998 amount also reflected proceeds of \$3.3 billion, primarily from the sale of MidCon and certain nonstrategic oil and gas properties, as well as disposals of property, plant and equipment. Capital expenditures in 1998 included \$595 million in oil and gas and \$244 million in chemical. Capital expenditures were \$1.0 billion in 1997, including \$799 million in oil and gas and \$207 million in chemical. In February 1998, Occidental acquired the U.S. government's approximate 78 percent interest in the

Elk Hills Naval Petroleum Reserve oil and gas fields (Elk Hills Field). As part of the asset redeployment program, Occidental completed the sale in 1998 of various nonstrategic oil and gas properties. These properties included the sale, in the first quarter of 1998, of Occidental's entire interest in an oilfield development project in Venezuela for approximately \$205 million in cash plus contingent payments over six years based on oil prices and the sale of certain Oklahoma oil and gas properties and interests in the Austin Chalk area of Louisiana and in the Rocky Mountain region and other oil and gas properties for aggregate proceeds of approximately \$231 million. In the second quarter of 1998, Occidental sold, as part of the program, certain oil and gas properties in Texas for approximately \$63 million; the stock of its MC Panhandle subsidiary, which owns certain natural gas interests in the West Panhandle field in Texas, for approximately \$99 million; certain oil and gas properties in Louisiana and Mississippi for approximately \$190 million; certain oil properties in Kansas and Colorado for approximately \$70 million; and certain gas properties in Kansas and Oklahoma for approximately \$125 million. In the third quarter of 1998, Occidental also sold, as part of the program, the stock of Occidental Netherlands, Inc., for approximately \$275 million, in cash and the assumption of debt, plus future contingent payments. Additionally, in September 1998, Occidental made a cash payment of approximately \$89 million to the Royal Dutch/Shell Group (Shell) in connection with the exchange of certain oil and gas interests as described below. Net proceeds from the sale of businesses and disposal of property, plant and equipment for the first nine months of 1997 totaled \$101 million which included the proceeds from the sale of a chemical plant in the second quarter.

Financing activities provided net cash of \$1.2 billion in the first nine months of 1998, compared with net cash used of \$15 million for the same period of 1997. The 1998 amount reflected net cash provided of \$2.4 billion primarily from proceeds from borrowings to fund a portion of the acquisition of the Elk Hills Field in February 1998. The 1998 amount also included cash used of \$937 million for the repurchase of 35.1 million shares of Occidental common stock and \$296 million for the payment of dividends. Total shares repurchased from the inception of the program through October 30, 1998 were 39.3 million for approximately \$1.06 billion. In April 1998, Occidental issued \$900 million par value of long-term debt. The scheduled maturities range from 5 to 30 years. The proceeds were used to repay outstanding commercial paper. The 1997 amount reflected net cash provided of \$268 million, primarily from proceeds from borrowings, and cash used for the payment of dividends of \$316 million.

In October 1998, Occidental issued \$270 million of extendible notes with a ten year final maturity and an initial coupon expiring in April 2000. At the end of such period, the notes will either be automatically tendered, subject to the right of any holder not to tender, to a remarketing agent for resale to the public, or repurchased by Occidental if a mutual agreement is not reached with the remarketing agent on the remaining spread. The proceeds were used to repay outstanding commercial paper.

Net cash used by investing activities and operating activities in the first nine months of 1998, was funded by additional borrowings. Operating cash flow decreased primarily due to the impact of lower worldwide crude oil prices, lower chemical prices and the repurchase of previously sold accounts receivable of Occidental's former subsidiary MidCon and of the petrochemical business contributed to Equistar. In addition, cash proceeds from Occidental's program to sell nonstrategic assets did not totally offset cash expenditures for the February 1998 acquisition of its interest in Elk Hills Field and the common stock repurchase program.

For 1998 Occidental anticipates a net cash shortfall, which it expects can be funded without substantial additional borrowings over the levels at September 30, 1998. Occidental believes that cash generated from operations, sale of assets and available borrowing capacity will be adequate to meet its anticipated cash requirements including operating requirements, capital spending and dividend payments for the next twelve months, assuming oil and gas prices remain in their current range. However, Occidental continually evaluates possible acquisitions or other extraordinary transactions, which may, individually or in the aggregate, affect Occidental's cash requirements. Available but unused lines of committed bank credit totaled approximately \$400 million at September 30, 1998, \$1.0 billion at October 31, 1998 and \$1.5 billion at December 31, 1997.

In May 1998, Occidental contributed its ethylene, propylene, ethylene oxide and ethylene glycol derivatives businesses (collectively, the petrochemicals business) to the Equistar joint venture partnership, in return for a 29.5 percent interest in such partnership, receipt of approximately \$420 million in cash and the assumption by Equistar of approximately \$205 million of Occidental capital lease obligations and other liabilities. Lyondell Petrochemical Company (Lyondell) and Millennium Chemicals, Inc. (Millennium), through their respective subsidiaries, were the



original partners of Equistar. Lyondell owns 41 percent of Equistar and Occidental and Millennium each own 29.5 percent. Occidental did not record a gain or loss on the transaction.

In June 1998, Occidental signed a nonbinding letter of intent with The Geon Company (Geon) providing, among other things, for the combination of certain polyvinyl chloride resin and vinyl chloride monomer plants and certain chlor-alkali facilities of the two companies in a joint venture. Under the agreement, Occidental will own 76 percent and Geon will own 24 percent of such joint venture company. The transaction is expected to be completed by the first quarter of 1999, after signing of definitive agreements and receipt of approvals by Geon shareholders and certain governmental regulatory agencies.

In September 1998, Occidental and Shell consummated the exchange of Occidental's oil and gas interests in the Philippines and Malaysia for Shell's oil and gas interests in Yemen and its interests in the Cravo Norte, Samore, Soapaga and Rondon association contracts in Colombia. Shell also received a cash payment at closing of approximately \$89 million. As a result of the exchange, Occidental's oil production is expected to increase by 46,000 barrels per day. No gain or loss was recorded on the transaction.

In June 1997, Occidental sold its chlor-alkali chemical plant located in Tacoma, Washington for approximately \$102 million which included \$97 million in cash and the balance in preferred stock. The sale did not have a material effect on the results of operations. Also in June 1997, Occidental purchased 28,000 shares of preferred stock of Leslie's Poolmart, Inc. (Leslie's) for total consideration of \$28 million, which consisted of cash and the exchange of \$10 million of Leslie's subordinated debentures held by Occidental.

The balance in prepaid expenses, note receivable and other at September 30, 1998 includes the \$1.4 billion note receivable. The balance in equity investments at September 30, 1998 includes Occidental's interest in Equistar. The increase in the balance of net property, plant and equipment reflected the acquisition of the Elk Hills Field offset, in part, by property, plant and equipment contributed to Equistar and the sale of various nonstrategic oil and gas properties. The balance in net assets of discontinued operations at December 31, 1997 included the operating assets and liabilities of MidCon.

Current maturities of long-term debt and capital lease liabilities increased reflecting the current portion of long-term debt that is expected to be paid in the first quarter of 1999 using the proceeds of the \$1.4 billion note receivable. The increase in long-term debt reflected increased commercial paper borrowings to fund a portion of the acquisition of the Elk Hills Field. Other deferred credits and other liabilities decreased, reflecting the payment of amounts associated with the sale of MidCon and the assumption by Equistar of approximately \$205 million of capital lease liabilities. The decrease in nonredeemable preferred stock primarily reflected the conversion, in March 1998, of all of the 15.1 million shares of Occidental's \$3.875 preferred stock into 33.2 million shares of common stock. The decrease in ESOP preferred stock and unearned ESOP shares resulted from the completion of the sale of MidCon. The decrease in additional paid-in capital reflected dividends on common and preferred stock and common stock repurchased offset, in part, by common stock issued in connection with the preferred stock conversion.

Occidental believes it may have exhausted its accumulated earnings and profits for tax purposes, therefore, some common and preferred stock dividends received by shareholders in 1998 may be a return of capital.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133--"Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives in the statement of financial position and measure those instruments at fair value. Occidental must implement SFAS No. 133 by the first quarter of 2000 and has not yet made a final determination of its impact on the financial statements.

## YEAR 2000 ISSUE

Occidental's efforts to address Year 2000 (Y2K) issues began in 1997. In addressing the issues Occidental has employed a five-step process consisting of: 1) conducting a company-wide inventory, 2) assessing Y2K compliance, 3) remediating non-compliant software and hardware and particularly that which employs embedded chips such as process controls, 4) testing remediating hardware and software and 5) certifying Y2K compliance.

Personnel from operations and from functional disciplines, as well as information technology professionals, are involved in the process. Outside consultants have also been retained to participate in the inventory and assessment process. A Y2K corporate-level manager was appointed to oversee and provide consistency to the overall process, provide support resources on a company-wide basis and minimize duplication of efforts. In addition, a committee of senior corporate executives provides oversight through an extensive monthly status review of project elements. Additionally, a report is made to Occidental's Board of Directors on Y2K status at each board meeting.

Inventory and assessment activities are estimated at approximately 85 percent complete. This data is continuously updated as new information becomes available and we expect this to continue throughout the Y2K effort. Overall remediation efforts are estimated at approximately 35 percent complete. The coincidental replacement of several major existing systems is well under way; these efforts began before the Y2K efforts were initiated therefore the timing for completion of these projects has not been accelerated as a result of Y2K issues. These new systems will allow Occidental to discontinue use of these existing systems prior to January 1, 2000.

Costs for Y2K efforts are not being accumulated separately. Much of the cost is being accounted for as part of normal operating budgets. Overall, the costs are estimated to be approximately \$50 million. Most of the cost is associated with the remediation of various process control and field systems (systems that utilize embedded computer chip technology). Due to the nature of these devices and to minimize the impact on normal operations the remediation process will continue until mid 1999. Overall, the costs are not expected to have a significant effect on Occidental's consolidated financial position or results of operations.

The risks associated with the Y2K issue can be substantial from the standpoint of reliance on third parties. Communication with customers, suppliers and equity partners to determine the extent of their Y2K efforts, including selected site visits, is an integral part of the program. Occidental, like most companies, is reliant on third parties for a wide variety of goods and services -- from raw materials to electricity. Occidental's efforts include addressing the "supply chain" issues to minimize the potential impact of a major supplier (or customer) experiencing a Y2K problem that would adversely affect Occidental.

Because of these company wide efforts, Occidental believes that appropriate actions have been taken to minimize the risk to its operations and financial condition.

Contingency plans that address a reasonably likely worst case scenario are currently being developed. These plans will address the key systems and third parties that present potential significant risk. The plans will analyze the strategies and resources necessary to restore operations in the unlikely event that an interruption does occur. The plans will also outline a recovery program detailing the necessary participants, processes and equipment needed to restore operations. Contingency plans are expected to be finalized during the third quarter of 1999.

## ENVIRONMENTAL MATTERS

Occidental's operations in the United States are subject to stringent federal, state and local laws and regulations relating to improving or maintaining the quality of the environment. Foreign operations also are subject to varied environmental protection laws. Costs associated with environmental compliance have increased over time and may continue to rise in the future.

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

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

As of September 30, 1998, Occidental had been notified by the Environmental Protection Agency (EPA) or equivalent state agencies or otherwise had become aware that it had been identified as being involved at 174 Superfund or comparable state sites. (This number does not include those sites where Occidental has been successful in resolving its involvement). The 174 sites include 66 former Diamond Shamrock Chemical sites as to which Maxus Energy Corporation has retained all liability, and 2 sites at which the extent of such retained liability is disputed. Of the remaining 106 sites, Occidental has denied involvement at 15 sites and has yet to determine involvement in 15 sites. With respect to the remaining 76 of these sites, Occidental is in various stages of evaluation. For 68 of these sites, where environmental remediation efforts are probable and the costs can be reasonably estimated, Occidental has accrued reserves at the most likely cost to be incurred. The 68 sites include 15 sites as to which present information indicates that it is probable that Occidental's aggregate exposure is immaterial. In determining the reserves, Occidental uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. For the remaining 8 of the 76 sites being evaluated, Occidental does not have sufficient information to determine a range of liability, but Occidental does have sufficient information on which to base the opinion expressed above under the caption "Results of Operations."

## SAFE HARBOR STATEMENT REGARDING OUTLOOK AND FORWARD-LOOKING INFORMATION

Portions of this report are forward-looking and involve risks and uncertainties that could significantly affect expected results. Factors that could cause results to differ materially include, but are not limited to: global commodity pricing fluctuations; competitive pricing pressures; higher than expected costs including feedstocks; the supply/demand considerations for Occidental's products; any general economic recession domestically or internationally; regulatory uncertainties; and not successfully completing any development of new fields, expansion, capital expenditure, efficiency improvement, acquisition or disposition.

## PART II OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

## GENERAL

There is incorporated by reference herein the information regarding legal proceedings in Item 3 of Part I of Occidental's 1997 Annual Report on Form 10-K, Item 1 of Part II of Occidental's Quarterly Report on Form 10-Q for the quarterly periods ended March 31, 1998 and June 30, 1998 and Note 9 to the consolidated condensed financial statements in Part I hereof.

In January 1998, two shareholder derivative actions were filed by the Teacher's Retirement System of Louisiana and others in the Los Angeles Superior Court against the Board of Directors of Occidental and Occidental, as a nominal defendant, with respect to the payments made in 1997 to Occidental's Chairman and President in connection with the restructuring of their respective employment agreements. In August 1998, the Superior Court sustained defendants' demurrers to the consolidated complaint with leave to amend. Thereafter, plaintiffs filed a second amended consolidated complaint making allegations similar to those that formed the basis of their earlier complaints. Plaintiffs seek substantially the same relief, but deleted their request for a declaration that the employment agreements are null and void. The parties have reached an agreement in principle fully resolving the litigation without any admission of liability by the defendants, subject to approval of the Superior Court following notice to Occidental's shareholders of record. If approved by the court, the agreement would not have a material adverse effect on Occidental's consolidated financial condition or results of operations.

## ENVIRONMENTAL PROCEEDINGS

In April 1998, a civil action was filed on behalf of the U.S. Environmental Protection Agency (EPA) against Occidental Chemical Corporation (OxyChem) relating to the Centre County Kepone Superfund Site at State College, Pennsylvania. The lawsuit seeks approximately \$12 million in penalties and governmental response costs, a declaratory judgment that OxyChem is a liable party under CERCLA, and an order requiring OxyChem to carry out the remedy that is being performed by the site owner. In October 1998, the U.S. District Court for the Middle District of Pennsylvania granted OxyChem's motion to dismiss the United States' case.

In October 1998, OxyChem received an administrative complaint filed by Region III of the EPA with respect to OxyChem's former manufacturing plant at Belle, West Virginia. The complaint alleges that OxyChem violated various hazardous waste management rules in 1994 and 1995 and demands civil penalties of approximately \$245 thousand. OxyChem intends to vigorously contest the alleged violations and the proposed penalties.

## ITEM 5. OTHER INFORMATION

In September 1998, the Board of Directors of Occidental amended the provision of the By-laws pertaining to the manner in which a stockholder may properly present business (for example, introduce a proposal that was not included in the proxy materials) at the Annual Meeting of Stockholders.

Under the By-laws, as amended, to be properly brought before the Annual Meeting, business must be brought by a stockholder of Occidental (i) who is a stockholder of record on the date notice is given as provided below 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 described below. The stockholder must give timely notice of the business to be brought to the Secretary of Occidental. The notice must be received at the principal executive offices of Occidental, not less than 70 days nor more than 90 days prior to the anniversary date of the immediately preceding Annual Meeting (for example, the 1998 Annual Meeting was held on May 1st, therefore, stockholder proposals must be received at Occidental's executive offices from January 31, 1999 through February 20, 1999). The notice must contain (i) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the Annual Meeting and any material interest in such business of the stockholder and the beneficial holder, if any, on whose behalf the proposal is made, (ii) the name and record address of the proponent, (iii) the class, series and number of shares of Occidental beneficially owned by the proponent, (iv) a description of all arrangements or understandings between the proponent or any other person(s) (including their names) in connection with such business, (v) whether the proponent intends to distribute proxy materials and (vi) a representation that the proponent intends to appear in person or by another person authorized to act as proxy for the proponent to present such business.

The change to the By-laws described above does not affect proposals submitted to Occidental in accordance with Rule 14a-8 of the SEC's proxy rules. As disclosed in Occidental's Proxy Statement for the 1998 Annual Meeting of Stockholders, in order to be included in the proxy statement and form of proxy relating to the 1999 Annual Meeting, stockholder proposals must be received at Occidental's executive offices by November 17, 1998. In order for a shareholder proposal made outside of Rule 14a-8 to be considered timely within the meaning of Rule 14a-4(c), such proposal must be received by Occidental's principal executive offices not later than 70 days nor more than 90 days prior to the anniversary date of the immediately preceding Annual Meeting.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

## (a) Exhibits

- 3 By-laws of Occidental, as amended through September 17, 1998
- 4.1 First Amendment dated as of August 31, 1998, amending that certain Credit Agreement dated as of March 20, 1997, among Occidental and the Banks named therein
- 11 Statement regarding the computation of earnings per share for the three and nine months ended September 30, 1998 and 1997
- 12 Statement regarding the computation of total enterprise ratios of earnings to fixed charges for the nine months ended September 30, 1998 and 1997 and the five years ended December 31, 1997
- 27 Financial data schedule for the nine-month period ended September 30, 1998 (included only in the copy of this report filed electronically with the Securities and Exchange Commission)

## (b) Reports on Form 8-K

During the quarter ended September 30, 1998, Occidental filed the following Current Reports on Form 8-K:

- 1. Current Report on Form 8-K dated May 15, 1998 (date of earliest event reported), filed on July 17, 1998, for the purpose of reporting, under Item 2, the completion of the Equistar transaction, under Item 5, certain recent developments, and under Item 7, certain financial statements and pro forma financial information
- 2. Current Report on Form 8-K dated July 20, 1998 (date of earliest event reported), filed on July 21, 1998, for the purpose of reporting, under Item 5, Occidental's results of operations for the quarter ended June 30, 1998

From September 30, 1998 to the date hereof, Occidental filed the following Current Reports on Form 8-K:

- 1. Current Report on Form 8-K dated September 25, 1998 (date of earliest event reported), filed on October 2, 1998, for the purpose of reporting, under Item 5, the sale of notes and liquidity status and under Item 7, certain exhibits related to the issuance of notes
- 2. Current Report on Form 8-K dated October 21, 1998 (date of earliest event reported), filed on October 22, 1998, for the purpose of reporting, under Item 5, Occidental's results of operations for the quarter ended September 30, 1998

SIGNATURES

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

OCCIDENTAL PETROLEUM CORPORATION

DATE: November 12, 1998

S. P. Dominick, Jr.

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

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## EXHIBIT INDEX

## EXHIBITS

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[AS AMENDED SEPTEMBER 17, 1998]

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 City of Dover, County of Kent, State of Delaware.

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

## ARTICLE II

## MEETING OF STOCKHOLDERS

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

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

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

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

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

business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure was made, whichever first occurs. In no event shall the public announcement of an adjournment of an Annual Meeting commence a new time period for the giving of a stockholder's notice as described above.

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

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

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

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

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

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

SECTION 5. Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-laws, any question brought before any meeting of stockholders shall be decided by the affirmative vote of a majority of the shares present in person or by proxy at the meeting for the purposes of determining the

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

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

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

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

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

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

### ARTICLE III

#### DIRECTORS

SECTION 1. Number and Election of Directors. Subject to the rights, if any, of holders of preferred stock issued by the Corporation to elect directors of the Corporation, the Board of Directors shall consist of thirteen (13) directors, until changed within the limits set forth in the Restated Certificate of Incorporation by amendment of these By-laws or by resolution duly adopted by the Board of Directors from time to time. Except as provided in Section 2 of this Article III, directors shall be elected by a plurality of the votes cast at Annual Meetings of Stockholders, and each director so elected shall hold office until his successor is duly elected and qualified, or until his earlier resignation or removal. No person shall be eligible for election as a director of the Corporation who shall have reached the age of

seventy-two (72) at the date of such election; provided, however, that any person serving as a director of the Corporation on December 15, 1994, who shall have reached the age of seventy-two at such date, shall be eligible for re-election as a director of the Corporation once, at the Annual Meeting of Stockholders occurring upon the expiration of the term of office such director was serving at December 15, 1994. Any director may resign at any time effective upon giving written notice to the Corporation, unless the notice specifies a later time for such resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor prior to such effective time to take office when such resignation becomes effective. Directors need not be stockholders.

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

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

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

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

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

SECTION 3. Vacancies. Any newly created directorship resulting from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy on the Board of Directors may be filled by a majority of directors then in office, though less than a quorum, or by a sole remaining director. Any director elected to fill a newly created directorship resulting from an increase in any class of directors shall hold office for a term that shall coincide with the remaining term of the other directors of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same term as the remaining term of his predecessor.

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 teletype 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 teletype on twenty-four hours notice; or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances. Each committee shall keep regular minutes and report to the Board of Directors when required.

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

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

#### ARTICLE IV

##### OFFICERS

SECTION 1. General. The officers of this Corporation shall be chosen by the Board of Directors and shall be a Chairman of the Board, who shall be the Chief Executive Officer, any number of Vice Chairmen, a President, a Senior Operating Officer, any number of Executive Vice Presidents, one or more of whom may be designated Senior Executive Vice President, any number of Vice Presidents with such rank as the Board of Directors may designate, a Secretary, any number of Assistant Secretaries, a Treasurer, and any number of Assistant Treasurers. One of such Executive Vice Presidents or Vice Presidents shall be designated Chief Financial Officer and shall have responsibility, subject to the direction of the Board of Directors, the Chairman of the Board and the President, for the management of the Corporation's financial affairs. Any number of offices may be held by the same person, unless otherwise

prohibited by law, the Certificate of Incorporation or these By-laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

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

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

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

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

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

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

SECTION 8. Executive Vice Presidents and Vice Presidents. At the request of the President or in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors), the Executive Vice Presidents and Vice Presidents (in the order designated by the Board of

Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors or the Chairman of the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

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

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

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

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



death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

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

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

## ARTICLE V

### STOCK

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

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

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

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

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

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

#### ARTICLE VI

##### NOTICES

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

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

#### ARTICLE VII

##### GENERAL PROVISIONS

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

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

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

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

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

any meeting of stockholders of any corporation in which the Corporation may hold securities, and at any such meeting shall possess, and may exercise, any and all of the rights and powers incident to the ownership of such securities.

## ARTICLE VIII

### INDEMNIFICATION

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

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

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

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

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

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

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

SECTION 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any

such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII.

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

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CONFORMED COPY

FIRST AMENDMENT dated as of August 31, 1998 (this "Amendment"), among OCCIDENTAL PETROLEUM CORPORATION, a Delaware corporation (hereinafter called the "Company"), the banks (the "Banks") party to the Credit Agreement (as defined below), MORGAN GUARANTY TRUST COMPANY OF NEW YORK and BANCAMERICA SECURITIES, INC., as co-syndication agents (hereinafter, in such capacity, together with any successor to either thereof in such capacity, the "Co-Syndication Agents", with each reference herein to the "Syndication Agent" in the singular meaning MORGAN GUARANTY TRUST COMPANY OF NEW YORK), THE CHASE MANHATTAN BANK, as documentation agent (hereinafter, in such capacity, together with any successor thereto in such capacity, the "Documentation Agent"), THE BANK OF NOVA SCOTIA, as administrative agent (hereinafter, in such capacity, together with any successor thereto in such capacity, the "Administrative Agent"), and ABN AMRO BANK N.V., THE BANK OF NEW YORK, CANADIAN IMPERIAL BANK OF COMMERCE, CITICORP USA, INC., CREDIT LYONNAIS NEW YORK BRANCH, CREDIT SUISSE FIRST BOSTON, BANKBOSTON, N.A., THE FUJI BANK, LIMITED, LOS ANGELES AGENCY, THE INDUSTRIAL BANK OF JAPAN, LIMITED, LOS ANGELES AGENCY, NATIONSBANK, N.A., ROYAL BANK OF CANADA, TORONTO DOMINION (TEXAS), INC. and UBS AG, as co-agents (hereinafter, in such capacity, the "Co-Agents").

A. Reference is made to the Credit Agreement dated as of March 20, 1997 (the "Credit Agreement"), among the Company, the Banks, the

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Co-Syndication Agents, the Documentation Agent, the Administrative Agent and the Co-Agents. Capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Credit Agreement.

B. The Company has requested that the Banks amend certain provisions of the Credit Agreement. The Banks are willing to do so, subject to the terms and conditions of this Amendment.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Amendment to Section 1.01. Section 1.01 of the  
-----  
Credit Agreement is hereby amended by:

(a) inserting in the appropriate alphabetical order the following definition:

"Capital Securities" means, with respect to the Company, (i) mandatorily redeemable capital trust securities of trusts which are Subsidiaries and the subordinated debentures of the Company in which the proceeds of the issuance of such capital trust securities are invested, which securities and debentures have an initial final maturity of at least thirty

years, have no scheduled amortization prior to maturity and, in the case of the debentures, allow for the deferral of interest payments for up to five years and have been subordinated to all other indebtedness of the Company and (ii) other securities whose basic structure and terms are similar to those described in (i) which qualify as tier 1 capital under the capital adequacy rules and guidelines of the U.S. Federal Reserve Board applicable to U.S. bank holding companies; provided, however, that in the case of (i) and (ii), such capital securities are accounted for on the financial statements of the Company as a minority interest, Company-Obligated Mandatorily Redeemable Preferred New Capital Securities of Subsidiary Trust Holding Solely New Subordinated Debentures of the Company, or similar balance sheet designation not included in liabilities."

(b) replacing the definition of "Consolidated Debt" with the following:

"Consolidated Debt" means the sum of, without duplication (i) Consolidated Funded Debt, including that portion of Consolidated Funded Debt maturing within one year from the date of such determination, (ii) Consolidated Short-Term Borrowings and (iii) obligations reflected for financial reporting purposes as deferred credits for revenue from sales of future production of the Company and its Specified Subsidiaries, minus, through January 5, 1999, the sum of the outstanding principal amounts of two promissory notes, dated January 30, 1998, issued by KN Energy, Inc. to the order of the Company in the principal amounts of \$1,000,000,000 and \$394,846,122, respectively, each maturing January 4, 1999, to the extent that the Company shall not have assigned, granted a participation in or lien on, or otherwise transferred such notes or any interest therein; provided, however, that Consolidated Debt shall in no event include any Capital Securities of the Company or any of its Subsidiaries."

(c) replacing the definition of "Tangible Net Worth" with the following:

"Tangible Net Worth" of any Person means the sum of the amounts set forth on the balance sheet of such Person as (a) the par or stated value of all outstanding capital stock, (b) the amount of the Capital Securities of such Person, without duplication of the mandatorily redeemable capital trust securities and the subordinated debentures of the Company in which the proceeds of the issuance of such capital trust securities are invested; provided that the aggregate amount of Capital Securities added pursuant to this clause (b) at any time of issuance thereof shall not exceed 5% of the sum of Consolidated Debt and Consolidated Adjusted Tangible Net Worth, calculated as of the time of such issuance of any such securities and (c) capital surplus, earned surplus and premium on capital stock less (i) the par or stated value of all redeemable preferred stock, (ii) that portion of the book value of all assets which would be treated as intangibles under generally accepted accounting principles, including without limitation, all such items as goodwill, trademarks, trade names, brands, copyrights, patents, licenses and rights with respect to the foregoing and unamortized debt discount and expenses, and (iii) all

investments in or advances to Excepted Subsidiaries appearing on the asset side of such balance sheet."

SECTION 2. Conditions to Effectiveness. This Amendment shall

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become effective as of the date first above written upon receipt by the Syndication Agent of duly executed counterparts hereof which, when taken together, bear the authorized signatures of the Company and the Required Banks.

SECTION 3. GOVERNING LAW. THIS AMENDMENT SHALL BE DEEMED TO

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BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK, AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF SAID STATE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

SECTION 4. Execution in Counterparts. This Amendment may be

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executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Amendment. Delivery of an executed signature page to this Amendment by facsimile shall be as effective as delivery of a manually signed counterpart of this Amendment.

SECTION 5. Expenses. The Company agrees to reimburse the

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Syndication Agent for its out-of-pocket expenses in connection with this Amendment, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Syndication Agent.

SECTION 6. Terms and Conditions. Except as specifically

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modified herein, all other terms and conditions of the Credit Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective duly authorized officers as of the date first above written.

OCCIDENTAL PETROLEUM CORPORATION,

by

/s/ J.R. Havert

-----  
Name: J.R. Havert

Title: Senior Assistant Treasurer



MORGAN GUARANTY TRUST COMPANY OF  
NEW YORK, in its individual capacity and as  
Syndication Agent,

by  
/s/ Diana H. Imhof

-----  
Name: Diana H. Imhof  
Title: Vice President

ABN AMRO BANK N.V.,

by  
/s/ Paul K. Stimpfl

-----  
Name: Paul K. Stimpfl  
Title: Group Vice President

/s/ Shikha Rehman

-----  
Name: Shikha Rehman  
Title: Assistant Vice President

ARAB BANK PLC,

by  
/s/ Nofal S. Barbar

-----  
Name: Nofal S. Barbar  
Title: Executive Vice President

AUSTRALIA AND NEW ZEALAND BANKING  
GROUP LIMITED,

by

-----  
Name:  
Title:

BANCA DI ROMA SPA,

by  
/s/ Richard G. Dietz

-----  
Name: Richard G. Dietz  
Title: 97271

by

/s/ Augusto Bianchi

-----  
Name: Augusto Bianchi  
Title: 97911

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,

by /s/ Paul L. Colon  
-----  
Name: Paul L. Colon  
Title: Vice President

BANKBOSTON, N.A.,

by /s/ Sarah P.Z. Dwyer  
-----  
Name: Sarah P.Z. Dwyer  
Title: Vice President

BANK OF MONTREAL,

by /s/ Cahal B. Carmody  
-----  
Name: Cahal B. Carmody  
Title: Director

THE BANK OF NOVA SCOTIA,

by /s/ M. Van Oterloo  
-----  
Name: M. Van Oterloo  
Title: Senior Relationship Manager

THE BANK OF NEW YORK,

by /s/ Ian K. Stewart  
-----  
Name: Ian K. Stewart  
Title: Senior Vice President

BANQUE NATIONALE DE PARIS,

by /s/ Clive Bettles  
-----  
Name: Clive Bettles  
Title: SVP & Manager

by /s/ Mitchell M. Ozawa  
-----  
Name: Mitchell M. Ozawa  
Title: Vice President

BBL INTERNATIONAL (U.K.) LIMITED,

by /s/ Marie-Claire Swinnen  
-----  
Name: Marie-Claire Swinnen  
Title: Authorized Signatory

by /s/ Alun Michael  
-----  
Name: Alun Michael  
Title: AGM

CANADIAN IMPERIAL BANK OF  
COMMERCE,

by

-----  
Name:  
Title:

THE CHASE MANHATTAN BANK,

by /s/ Peter M. Ling  
-----  
Name: Peter M. Ling  
Title: Vice President

CITICORP USA, INC.,

by /s/ Mark Stanfield Packard  
-----  
Name: Mark Stanfield Packard  
Title: Vice President

CREDIT LYONNAIS NEW YORK BRANCH,

by /s/ Philippe Soustra  
-----  
Name: Philippe Soustra  
Title: Senior Vice President

CREDIT SUISSE FIRST BOSTON,

by /s/ Douglas E. Maher

-----  
Name: Douglas E. Maher  
Title: Vice President

by /s/ James P. Moran

-----  
Name: James P. Moran  
Title: Director

DRESDNER BANK AG, NEW YORK BRANCH  
AND GRAND CAYMAN BRANCH,

by

-----  
Name:  
Title:

by

-----  
Name:  
Title:

THE FUJI BANK, LIMITED, LOS ANGELES  
AGENCY,

by /s/ Masahito Fukuda

-----  
Name: Masahito Fukuda  
Title: Joint General Manager

GULF INTERNATIONAL BANK B.S.C.,

by /s/ Abdel-Fattah Tahoun

-----  
Name: Abdel-Fattah Tahoun  
Title: Senior Vice President

by

/s/ William B. Shepard

-----  
Name: William B. Shepard  
Title: Vice- President

THE INDUSTRIAL BANK OF JAPAN, LIMITED,  
LOS ANGELES AGENCY,

by /s/ Stephen A. Arce  
-----

Name: Stephen A. Arce  
Title: Vice President

KBC BANK N.V.,

by /s/ Robert Snauffer  
-----

Name: Robert Snauffer  
Title: First Vice President

by /s/ Marcel Claes  
-----

Name: Marcel Claes  
Title: Deputy General Manager

MELLON BANK, N.A.,

by /s/ Lawrence C. Ivey  
-----

Name: Lawrence C. Ivey  
Title: Vice President

NATIONAL WESTMINSTER BANK PLC, NEW  
YORK BRANCH AND NASSAU BRANCH

by /s/ Kevin Howard  
-----

Name: Kevin Howard  
Title: Executive Vice President

NATIONSBANK, N.A.,

by /s/ Tracey S. Barclay  
-----

Name: Tracey S. Barclay  
Title: SVP

ROYAL BANK OF CANADA,

by /s/ Andrew C. Williamson  
-----  
Name: Andrew C. Williamson  
Title: Senior Manager

THE SAKURA BANK, LIMITED,

by /s/ Masayuki Kobayashi  
-----  
Name: Masayuki Kobayashi  
Title: Joint General Manager

STANDARD CHARTERED BANK,

by /s/ Kristina McDavid  
-----  
Name: Kristina McDavid  
Title: Vice President

by /s/ Yoo Hee Kim  
-----  
Name: Yoo Hee Kim  
Title: Relationship Manager

TORONTO DOMINION (TEXAS), INC.,

by /s/ Jimmy Simien  
-----  
Name: Jimmy Simien  
Title: Vice President

UBS AG, (as successor by merger to Union Bank  
of Switzerland), by New York Branch,

by

/s/ Leo L. Baltz

-----  
Name: Leo L. Baltz  
Title: Director

by

/s/ Eric C. Hanson

-----  
Name: Eric C. Hanson  
Title: AD

UNION BANK OF CALIFORNIA, N.A.,

by

/s/ Dustin Gaspari

-----  
Name: Dustin Gaspari  
Title: AVP

## OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997  
(Amounts in thousands, except per-share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	1998	1997	1998	1997
<b>BASIC EARNINGS PER SHARE</b>				
Income from continuing operations	\$ 38,418	\$ 130,231	\$ 362,620	\$ 395,524
Preferred stock dividends	(4,043)	(21,476)	(12,877)	(67,563)
Earnings from continuing operations applicable to common stock	34,375	108,755	349,743	327,961
Discontinued operations, net	--	26,746	38,400	98,940
Earnings applicable to common shares	\$ 34,375	\$ 135,501	\$ 388,143	\$ 426,901
Weighted average common shares outstanding	350,029	335,594	351,201	331,827
Basic earnings per share				
Income from continuing operations	\$ .10	\$ .32	\$ 1.00	\$ .99
Discontinued operations, net	--	.08	.11	.30
Basic earnings per common share	\$ .10	\$ .40	\$ 1.11	\$ 1.29
<b>DILUTED EARNINGS PER SHARE</b>				
Earnings from continuing operations applicable to common stock	\$ 34,375	\$ 108,755	\$ 349,743	\$ 327,961
Dividends applicable to dilutive preferred stock	--	6,841	12,877	23,660
Discontinued operations, net	34,375	115,596	362,620	351,621
Earnings applicable to common stock	\$ 34,375	\$ 142,342	\$ 401,020	\$ 450,561
Weighted average common shares outstanding	350,029	335,594	351,201	331,827
Dilutive effect of exercise of options outstanding	206	578	548	462
Dilutive effect of conversions of preferred stock	--	33,833	15,196	33,833
	350,235	370,005	366,945	366,122
Diluted earnings per share				
Income from continuing operations	\$ .10	\$ .31	\$ .99	\$ .96
Discontinued operations, net	--	.07	.10	.27
Diluted earnings per common share	\$ .10	\$ .38	\$ 1.09	\$ 1.23



## EXHIBIT 12

## OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

COMPUTATION OF TOTAL ENTERPRISE RATIOS OF EARNINGS TO FIXED CHARGES  
(Amounts in millions, except ratios)

	Nine Months Ended September 30		Year Ended December 31				
	1998	1997	1997	1996	1995	1994	1993
Income(loss) from continuing operations(a)	\$ 403	\$ 401	\$ 245	\$ 486	\$ 325	\$ (236)	\$ (190)
Add:							
Provision(credit) for taxes on income (other than foreign and gas taxes)	206	149	47	99	155	(59)	(23)
Interest and debt expense(b)	424	331	446	492	591	586	598
Portion of lease rentals representative of the interest factor	26	30	39	38	43	50	49
	656	510	532	629	789	577	624
Earnings(loss) before fixed charges	\$ 1,059	\$ 911	\$ 777	\$ 1,115	\$ 1,114	\$ 341	\$ 434
Fixed charges							
Interest and debt expense including capitalized interest(b)	\$ 438	\$ 342	\$ 462	\$ 499	\$ 595	\$ 589	\$ 609
Portion of lease rentals representative of the interest factor	26	30	39	38	43	50	49
Total fixed charges	\$ 464	\$ 372	\$ 501	\$ 537	\$ 638	\$ 639	\$ 658
Ratio of earnings to fixed charges	2.28	2.45	1.55	2.08	1.75	n/a(c)	n/a(c)

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

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

(c) Not computed due to less than one-to-one coverage. Earnings were inadequate to cover fixed charges by \$298 million in 1994 and \$224 million in 1993.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30,  
 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL  
 STATEMENTS.

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9-MOS  
 DEC-31-1998  
 SEP-30-1998

			118
		0	
		420	
		23	
		481	
	2,826		16,571
		6,672	
		15,344	
	2,869		5,859
	0		
		269	
		69	
		3,148	
15,344			4,904
	5,647		3,838
		3,838	
		79	
		0	
	412		
		736	
		383	
363			
		38	
		0	
			0
		401	
		1.11	
		1.09	