



Independent Stock Idea

April 23, 2009

rating: hold
s&p 500: 842 intraday

Occidental Petroleum (OXY) Low-Cost U.S. Oil and Gas Producer

Symbol	OXY	Ebitda Next Twelve Months ending 3/31/10 (US\$mm)	7,600
Rating	Hold	North American Natural Gas/Ebitda (%)	8
Price (US\$/sh)	55.34	Natural Gas and Oil Production/Ebitda (%)	89
Pricing Date	4/23/09	Adjusted Reserves/Production NTM	10.9
Shares (mm)	814	EV/Ebitda	6.7
Market Capitalization (US\$mm)	45,100	PV/Ebitda	10.3
Debt (US\$mm)	5,600	Undeveloped Reserves (%)	26
Enterprise Value (EV) (US\$mm)	50,700	Natural Gas and Oil Ebitda (US\$/boe)	28.30
Present Value (PV) (US\$mm)	78,100	Present Value Proven Reserves(US\$/boe)	23.40
Net Present Value (US\$/share)	89	Present Value Proven Reserves(US\$/mcfe)	3.90
Debt/Present Value	0.07	Earnings Next Twelve Months (US\$/sh)	3.25
McDep Ratio - EV/PV	0.65	Price/Earnings Next Twelve Months	17
Dividend Yield (%/year)	2.3	Indicated Annual Dividend (US\$/sh)	1.28
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of OXY since 2000 see www.mcdep.com/3oxy.htm			

Summary and Recommendation

Hold-rated **Occidental Petroleum (OXY)** offers unlevered appreciation potential of 54% to a McDep Ratio of 1.0 and levered appreciation potential of 61% to Net Present Value (NPV) of \$89 a share. During the first quarter, according to results released today, OXY generated cash from oil and gas production of about \$21 a barrel of oil equivalent as the difference between price of about \$34 and cash operating costs of about \$13. Compared to our expectations of three months ago, we overestimated the rate at which production cost would decline with price and we underestimated downstream cash flow. It looks like the first quarter was the low point from which results can build with rising price (see table Next Twelve Months Operating and Financial Estimates). Our valuation capitalizes cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil (see table Functional Cash Flow and Present Value). Despite OXY's historical international association, latest estimates again show most of the company's oil and gas reserves in the U.S. (see table Production and Reserves, 2008). Finally, pointing to expected oil price recovery, futures prices for the next six years averaged US\$66 a barrel recently (see chart Six-Year Commodity Price Meter).

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Occidental Petroleum									
Next Twelve Months Operating and Financial Estimates									
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Next
	3/31/08	12/31/08	2008	3/31/09	6/30/09	9/30/08	12/31/09	2009E	Twelve Months 3/31/10
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	580	596	589	620	620	620	620	620	620
Overseas (or Int'l)	266	277	251	277	277	277	277	277	277
Total	846	873	840	897	897	897	897	897	897
Days	91	92	366	90	91	92	92	365	365
Oil (mbd)	466	475	462	505	505	505	505	505	505
Total gas & oil (mmb)	55	57	220	59	60	60	60	239	239
Total gas & oil (mbd)	607	620	601	654	654	654	654	654	654
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.02	6.95	9.04	4.90	3.61	3.94	4.85	4.32	4.55
U.S. (or North America)	8.15	4.67	8.02	3.54	3.25	3.54	4.37	3.68	4.09
Overseas (or Int'l)	1.47	1.68	1.60	1.48	1.48	1.48	1.48	1.48	1.48
Total	6.05	3.72	6.10	2.90	2.71	2.91	3.48	3.00	3.29
Oil (\$/bbl)									
WTI Cushing	97.94	58.45	99.59	42.96	47.65	52.28	55.61	49.62	53.40
Worldwide	86.75	53.52	88.14	39.29	43.58	47.82	50.86	45.43	48.84
Total gas & oil (\$/bbl)	75.03	46.20	76.17	34.29	37.33	40.88	44.00	39.16	42.18
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	430	256	1,724	198	183	202	249	832	927
Overseas (or Int'l)	36	43	146	37	37	38	38	150	150
Total	466	299	1,870	235	221	240	287	982	1,077
Oil	3,679	2,336	14,878	1,784	2,001	2,220	2,361	8,365	8,993
Ebitda (\$mm)									
Exploration and Production	3,258	2,084	13,303	1,243	1,422	1,623	1,800	6,088	6,764
Other	310	292	1,157	248	203	235	178	863	810
Total Ebitda	3,567	2,376	14,460	1,490	1,624	1,858	1,979	6,952	7,574
Exploration	74	134	327	58	58	58	58	232	274
Deprec., Deplet., & Amort.	653	753	2,710	786	786	786	786	3,144	3,144
Ebit	2,840	1,489	11,423	646	780	1,014	1,135	3,576	4,156
Interest	38	16	107	20	20	20	20	80	80
Ebt	2,802	1,473	11,316	626	760	994	1,115	3,496	4,076
Income Tax	981	516	3,961	219	266	348	390	1,223	1,427
Net Income (\$mm)									
Exploration and Production	3,011	1,166	11,828	567					
Other	179	217	759	169					
Unallocated	(1,368)	(425)	(5,231)	(329)					
Total	1,822	958	7,356	407	494	646	724	2,272	2,650
Shares (millions)									
828	812	822	814	814	814	814	814	814	814
Per share (\$)	2.20	1.18	8.95	0.50	0.61	0.79	0.89	2.79	3.25
Ebitda Margin (E&P)	79%	79%	79%	62%	64%	66%	68%	65%	67%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



Occidental Petroleum								
Production and Reserves, 2008								
								NTM
				12/31/2008 Proven Reserves			Weighted	Adjusted
		2008 Production	Developed	Undeveloped	Weighted	Life Index	R/P	
		(daily)	(annual)	(bcf or mmb)	(bcf or mmb)	(bcf or mmb)	(years)	(years)
North American Natural Gas								
	U.S.	589	215	1,866	1,287	2,510	11.7	11.1
Rest of World Natural Gas								
	Middle East/North Africa	208	76	1,206	30	1,221	16.1	
	Other ROW	44	16	142	70	177	11.1	
	Total	252	92	1,348	100	1,398	15.2	13.8
Oil								
	U.S.	263	96	1,209	338	1,378	14.4	
	Latin America	77	28	124	100	174	6.2	
	Middle East/North Africa	119	46	342	98	391	8.5	
	Total	459	170	1,675	536	1,943	11.4	10.6
Total Oil Equivalent		599	221	2,211	767	2,594	11.7	10.9

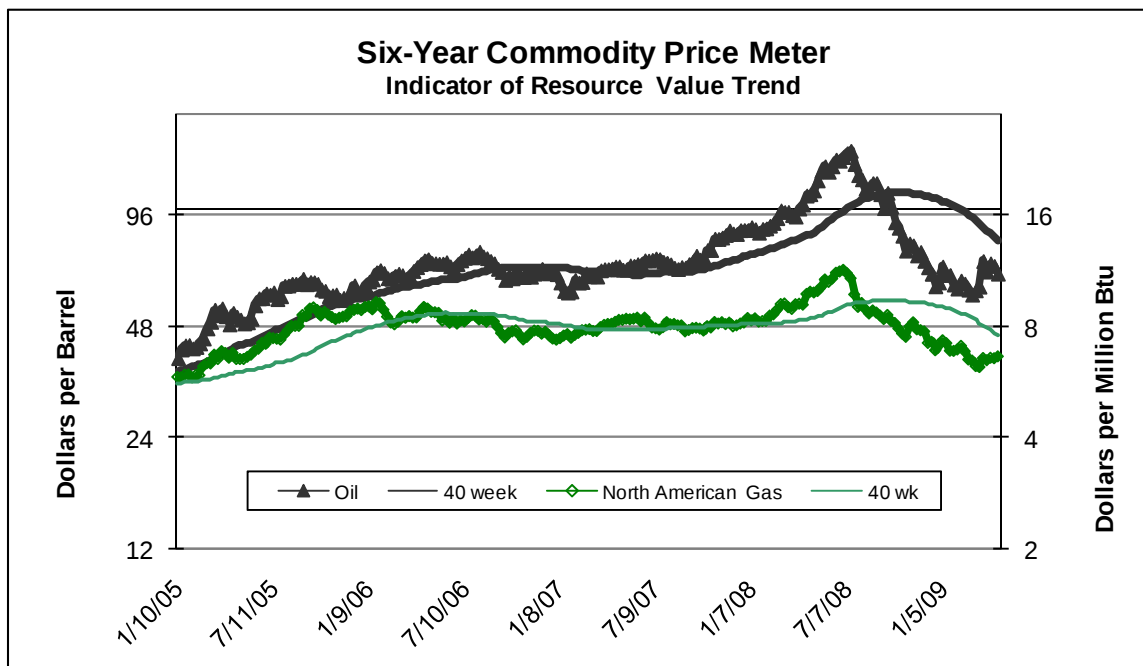
Weighted Life Index counts undeveloped reserves at half stated value and is computed on latest calendar year volume.

NTM Adjusted R/P also counts undeveloped reserves at half and is computed on next twelve months production.



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