OCCIDENTAL PETROLEUM CORP /DE/
Form 10-K/A
July 22, 2002

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

Amendment No. 1 on Form 10-K/A

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001	[ ] Transition Report Pursuant to Section 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)

State or other jurisdiction of incorporation or organization	Delaware
I.R.S. Employer Identification No.	95-4035997
Address of principal executive offices	10889 Wilshire Blvd., Los Angeles
Zip Code	90024
Registrant's telephone number, including area code	(310) 208-8800

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON
10 1/8% Senior Debentures due 2009	New York Stock Exchange
9 1/4% Senior Debentures due 2019	New York Stock Exchange
Oxy Capital Trust I 8.16% Trust Originated Preferred Securities	New York Stock Exchange
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 the past 90 days.
[X] YES [ ] NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by nonaffiliates of the registrant on February 28, 2002, was approximately $10.0 billion, based on the closing price on the New York Stock Exchange composite tape of $26.84 per share of Common Stock on February 28, 2002. Shares of Common Stock held by each executive officer and director have been excluded from this computation in that such persons may be deemed to be affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

At February 28, 2002, there were approximately 374,455,513 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement, filed in connection with its May 3, 2002, Annual Meeting of Stockholders, are incorporated by reference into Part III.

EXPLANATORY NOTES

As reported in Occidental's 8-K filing dated March 22, 2002, effective that date the Board of Directors of Occidental Petroleum Corporation (the "Company") decided to no longer engage Arthur Andersen LLP ("Arthur Andersen" or "AA") as the Company's independent auditors and engaged KPMG LLP ("KPMG") to serve as the Company's independent auditors for the fiscal year 2002, in accordance with the recommendation of the Board's Audit Committee.

Arthur Andersen's audit reports on the Company's consolidated financial statements for each of the fiscal years ended December 31, 2001, 2000 and 1999 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. Subsequent to the appointment of KPMG, Occidental requested that they perform audits of the Company's consolidated financial statements for the fiscal years ended December 31, 2001, 2000 and 1999 to avoid administrative requirements attendant to using those financial statements in the future. The audits by KPMG were made in accordance with generally accepted auditing standards and included a review of the system of internal controls to the extent considered necessary to determine the audit procedures required to support their opinion on the consolidated financial statements. Their report dated June 25, 2002 is included herein. There were no changes in the balance sheet, net income, cash flow or earnings per share as a result of the audits performed by KPMG. The only modifications made in connection with the re-audits are to update the Management's Discussion and Analysis and the Notes to the Consolidated Financial Statements to reflect disclosures about accounting pronouncements issued and effective after the dates the original audits were completed, and to update the Management's Discussion and Analysis and the Notes to Consolidated Financial Statements to 1) disclose the period in which a transaction is expected to close, and 2) to disclose the actual redemption of certain oil and gas partnership interests which occurred subsequent to the Company's filing of its 2001 Annual Report on Form 10-K. These modifications, as outlined below, appear in Items 1 and 2, and Items 7, 8 and 14 of the 10-K/A. There were no other changes in the statements.

ITEMS 1 AND 2 - BUSINESS AND PROPERTIES -

CHEMICAL OPERATIONS, ALLIANCES AND STRATEGIC DEVELOPMENTS

With respect to the Lyondell/Equistar transaction, the transaction is now expected to close in the third quarter of 2002.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS -

2002 OUTLOOK, CHEMICAL, PETROCHEMICALS (EQUISTAR PARTNERSHIP)

With respect to the Lyondell/Equistar transaction, the transaction is now expected to close in the third quarter of 2002.

ACQUISITIONS, DISPOSITIONS AND COMMITMENTS, ALTURA ACQUISITION

With respect to Altura Energy Ltd., the sellers retained a preferred limited partnership interest of approximately $2.0 billion and were entitled to certain distributions from the partnership. The partnership exercised an option in May 2002 to redeem the remaining partnership interests of $1.9 billion held by BP Amoco and Shell in exchange for their existing note payable of $1.9 billion to the partnership.

ADDITIONAL ACCOUNTING CHANGES -

EITF ISSUE NO. 02-3

In June 2002, the Emerging Issues Task Force (EITF) reached consensus on certain issues in EITF Issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." Consensus was reached on two issues: 1) that gains and losses on energy trading contracts (whether realized or unrealized) should be shown net in the income statement, and 2) that entities should disclose the types of contracts that are accounted for as energy trading contracts along with a variety of other data regarding values, sensitivity to changes in estimates, maturity dates and other factors. Occidental is required to implement this consensus in the third quarter 2002 and all comparative financial statements will be reclassified to conform to the consensus on the first issue. Occidental has concluded the impact of this recent consensus will not have any effect on net income, cash flow or earnings per share. However, Occidental expects the consensus will require significant reductions in sales and cost of sales by equal amounts.

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SFAS NO. 145

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." In addition to amending or rescinding other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions, SFAS No. 145 precludes companies from recording gains and losses from the extinguishment of debt as an extraordinary item. Occidental must implement SFAS No. 145 in the first quarter of 2003 and all comparative financial statements will be reclassified to conform to the 2003 presentation. The anticipated effects of the statement include the reclassification of an extraordinary loss to net income from continuing operations of $8 million ($0.02 per share) in 2001 and of $107 million ($0.30 per share) in 1999. There will be no effect on net income or basic earnings per common share.

SFAS NO. 142

In June 2001, the FASB issued SFAS No, 142, "Goodwill and Other Intangible Assets." SFAS No. 142 changes the accounting and reporting requirements for acquired goodwill and intangible assets. The provisions of this statement must be applied starting with fiscal years beginning after December 15, 2001. At December 31, 2001, the balance sheet included approximately $108 million of goodwill and intangible assets with annual amortization expense of approximately $6 million recorded in each of the years' income statements for the three-year period ended December 31, 2001. As a result, elimination of goodwill amortization would not have had a material impact on net income or earnings per share of any of the years presented and, as a result, the transitional disclosures of adjusted net income excluding goodwill amortization described by SFAS No. 142 have not been presented. Occidental implemented SFAS No. 142 in the first quarter of

2002. The adoption of this accounting standard resulted in a cumulative effect of changes in accounting principles after-tax reduction in net income of approximately $95 million due to the impairment of the goodwill. Occidental now has no remaining goodwill on its financial statements.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - REPORT OF INDEPENDENT AUDITORS

NOTE 3 BUSINESS COMBINATIONS AND ASSET ACQUISITIONS AND DISPOSITIONS
With respect to Altura Energy Ltd., the sellers retained a preferred limited partnership interest of approximately $2.0 billion and were entitled to certain distributions from the partnership. The partnership exercised an option in May 2002 to redeem the remaining partnership interests of $1.9 billion held by BP Amoco and Shell in exchange for their existing note payable of $1.9 billion to the partnership.

NOTE 4 ASSET WRITE-DOWNS, EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES
With respect to the Lyondell/Equistar transaction, the transaction is now expected to close in the third quarter of 2002.

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K - EXHIBIT 23 - CONSENT OF INDEPENDENT AUDITORS

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PART I

ITEMS 1 AND 2 BUSINESS AND PROPERTIES

In this report, the term "Occidental" refers to Occidental Petroleum Corporation, a Delaware corporation, and/or one or more entities in which it owns a majority voting interest (subsidiaries).

GENERAL

Occidental explores for, develops, produces and markets crude oil and natural gas. Occidental also manufactures and markets basic chemicals, including chlorine, caustic soda and ethylene dichloride (EDC), vinyls, including polyvinyl chloride (PVC) resins and vinyl chloride monomer (VCM), through its 76-percent interest in Oxy Vinyls, LP (OxyVinyls), and performance chemicals. Occidental conducts its operations through various oil and gas and chemical subsidiaries and affiliates. Occidental also has an interest in petrochemicals through its 29.5-percent ownership in Equistar Chemicals, LP (Equistar), which it intends to sell to Lyondell Chemical Company (Lyondell). See further information in the "Chemical Operations" section. Occidental's executive offices are located at 10889 Wilshire Boulevard, Los Angeles, California 90024; telephone (310) 208-8800.

During 2001, Occidental continued its program to redeploy assets in its worldwide oil and gas and chemical segments. For information regarding these developments, see the information under "Oil and Gas Operations", "Chemical Operations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) in this report.

For information on foreign investments, see the information under "Foreign Investments" in the MD&A section of this report.

For information on acquisitions and dispositions, see the information under "Acquisitions, Dispositions and Commitments" in the MD&A section of this report.

SEGMENT INFORMATION

Occidental's principal businesses constitute two industry segments, the operations of which are described below. For information with respect to the revenues, net income and assets of Occidental's industry segments and of its operations in various geographic areas for each of the three years in the period ended December 31, 2001, see Note 15 to the Consolidated Financial Statements of Occidental (Consolidated Financial Statements), which is included in this report, and the information appearing in the MD&A section of this report.

OIL AND GAS OPERATIONS

EXPLORATION AND PRODUCTION
GENERAL

Occidental produces or participates in the production of crude oil, condensate and natural gas in the United States, Colombia, Ecuador, Oman, Pakistan, Qatar, Russia and Yemen. Occidental also conducts exploration and/or development activities in several of these countries, as well as in Albania and Peru.

COMPARATIVE OIL AND GAS RESERVES AND PRODUCTION
Oil in millions of barrels; natural gas in billions of cubic feet

	2001			2000		
	OIL	GAS	TOTAL(A)	OIL	GAS	TOTAL(A)
U.S. Reserves	1,371	1,962	1,698	1,346	2,094	1,695
International Reserves	526	106	543	457	116	476
Total	1,897	2,068	2,241	1,803	2,210	2,171
U.S. Production	78	223	115	63	241	104
International Production	55	18	59	62	18	65
Total	133	241	174	125	259	169

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

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RESERVES

At December 31, 2001, Occidental's oil and gas reserve base, on a barrels of oil equivalent (BOE) basis, was 2.241 billion equivalent barrels, compared with 2.171 billion equivalent barrels at December 31, 2000. In 2001, excluding the effect of acquisitions and sales, Occidental replaced 138 percent of 2001 worldwide combined oil and natural gas production of 174 million barrels, on a BOE basis. Proved reserve additions from all sources, including the net effect of acquisitions and property sales, replaced 141 percent of 2001 production. Occidental's consolidated worldwide net proved developed and undeveloped reserves of crude oil and condensate were 1.897 billion barrels at year-end 2001, compared with 1.803 billion barrels at year-end 2000. Domestic reserves of crude oil and condensate increased to 1.371 billion barrels at year-end 2001, compared with 1.346 billion barrels at year-end 2000, and international crude oil reserves increased to 526 million barrels from 457 million barrels at year-end 2000. Worldwide net proved developed and undeveloped reserves of natural gas were approximately 2.1 trillion cubic feet (Tcf) at year-end 2001, with 2.0 Tcf attributable to domestic operations. Worldwide net proved developed and undeveloped natural gas reserves were about 2.2 Tcf at the end of 2000.

COMPETITION

As a producer of crude oil and natural gas, Occidental competes with numerous other producers, as well as with non-petroleum energy producers. Crude oil and natural gas are commodities that are sensitive to prevailing conditions of supply and demand and generally are sold at "spot", contract prices or on futures markets. Occidental competes through the cost-efficient development and production of its worldwide oil and gas reserves and through acquiring contracts for the exploration of blocks in areas with known oil and gas deposits. Occidental also pursues opportunities to increase production through enhanced oil recovery projects and strategic acquisitions. In recent years, Occidental has focused domestic exploration and development efforts on core assets in California, the Permian Basin and Hugoton, and has focused its international exploration and development efforts on core assets in the Middle East and Latin America.

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

OIL AND GAS PRODUCTION AND MARKETING

Net daily worldwide oil and condensate production in 2001 averaged 366,000 barrels per day, compared with 343,000 barrels per day in 2000, and net worldwide natural gas production averaged 660 million cubic feet (MMcf) per day, compared with 708 MMcf per day in 2000. U.S. operations accounted for approximately 58 percent of Occidental's oil production and 92 percent of gas production. On a BOE basis, Occidental produced 476,000 net barrels per day in 2001 from operations in 8 countries, including the United States. For production information by country, see the production table appearing under the caption "Segment Operations - Oil and Gas" in the MD&A section of this report.

Set forth below are descriptions of the producing areas for Occidental. The core producing areas for Occidental are the United States, the Middle East and Latin America.

UNITED STATES

Occidental produces crude oil and natural gas, principally in California, the Permian Basin and the Hugoton area encompassing portions of Kansas, Oklahoma and Texas.

Occidental is the operator of the Elk Hills oil and gas field in California with an approximate 78-percent interest. The field, which is the tenth largest in the lower-48 states, encompasses 75 square miles and is located in the southern portion of the prolific oil-producing San Joaquin Valley.

The THUMS oil property offshore Long Beach, CA was purchased in 2000. The THUMS operation encompasses a portion of the Wilmington field, the fourth largest oil field in the continental U.S.

Including the Elk Hills and THUMS properties, Occidental has mineral rights on approximately 850,000 acres in California, including exploration properties near Elk Hills and Buena Vista Hills. Occidental also has gas production in the Sacramento Valley.

Occidental owns a 33-percent interest in the Horn Mountain prospect in the deepwater Gulf of Mexico (GOM), with first production expected late in 2002. BP p.l.c. (BP) is the operator.

Occidental has integrated the Altura properties purchased in April 2000 from BP and the Royal Dutch/Shell Group (Shell) with its previously existing Permian Basin operation (Oxy Permian) in Southwest Texas and Southeast New Mexico. Over half of Oxy Permian's production is from fields into which carbon dioxide (CO_2) is injected as a tertiary recovery technique.

In late 2000, Occidental purchased BP's 75-percent working interest in the

Bravo Dome CO_2 unit in northern New Mexico, which has gross CO_2 production of approximately 320 MMcf per day.

Occidental also owns a large concentration of gas reserves, production interests and royalty interests in the Hugoton area of Kansas and Oklahoma. The Hugoton field is the largest natural gas field ever discovered in North America.

MIDDLE EAST

In Qatar, Occidental is the operator of the Idd el Shargi North and South Dome fields under separate production-sharing contracts.

In Yemen, Occidental owns working interests in the Masila field in Block 14 (38 percent) and the East Shabwa field in Block 10 (28.6 percent). In addition, Occidental has interests in seven exploration blocks encompassing nearly 15 million acres. Of these, Occidental is the operator of Blocks 44 and 20 with working interests of 75 percent and 50 percent, respectively, and has a 40-percent working interest in each of five blocks - Blocks 11, 12, 36, 56 and 59 - on the border with Saudi Arabia.

In Oman, Occidental is the operator of Block 9, with a 65-percent working interest, which contains the Safah oil field and six small oil fields along the southern border of the block. Occidental also is pursuing exploration opportunities in Block 27.

Operations in Qatar, Oman and Yemen are all conducted under production-sharing contracts. Occidental's contractual net share of production in each of these operations varies annually depending on the market price of oil and the level of investment.

In 2001, Occidental was selected to participate in Core Venture Two of the Kingdom of Saudi Arabia's Natural Gas Initiative, which includes exploration acreage, appraisal and development of discovered gas fields, a power plant and an optional petrochemical plant. Final agreements are currently expected to be signed in 2002.

OTHER EASTERN HEMISPHERE

In southern Pakistan, Occidental has working interests, which vary from 25 to 30 percent, in the three Badin Blocks.

In Russia, Occidental owns a 50-percent interest in a joint venture company, Vanyoganneft, in the western Siberian oil basin.

LATIN AMERICA

Occidental has a 35-percent working interest and is operator of the Cano Limon oil field in Colombia. Occidental also has an approximately 44-percent interest in the Cano Limon-Covenas oil pipeline and a marine export terminal operated by Colombia's national oil company, Ecopetrol. The pipeline transports oil produced from the Cano Limon field for export to international markets. In addition, Occidental has an 88-percent working interest in three exploration blocks encompassing 9,325 square miles in the Central Llanos Basin.

In Ecuador, Occidental has a 60-percent working interest and is operator of Block 15, in the Oriente Basin, under a production-sharing agreement, converted in 1999 from a risk-service contract.

Occidental also has an approximately 12-percent interest in a 500-kilometer heavy oil pipeline being constructed to transport oil from the Oriente Basin to the port of Esmeraldas. The pipeline is expected to be operational in the first half of 2003.

RESERVES, PRODUCTION AND RELATED INFORMATION

See Note 16 to the Consolidated Financial Statements and the information under the caption "Supplemental Oil and Gas Information" in Item 8 of this report for information regarding Occidental's oil and gas reserves, the production from and other changes in these reserves, the discounted present value of estimated future net cash flows from these reserves, certain costs and other financial and statistical information regarding Occidental's oil and gas exploration and production operations. Estimates of reserves have been made by Occidental engineers and include reserves under which Occidental holds an economic interest under service contracts and other arrangements. Occidental's crude oil reserves include natural gas liquids and condensate. The reserves are stated after applicable royalties. The definitions used are in accordance with applicable Securities and Exchange Commission regulations. Accordingly, proved oil and gas reserves are those estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate, with reasonable certainty, will be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Unless otherwise stated, all references to reserves are made on a net basis. On May 1, 2001, Occidental reported to the U.S. Department of Energy on Form EIA-28 proved oil and gas reserves at December 31, 2000.

CHEMICAL OPERATIONS

GENERAL

Occidental conducts its chemical operations through Occidental Chemical Corporation and its various subsidiaries and affiliates (collectively, OxyChem). OxyChem is a chemical manufacturer, with interests in basic chemicals, vinyls, petrochemicals and performance chemicals. OxyChem's operations are affected by cyclical economic factors and by specific chemical-industry conditions.

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OxyChem's products are commodity in nature. They are equivalent to products manufactured by others that are generally available in the marketplace and are produced and sold in large volumes to industrial customers for use as raw materials. Many of OxyChem's products are both sold to others and further processed by OxyChem into other chemical products. OxyChem's operations are affected by environmental regulation and associated costs. See the information appearing under the caption "Environmental Expenditures" in the MD&A section of this report.

ALLIANCES AND STRATEGIC DEVELOPMENTS

In 1998, Occidental became a partner in Equistar by contributing certain assets. Lyondell owns 41 percent of Equistar, while Millennium Chemicals, Inc. and Occidental each own 29.5 percent. Equistar is one of the largest producers of ethylene, propylene and polyethylene in the world today with an annual capacity of more than 11 billion pounds of ethylene and more than six billion pounds of polyethylene.

In January 2002, Occidental and Lyondell agreed in principle for Occidental to sell its share of Equistar to Lyondell and to purchase an equity interest of approximately 21 percent in Lyondell. These transactions are subject to the execution of definitive documents and corporate and regulatory approvals. In connection with the agreement in principle, Occidental wrote down its investment in the Equistar partnership by $240 million, after tax, in December 2001. The transactions are expected to close in the third quarter of 2002.

Because of decreased demand for its products and deteriorating prices, on June 1, 2001, OxyChem temporarily idled the Ingleside, TX EDC plant and on

December 27, 2001, OxyChem temporarily idled the Deer Park chlor-alkali plant in Houston, TX. These facilities will remain idle until market conditions improve.

In June 2000, OxyChem announced its decision to withdraw from several of its chemical intermediates businesses principally located in Niagara Falls, NY and Ashtabula, OH. As part of the initiative, OxyChem sold its Chlorowax(R) chlorinated paraffins business in October 2000 and the Ashtabula facility in June 2001. Although a few products continue to be manufactured for sale, almost all of the Niagara Falls chemical intermediates production units have been shut down, and the sale or disposal of these assets is underway.

In April 1999, OxyChem and The Geon Company, now known as PolyOne Corporation (PolyOne), formed the OxyVinyls partnership, combining the commodity PVC resin and VCM assets of both companies, and two chlor-alkali and cogeneration plants of OxyChem. Ownership is shared between OxyChem and PolyOne on a 76-percent and 24-percent basis, respectively. The partners also formed a smaller partnership, PVC Powder Blends, LP, a powder compounding business in which OxyChem owns a 10-percent interest.

OxyVinyls has annual capacities of 4.4 billion pounds of PVC resin, 4.9 billion pounds of VCM and 1.0 million tons of chlor-alkali electrochemical units. Because chlorine and caustic soda are co-products, the chemical industry uses electrochemical units as a standard metric corresponding to one ton of chlorine and approximately 1.1 tons of caustic soda.

BASIC CHEMICALS

OxyChem's basic chemicals group manufactures and markets inorganic chemicals, including high-volume commodity products, primarily consisting of chlorine, caustic soda and their derivatives. Chlorine and caustic soda are supplied to a number of manufacturers, including those in the pulp and paper, plastics, water-purification, bleach and sanitation industries. EDC plants at Ingleside, TX (currently idle), and Convent, LA, use part of the chlorine production from OxyChem's adjacent chlor-alkali facilities and ethylene from Equistar's nearby olefins plants. EDC is used primarily in making VCM, the raw material used in the production of PVC. Potassium hydroxide, or caustic potash, is used by fertilizer, soap and detergent and rubber manufacturers. It also is used by an OxyChem joint venture with Church & Dwight Co., Inc. to produce potassium carbonate.

PERFORMANCE CHEMICALS

OxyChem produces organic and inorganic chemicals that are used as raw materials by customers to enhance the performance of their end products. OxyChem also produces chlorinated isocyanurates for use in swimming pools and as cleaning compounds. In addition, OxyChem produces antimony trioxide, used in the production of polyethylene terephthalate resins and as a flame retardant, and resorcinol, which is used mainly as an adhesive in tire manufacturing. Other facilities produce chrome chemicals, which are used in leather tanning, metal plating and wood preservation and sodium silicates, which are used for detergents, adhesives and numerous other applications. OxyChem also produces mercaptans that are used as warning agents in natural gas and propane.

PRINCIPAL PRODUCTS

OxyChem produces the following chemical products:

	Principal Products	Major Uses

Basic Chemicals	Chlor-alkali chemicals:	
	Chlorine	Raw material for vinyl chlor manufacturing, pulp and pape treatment
	Caustic soda	Chemical manufacturing, pulp cleaning products
	Potassium chemicals (including potassium hydroxide and, through its Armand Products joint venture with Church & Dwight Co., Inc., potassium carbonate)	Glass, fertilizers, cleaning
	Ethylene dichloride (EDC)	Raw material for vinyl chlor
Performance Chemicals	Sodium silicates	Soaps and detergents, cataly
	Chrome chemicals	Metal and wood treatments, l
	Chlorinated isocyanurates	Swimming pool, household and and sanitizing products
	Mercaptans	Warning agents for natural g material for agricultural ch
	Antimony oxide	Flame retardant synergist an
	Resorcinol	Tire manufacture, wood adhes synergist
Vinyls	Vinyl chloride monomer (VCM)	Raw material for polyvinyl c
	Polyvinyl chloride resin	PVC pipe for municipal, plum External construction materi door profiles, fencing, and and automotive products, wir and packaging.
Specialty Vinyls	Polyvinyl chloride (PVC) resin and films	Resins for flooring, medical vinyl applications. Calender packaging and consumer produ

RAW MATERIALS

Nearly all raw materials used in OxyChem's operations are readily available from a variety of sources. Most of OxyChem's key raw materials purchases are made through both short and long-term contracts. OxyChem is not dependent on any single nonaffiliated supplier for a material amount of its raw-material or energy requirements. Equistar supplies virtually all of the ethylene requirements (up to 2.55 billion pounds per year) for OxyChem's chlor-alkali business and OxyVinyls' business. Although earnings have been adversely affected by higher natural gas, electricity and feedstock prices for most of the past year, operations have not been curtailed as a result of any supply interruptions.

PATENTS, TRADEMARKS AND PROCESSES

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

SALES AND MARKETING

OxyChem's products are sold to industrial users or distributors located in the United States, largely by its own sales force. OxyChem sells its products principally at current market or current market-related prices through both short and long-term sales agreements.

No significant portion of OxyChem's business is dependent on a single third-party customer. However, OxyChem has entered into significant supply arrangements with certain of its affiliates. In 2001, PolyOne purchased raw materials pursuant to PVC resin and VCM sale contracts at market-related prices from OxyVinyls valued at approximately $184 million. Consequently, changes in demand by PolyOne will affect OxyVinyls. In addition, in 2001, OxyChem and OxyMar purchased a combined total of approximately $490 million of ethylene at market-related prices from Equistar. Finally, OxyMar, which is OxyChem's affiliate, sold VCM resin at market-related prices valued at approximately $291 million to OxyChem affiliates in 2001. In general, OxyChem does not manufacture its products against a backlog of firm orders.

COMPETITION

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

PROPERTIES

As of December 31, 2001, OxyChem, which is headquartered in Dallas, Texas, operated 27 chemical-manufacturing plants in the United States. Many of the larger facilities are located in the Gulf Coast areas of Texas and Louisiana. In addition, OxyChem operates six chemical-manufacturing plants in four foreign countries; its largest investment is in Brazil. A number of additional facilities process, blend and store the chemical products. OxyChem owns or leases an extensive fleet of railroad cars.

All of OxyChem's chemical-manufacturing plants are owned, except for a portion of OxyVinyls' plant at La Porte, Texas, which is leased. The charts below list OxyChem's principal facilities and plant capacities.

CHLOROVINYLS

Principal Products and U.S. Production Capacities at December 31, 2001

Plants (a)	Chlorine (tons)	Caustic Soda (tons)	Caustic Potash (tons)
BASIC			
Mobile, Alabama	49,000		77,000
Muscle Shoals, Alabama	154,000		242,000
Delaware City, Delaware	146,000	123,000	110,000
Convent, Louisiana	389,000	435,000	
Taft, Louisiana	743,000	846,000	
Niagara Falls, New York	335,000	371,000	
Ingleside, Texas (b, c)	604,000	676,000	
Total	2,420,000	2,451,000	429,000

(a) All of the volumes listed in the table above are based on estimated capacities only. Actual results of production may differ materially from capacities listed.
(b) Plant assets also comprise an interest in an electric power cogeneration facility.
(c) As of June 1, 2001, the Ingleside EDC plant was temporarily idled.

Plants (a)	Chlorine (tons)	Caustic Soda (tons)	VCM (millions of pounds)
OXYVINYLS			
Louisville, Kentucky			
Pedricktown, New Jersey			
Deer Park, Texas (b, d)	410,000	471,000	1,300
Ingleside, Texas (c)			2,400
LaPorte, Texas (b)	546,000	628,000	2,400
Pasadena, Texas			
Total	956,000	1,099,000	6,100

(a) All of the volumes listed in the table above are based on estimated capacities only. Actual results of production may differ materially from capacities listed.
(b) Plant assets also comprise an electric power cogeneration facility.
(c) OxyMar owns plant (78.6% with OxyChem affiliates; 21.4% with Marubeni affiliate).
(d) As of December 27, 2001, the Deer Park chlor-alkali facility was temporarily idled.

Plants (a)
SPECIALTY VINYLS
Pottstown, Pennsylvania
Total

(a) All of the volumes listed in the table above are based on estimated capacities only. Actual results of production may differ materially from capacities listed.

PERFORMANCE CHEMICALS
Principal Products and U.S. Production Capacities(a)

Plants	Product	Cap
ACL; Illinois and Louisiana	Chlorinated Isocyanurates	

Chrome; North Carolina	Chromic Acid
Chrome; North Carolina	Sodium Bichromate
INDSPEC; Pennsylvania	Resorcinol
Laurel Industries; Texas	Antimony Oxide
Natural Gas Odorizing; Texas	Mercaptans
Silicates; Georgia/Ohio/Texas/Illinois/New Jersey/Alabama	Sodium Silicates

(a) All of the volumes listed in the table above are based on estimated capacities only. Actual results of production may differ materially from capacities listed.

INTERNATIONAL

Principal Products and Production Capacities (in metric tons)(a)

Country	Location	% Oxy Ownership	Chlorine	Caustic Soda	Vinyl Film	EDC
Brazil	Cubatao	50%	253,000	284,000		144,00
Brazil	Rio de Janeiro	100%			32,000	
Canada	Niagara Falls, Ontario	76%				
Canada	Scotford, Alberta	76%				
Chile	Talcahuano	100%	55,000	62,000		
Thailand	Bangkok	49%				
Total			308,000	346,000	32,000	144,00

(a) All of the volumes listed in the table above are based on estimated capacities only. Actual results of production may differ materially from capacities listed.

CAPITAL EXPENDITURES

Occidental's oil and gas operations, based on depletable resources, are capital intensive, involving large-scale expenditures. In particular, in the search for and development of new reserves, long lead times are often required. In addition, Occidental's oil and gas and chemical businesses require capital expenditures to remain competitive and to comply with safety and environmental laws. For additional information on capital expenditures, see the information under the caption "Capital Expenditures" in the MD&A section of this report.

EMPLOYEES

Occidental employed 8,235 people at December 31, 2001, 6,338 of whom were located in the United States. Occidental employed 2,645 people in oil and gas operations and 4,555 people in chemical operations. An additional 1,035 people were employed in administrative and headquarters functions. Approximately 733 U.S.-based employees are represented by labor unions.

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

ENVIRONMENTAL REGULATION

For environmental regulation information, see "Environmental Expenditures" in the MD&A section of this report.

ITEM 7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (INCORPORATING ITEM 7A)

2001 BUSINESS ENVIRONMENT

In this report, the term "Occidental" refers to Occidental Petroleum Corporation and/or one or more entities in which it owns a majority voting interest (subsidiaries). Occidental is divided into two major operating businesses.

OIL AND NATURAL GAS INDUSTRY

The market price of West Texas Intermediate (WTI) declined considerably during 2001, falling from around $30/bbl in January to less than $20/bbl in December. The fourth quarter was the weakest for oil prices since the third quarter of 1999. Overall, the crude oil market continued to indicate both long-term and short-term price uncertainty.

NYMEX domestic natural gas prices were subject to greater volatility in 2001. Natural gas prices, which were over $5/thousand cubic feet (Mcf) in the fourth quarter of 2000, rose to $7/Mcf in the first quarter of 2001 and then declined significantly to less than $3/Mcf by year-end. Increased supply from heavy investment in drilling by the industry in 2000 and 2001, higher inventories and decreased demand combined to lower gas prices back to the level last seen in the first quarter of 2000.

The number of U.S. onshore rigs in use climbed from under 500 in mid-1999 to over 1,100 in mid-2001, but the decline in oil and gas prices resulted in fewer than 800 rigs in use by the end of the year.

CHEMICAL INDUSTRY

The chemical industry experienced a significant decrease in demand as the decade-long U.S. economic expansion gave way to a recession in March 2001 following a slowdown that began midway through 2000. Due to a pessimistic outlook and no near-term signs of economic recovery, customers and distributors continued with inventory reduction and limited purchases. Most Asian, European and South American countries also experienced an economic downturn similar to North American trends. Record-high energy prices and feedstock costs began to drop in the second quarter, but poor product demand for the year resulted in overall weaker prices and profit margins.

Domestic chlorine demand decreased significantly in 2001, compared with 2000, due to poor demand for chlorine derivatives including vinyls, polyurethane chemicals, epichlorohydrin and others, which are primarily used in durable goods and consumer products. The poor chlorine demand resulted in chlorine prices declining throughout the year. Caustic soda prices peaked in the first half of the year due to major cutbacks in chlorine production. Demand was stable in the first half of the year but began to soften in the third quarter. Polyvinyl chloride (PVC) prices, but not margins, improved for a short time reflecting higher energy and feedstock prices during the first few months before reaching a peak in April, but weakened throughout the remainder of the year due to poor demand and increased industry capacity.

STRATEGIC OVERVIEW AND REVIEW OF BUSINESS RESULTS - 1999 - 2001

STRATEGY

Occidental's overall strategy to add value for shareholders consists of three basic elements:

>> Shift corporate assets to large, long-lived oil and gas assets with growth potential

>> Maintain financial discipline and strengthen the balance sheet

>> Harvest cash from chemicals

Implementation of this strategy included divesting interests in the natural gas pipeline segment and buying large "legacy" oil and gas assets in California and Texas that are expected to provide stable production, strong earnings and cash flow and a solid platform for new growth initiatives.

At Occidental, financial discipline means prudently investing capital in projects that are expected to produce superior returns while strengthening the balance sheet to reduce both risk and earnings volatility.

The chemicals business is being used to provide free cash flow.

SPECIFIC ACTIONS

OIL AND GAS

The oil and gas business strategy has three parts that, together, are focused on adding new oil and natural gas reserves at a pace well ahead of production, while simultaneously keeping finding and development costs among the lowest in the industry.

>> Continue to add commercial reserves in and around core areas in the U.S., Middle East and Latin America through a combination of focused exploration and development programs.

>> Pursue commercial opportunities with host governments in core areas to enhance the development of mature fields with large volumes of remaining oil in place by applying appropriate technology and innovative reservoir-management practices.

>> Maintain a disciplined approach in buying and selling assets at attractive prices.

Occidental's oil and gas business is currently concentrated in five U.S. states and nine foreign countries.

The asset mix within each of these areas has been strengthened by the sale of properties with low or no current return and investment in assets with much higher performance potential. The results of these changes are discussed below in "Business Review - Oil & Gas."

CHEMICAL

Occidental conducts its chemical operations through Occidental Chemical Corporation and its various subsidiaries and affiliates (collectively, OxyChem). OxyChem focuses on the chlorovinyls chain where it begins with ethylene and chlorine, which is co-produced with caustic soda, and converts them through a series of intermediate products into PVC. In order to strengthen its position along the chlorovinyls chain, Occidental entered into a major business alliance in 1999, a vinyls partnership with Geon (now known as PolyOne) named OxyVinyls, LP (OxyVinyls).

CORPORATE

In July 2001, Occidental sold its interests in a subsidiary that owned a Texas intrastate pipeline and its interest in a liquefied natural gas (LNG) project in Indonesia. After-tax proceeds of approximately $750 million from these transactions were used to reduce debt.

In April 2000, Occidental sold its interest in Canadian Occidental Petroleum Ltd., renamed Nexen Inc. (CanadianOxy or Nexen). After-tax proceeds, together with tax benefits from the disposition of oil-producing properties in Peru, totaling $700 million were used to reduce debt following the Altura acquisition.

Occidental received $775 million from Chevron in a litigation settlement in November 1999, which was used mainly to reduce high-cost debt.

DEBT STRUCTURE

Occidental's total debt comprises three components, as shown in the table below (amounts in millions):

Date	Occidental Public Debt	Other Recourse Debt	Altura Non-Recourse Debt	Total Debt(a)
12/31/97	$ 4,965	$ 1,361	$ --	$ 6,326
12/31/98	$ 5,402	$ 776	$ --	$ 6,178
12/31/99	$ 4,401	$ 1,047	$ --	$ 5,448
April 2000(b)	$ 5,766	$ 1,009	$ 2,400	$ 9,175
12/31/00	$ 3,544	$ 912	$ 1,900	$ 6,356
12/31/01	$ 4,119	$ 771	$ --	$ 4,890

(a) Includes Trust Preferred Securities, natural gas delivery commitment, preferred stock and capital lease obligations.

(b) Reflects, on a pro-forma basis, the effect of $1.2 billion in debt from the Altura acquisition on Occidental's debt as of April 2000.

Occidental took full advantage of its increased production profile and high oil and gas prices over an eighteen-month period in 2000 and 2001 to reduce total debt. The Altura purchase increased pro-forma debt to nearly $9.2 billion in April 2000. By the end of 2001, total debt had been lowered to $4.9 billion, $1.4 billion below the year-end total in 1997. Occidental's public debt at year-end 2001 is more than $800 million below the year-end 1997 level and more than $275 million below year-end 1999.

Occidental's other recourse debt, which includes preferred stock and Trust Preferred Securities in the above table, decreased from $1.4 billion in 1997 to $771 million in 2001.

Total Debt/Capitalization Ratio (%)

Date	Total Debt/Capitalization Ratio
12/31/97	67%
12/31/98	66%
12/31/99	61%
April 2000(a)	71%
12/31/00	57%
12/31/01	46%

(a) Reflects, on a pro-forma basis, the effect of $1.2 billion in debt from the Altura acquisition on Occidental's public debt as of April 2000.

Occidental's year-end 2001 total debt-to-capitalization ratio has declined to approximately 46 percent from the 67-percent level that existed at the end of 1997. The debt-to-capitalization ratio is computed by dividing total debt by total capitalization, excluding minority interest.

BUSINESS REVIEW - OIL AND GAS

Occidental's overall performance during the past three years reflected the successful implementation of its oil and gas business strategy, beginning with the 1998 $3.5 billion acquisition of the Elk Hills oil and gas field in California. Elk Hills is one of the top ten oil and gas fields in the U.S. and the largest source of gas in California. The Elk Hills acquisition was followed in April 2000 by the purchases of Altura Energy in Texas for $3.6 billion and the much smaller THUMS property in Long Beach for $110 million.

At the end of 2001, these three assets made up 65 percent of Occidental's worldwide proven oil reserves and 52 percent of its proven gas reserves. On a barrel of oil equivalent (BOE) basis, they accounted for 63 percent of worldwide reserves. In 2001, the combined production from these assets averaged approximately 266,000 BOE per day, which represents 56 percent of Occidental's total worldwide production.

ALTURA ACQUISITION

Occidental completed the acquisition of the Altura properties on April 19, 2000. In the relatively short period since the acquisition, the Altura properties have generated nearly $1.2 billion in operating cash flow after capital expenditures of approximately $350 million.

Net production averaged 140,000 BOE per day in 2001.

The Altura properties were successfully integrated with Occidental's existing Permian operations, making Occidental the largest oil producer in Texas.

With the Altura acquisition, Occidental has become a world leader in carbon dioxide (CO_2) flood technology, an enhanced oil recovery technique that involves injecting CO_2 into oil reservoirs where it acts as a solvent causing the oil to flow more freely so it can be pumped to the

surface. Currently, Occidental's CO_2 floods provide about half of its oil production in the Permian Basin.

MILNE POINT - BRAVO DOME SWAP

In late 2000, Occidental swapped its 9-percent interest in the Milne Point oil field in Alaska operated by BP p.l.c. (BP) for BP's 75-percent working interest in the Bravo Dome CO_2 unit in northern New Mexico. Bravo Dome CO_2 production averaged approximately 320 million cubic feet per day in 2001.

Because of third-party sales commitments, Bravo Dome currently meets approximately one-third of Occidental's CO_2 demand in the Permian Basin.

THUMS

At year-end 2001, net production from the THUMS oil property in Long Beach, CA was averaging 30,000 barrels per day, an increase from approximately 25,000 barrels per day at the end of 2000.

In December 2001, work began on a 3-D vertical seismic profile survey, which is expected to be completed in the first quarter of 2002. The results of this survey are expected to assist in planning for the future development of the properties.

Occidental plans to build a 45-megawatt gas-fired power plant to enhance THUMS' value. Since production at THUMS depends on electric submersible pumps, electricity is the single largest component of this operation's cost structure. Moreover, the supply of electricity is interruptible, meaning that when power is in short supply, service may be interrupted to accommodate other users such as domestic households. The new power plant will allow THUMS to generate its own secure supply of electricity from its untapped natural gas resources, while simultaneously lowering operating costs. Any excess electricity can be sold back to the local electricity grid. The permitting process and pre-construction activities are progressing well, and construction is expected to commence in the first half of 2002.

GULF OF MEXICO

In July 2000, Occidental monetized its interests on the Continental Shelf in the Gulf of Mexico (GOM) and the proceeds were used to reduce debt. Also refer to "Acquisitions, Dispositions and Commitments - 2000" for further information.

The development in the GOM is currently focused on the deep water Horn Mountain oil discovery in which Occidental has a one-third interest and BP is the operator. The discovery well, which was drilled to a depth of nearly 14,000 feet, is located about 60 miles off the Louisiana-Mississippi coast in 5,400 feet of water.

Gross proved reserves exceed 100 million BOE with production scheduled to begin late in 2002. Production is expected to peak in 2003 with Occidental's peak share estimated at 21,000 BOE per day.

ELK HILLS

As a result of sustained capital investment, production increased in 2001 to approximately 99,000 BOE per day from approximately 96,000 BOE per day in 1999 and 2000. Elk Hills has generated total free cash flow, after capital expenditures, of approximately $2.4 billion since Occidental acquired the asset in early 1998.

Since the date of acquisition, Occidental has replaced 108 percent of its total Elk Hills oil and gas production of 136 million BOE. At the end of 2001, the property still had an estimated 437 million BOE of proved reserves, compared to the 425 million BOE that were recorded at the time of the acquisition.

MIDDLE EAST

OMAN

Occidental's Oman business centers on its 300-million barrel discovery in Block 9. Occidental has produced more than 150 million gross barrels from the Block, most of it from the Safah field.

Net production to Occidental averaged 14,000 barrels of oil per day in the fourth quarter, and Occidental expects to expand its Oman business over the next few years.

Occidental uses multi-lateral horizontal wells to increase production and recovery rates and to minimize the number of wells needed. Today, 60 percent of Occidental's production in Oman relies on horizontal wells. A new waterflood program is currently under way at Safah that will enhance production and improve the ultimate recovery of reserves from the field.

YEMEN

In Yemen, Occidental's net production averaged 33,000 barrels of oil per day in 2001, with 29,000 coming from the Masila field and the remainder from East Shabwa. A series of step-out wells are planned for Masila in 2002 that are expected to add new reserves.

In 2001, Occidental completed a 3-D seismic program in Block 20. Preliminary analysis of these data was completed, and plans are under way to begin drilling two exploratory wells in Block 20 in late 2002. In addition, a 3-D seismic program is beginning in the first quarter of 2002 in Block 44. Analysis of seismic data for Block 59, which is part of the under-explored southern portion of the Rub al Khali desert, has been completed and a test well began drilling in January 2002.

QATAR

In Qatar, Occidental successfully reversed 25 years of declining production in the Idd el Shargi North Dome field. By introducing advanced drilling systems and by applying new waterflooding and reservoir characterization techniques, gross production increased from 20,000 barrels per day to more than 100,000 barrels per day, peaking at 138,000 barrels in 1998.

Occidental is developing the South Dome field as a satellite to the North Dome, which reduces the overall capital requirement of the two projects. Combined production from the two fields in the fourth quarter of 2001 was 43,000 barrels per day, net to Occidental.

Occidental also has implemented a waterflood program in the North Dome's Shuaiba Reservoir and is currently evaluating a second-generation redevelopment project.

Occidental is also pursuing new exploration opportunities in Qatar.

SAUDI ARABIA

In Saudi Arabia, Occidental has a 20-percent interest in the Core Venture Two consortium, which expects to invest in the Red Sea area to help the Kingdom identify and develop new natural gas reserves for the domestic market.

The Red Sea venture currently consists of development of discovered gas from the Midyan and Barqan fields in the northwest part of the Kingdom, and construction of related gas-processing and pipeline facilities. The consortium expects to build at least one power plant and possibly a water-desalination unit and will also evaluate the potential for a petrochemical plant.

The project also calls for onshore and offshore exploration in Blocks 40 to 49 located in and along the Red Sea. Exploration success in these blocks will lay the foundation for additional investment opportunities in power generation, water desalination and petrochemicals in the western part of the Kingdom.

An initial agreement was signed with the Kingdom on June 3, 2001. Final agreements are currently expected to be signed in 2002.

OTHER EASTERN HEMISPHERE

PAKISTAN

Occidental holds oil and gas interests in the Badin Blocks in Pakistan, which BP operates. Current gross production is 65,000 BOE per day. Occidental's net share is approximately 16,000 BOE per day.

Current plans call for drilling 13 to 15 wells per year to develop new and existing fields by the end of 2003, and Occidental continues to evaluate additional exploration opportunities.

RUSSIA

In Russia, Occidental's 50-percent joint venture company, Vanyoganneft, produced approximately 28,000 BOE, net to Occidental, in the fourth quarter of 2001.

INDONESIA

In July 2001, Occidental sold its interest in the Tangguh LNG project in Indonesia, which was in its initial phase of development, to Mitsubishi Corporation of Japan for a sale price of $480 million. The proceeds were used in Occidental's debt-reduction program.

LATIN AMERICA

COLOMBIA

In 2001, production from Occidental's Cano Limon operations in Colombia was substantially reduced from 2000 and 1999 levels due to a record number of attacks by local left-wing terrorist groups on the pipeline, which is operated by Ecopetrol. Nevertheless, Occidental's net share of 2001 production averaged 18,000 barrels of oil per day and this operation continues to be profitable. This operation accounts for less than one percent of Occidental's worldwide assets and only three percent of total worldwide reserves and four percent of worldwide oil and gas production at year-end 2001. Occidental presently anticipates that it will recover the proved reserves attributable to its contract. The potential rewards are significant when the pipeline is fully operational.

The Gibraltar exploration well, which was drilled approximately 100 miles west of Cano Limon, did not encounter commercial quantities of hydrocarbons, and the $66 million cost of the well was written off in 2001.

ECUADOR

In 2000, Occidental farmed out a 40-percent economic interest in Block 15 in Ecuador to Alberta Energy Company Ltd. (AEC). This transaction reduced Occidental's exposure in Ecuador and is expected to largely fund its capital program in-country through 2004.

Gross production in Block 15 is currently flat with 2001 average production of approximately 30,000 barrels of oil per day, with 13,000 barrels net to Occidental.

Occidental has begun development of the Eden-Yuturi oil field in the southeastern corner of Block 15. The start-up of production is scheduled to coincide with the completion of the Oleoducto de Crudos Pesados (OCP) Ltd. heavy-oil pipeline in 2003. In addition, work is being carried out in the western portion of the block in and around fields currently in production. The combined effect of these projects is expected to add net incremental production of 30,000 barrels per day to Occidental's production profile.

In addition, Occidental is expanding its exploration activities in Block 15 with an aggressive 3-D seismic program.

Foreign oil companies, including Occidental, have been paying Value Added Tax (VAT), generally calculated on the basis of 10-12 percent of expenditures for goods and services used in the production of oil for export. Until 2001, these VAT payments were reimbursed to the oil companies because they are incurred for the production of an export product. In 2001, the Ecuador tax authority announced that these VAT payments do not qualify for reimbursement. In response, the affected oil companies filed actions in the Ecuador Tax Court to seek a judicial determination that the expenditures are subject to reimbursement. Occidental believes that it has a valid claim for reimbursement under applicable Ecuador tax law and historic precedent.

BUSINESS REVIEW - CHEMICAL

Although industry volumes improved in early 2001 following weak second-half 2000 demand, PVC resin sales in North America lagged 2000 levels by 8 percent through June 2001. Overall demand declined 2.6 percent from 2000 to 2001. Significant oversupply of PVC resin combined with continued inventory reductions by customers resulted in North American PVC industry operating rates of around 80 percent in 2001, versus 85 percent in 2000.

PVC resin prices increased only slightly in the first half of 2001, but declined throughout the remainder of the year. Higher exports in 2001 prevented operating rates from falling lower, but export sales returned only minimal margins.

On June 1, 2001, OxyChem temporarily idled its Ingleside, TX ethylene dichloride (EDC) plant and on December 27, 2001, OxyChem temporarily idled the Deer Park chlor-alkali plant in Houston, TX due to a combination of deteriorating prices and weak demand. These facilities will remain idle until economic conditions improve.

In Occidental's chlor-alkali business, reduced demand for chlorine led to significantly reduced operating rates. OxyChem's operating rate, as a percent of capacity, fell from 92 percent in 2000 to 84 percent in 2001. The chlorine industry's 2001 operating rate was 85 percent compared to 92 percent for 2000. Despite reduced liquid caustic production, caustic prices declined in the second half of the year on weak demand. As 2001 progressed, chlorine prices fell due to declining demand, especially in the global vinyls market. Operations at the Convent chlor-alkali and EDC plant, which had been curtailed, were recommenced in 2001.

Record-high energy costs in the first quarter of 2001 adversely affected earnings. For the total year, energy costs were higher than 2000, but well below first quarter levels. Feedstock costs followed the same trend as energy costs.

Petrochemical margins were under pressure throughout 2001 due to weak demand and significant capacity additions by BASF/AtoFina, Formosa Plastics and Union Carbide/Nova Chemical. Lower feedstock costs in the fourth quarter were offset by lower prices due to continued weak demand.

The primary goal of Occidental's chemical business is to provide free cash flow. From 1995 through 2001, total cash flow from the chemicals business was $3.8 billion, including asset sales, net of acquisitions, of $1.0 billion.

2002 OUTLOOK

OIL AND GAS

The petroleum industry is highly competitive and subject to significant volatility due to numerous market forces. Crude oil and natural gas prices are affected by market fundamentals such as weather, inventory levels, competing fuel prices, overall demand and the availability of supply.

In the fourth quarter of 2001, worldwide oil prices weakened considerably and have remained lower than their ten-year averages in the first quarter of 2002. Sustained low prices will significantly impact profitability and returns for Occidental and other upstream producers. However, the industry has historically experienced wide fluctuations within price cycles.

While fundamentals are a decisive factor affecting crude oil prices over the long term, day-to-day prices may be more volatile in the futures markets; such as on the NYMEX and other exchanges, which make it difficult to accurately predict oil and natural gas prices. In the short term, other factors such as weather patterns do have a significant effect, particularly on natural gas prices. In the United States, increased gas supplies from large capital investment over the past year, combined with a later winter, resulted in inventory levels at the end of 2001 exceeding the average of the preceding five years by 20 percent.

The combination of higher gas supplies and lower demand, which is continuing into the first quarter of 2002, is expected to result in significantly lower average gas price realizations for Occidental in 2002 than in 2001.

CHEMICAL

The performance of the chemical business is difficult to forecast, but this business is capable of contributing significant earnings and cash flow when demand is strong.

Industry operating rates in the chlor-alkali/vinyls business are expected to recover gradually in 2002.

CHLOR-ALKALI

Domestic chlorine demand is expected to increase by nearly 2 percent in 2002, which should allow the industry's operating rates to improve in the absence of capacity additions. Liquid caustic pricing is expected to continue to be weak.

The domestic chlorine market price is expected to improve gradually throughout 2002 as the vinyls demand for chlorine increases. Liquid caustic pricing peaked in the second quarter of 2001 and is expected to decline through the second quarter of 2002. In late 2001, OxyChem temporarily idled its Deer Park, TX chlor-alkali facility until economic conditions improve.

VINYLS

While the beginning of a weak recovery is expected in the second half of 2002, continued supply/demand imbalances in PVC markets will likely prevent all but seasonal product price increases. Continued pressure on raw materials, particularly ethylene, should result in relatively stable, albeit low, price spreads over raw materials.

Overall, North American PVC growth is expected to average only 2.6 percent in 2002, reflecting weak consumer confidence and low GDP growth. While PVC will continue to make inroads into new markets, the high-volume construction and automotive end markets for PVC products will likely remain well below peak demand levels. North American PVC industry operating rates are expected to average between 80-85 percent for the year.

PETROCHEMICALS (EQUISTAR PARTNERSHIP)

In January 2002, Occidental and Lyondell Chemical Company (Lyondell) agreed, in principle, for Occidental to sell its share of Equistar to Lyondell and to purchase an equity interest of approximately 21 percent in Lyondell. These transactions are subject to the execution of definitive documents and corporate and regulatory approvals. In connection with the agreement in principle, Occidental wrote down its investment in the Equistar partnership by $240 million, after tax, in December 2001. Occidental will continue to reflect its share of Equistar's results until the transaction closes, which is expected in the third quarter of 2002.

INCOME SUMMARY

Occidental reported net income of $1.2 billion ($3.10 per share) in 2001, on net sales of $14.0 billion, compared with net income of $1.6 billion ($4.26 per share) in 2000, on net sales of $13.6 billion. Earnings before special items were $1.3 billion in 2001 and 2000.

SEGMENT OPERATIONS

The following discussion of Occidental's two operating segments and corporate items should be read in conjunction with Note 15 to the Consolidated Financial Statements.

Segment earnings exclude interest income, interest expense, unallocated corporate expenses and extraordinary items, but include gains and losses from dispositions of segment assets and results from equity investments.

Foreign income and other taxes and certain state taxes are included in segment earnings on the basis of operating results. U.S. federal income taxes are not allocated to segments except for amounts in lieu thereof that represent the tax effect of operating charges resulting from purchase accounting adjustments, and the tax effects resulting from major, infrequently occurring transactions, such as asset dispositions and legal settlements that relate to segment results. Segment earnings in 2001 were affected by $14 million of net charges allocated comprising $56 million of charges and $42 million of credits in oil and gas and chemical, respectively. The oil and gas amount included a charge for the sale of the Indonesian Tangguh LNG project. The chemical amount included credits for the sale of certain chemical operations. Segment earnings in 2000 were affected by $25 million from net charges allocated comprising $32 million of charges and $7 million in credits in oil and gas and chemical, respectively. The oil and gas amount included a charge for the monetization of the GOM Continental Shelf assets. The chemical amount included a net charge for the sale of certain chemical operations. Segment earnings in 1999 were affected by $212 million from net charges allocated comprising $228 million of charges and $16 million of credits in oil and gas and chemical, respectively. The oil and gas amount included a charge related to the income on the Chevron litigation settlement and a credit for losses on sales of assets.

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

SEGMENT OPERATIONS

In millions For the years ended December 31,	2001	2000	1999

SALES			
Oil and Gas	$ 10,893	$ 9,779	$ 4,599
Chemical	3,092	3,795	3,221
	$ 13,985	$ 13,574	$ 7,820
EARNINGS(LOSS)			
Oil and Gas	$ 2,845	$ 2,417	$ 1,267
Chemical	(394)	169	(37)
	2,451	2,586	1,230
Unallocated corporate items			
Interest expense, net(a)	(263)	(380)	(468)
Income taxes(c)	(366)	(861)	(68)
Trust preferred distributions and other	(56)	(67)	(62)
Other (b)	(580)	291	(64)
Income before extraordinary items and effect of changes in accounting principles	1,186	1,569	568
Extraordinary gain(loss), net	(8)	1	(107)
Cumulative effect of changes in accounting principles, net	(24)	--	(13)
Net Income	$ 1,154	$ 1,570	$ 448

(a) The 2001 and 2000 amounts are net of $102 million and $106 million, respectively, of interest income on notes receivable from Altura partners.

(b) The 2001 amount includes the after-tax loss of $272 million related to the sale of the entity that owns pipelines in Texas that were leased to a former subsidiary, a $109 million charge for environmental remediation expenses and $104 million of preferred distributions to the Altura partners. The 2000 amount includes the pre-tax gain on the sale of the CanadianOxy investment of $493 million, partially offset by preferred distributions to the Altura partners of $107 million. The preferred distributions are essentially offset by the interest income discussed in (a) above.

(c) The 2001 amount excludes the income tax benefit of $188 million attributed to the sale of the entity that owns pipelines in Texas.

OIL AND GAS

In millions, except as indicated	2001	2000	1999
SEGMENT SALES	$ 10,893	$ 9,779	$ 4,599
SEGMENT EARNINGS	$ 2,845	$ 2,417	$ 1,267
EARNINGS BEFORE SPECIAL ITEMS(a)	$ 2,439	$ 2,404	$ 841
NET PRODUCTION PER DAY			
UNITED STATES			
Crude oil and liquids (MBBL)			
California	76	70	52
Permian	137	101	13
U.S. Other	--	1	8

Total	213	172	73
Natural Gas (MMCF)			
California	303	306	287
Hugoton	159	168	172
Permian	148	119	55
U.S. Other	--	66	148
Total	610	659	662
LATIN AMERICA			
Crude oil & condensate (MBBL)			
Colombia	18	32	43
Ecuador	13	17	15
Peru	--	--	38
Total	31	49	96
EASTERN HEMISPHERE			
Crude oil & condensate (MBBL)			
Oman	12	9	15
Pakistan	7	6	5
Qatar	43	49	58
Russia	27	26	27
Yemen	33	32	32
Total	122	122	137
Natural Gas (MMCF)			
Bangladesh	--	--	8
Pakistan	50	49	44
Total	50	49	52
BARRELS OF OIL EQUIVALENT (MBOE)	476	461	425
AVERAGE SALES PRICES			
CRUDE OIL PRICES (per barrel)			
U.S.	$ 21.74	$ 26.66	$ 15.81
Latin America	$ 19.95	$ 26.01	$ 13.20
Eastern Hemisphere	$ 21.32	$ 25.14	$ 15.86
GAS PRICES (per thousand cubic feet)			
U.S.	$ 6.40	$ 3.66	$ 2.09
Eastern Hemisphere	$ 2.29	$ 1.99	$ 1.17
EXPENSED EXPLORATION(b)	$ 184	$ 94	$ 75
CAPITAL EXPENDITURES			
Development	$ 918	$ 582	$ 302
Exploration	$ 171	$ 132	$ 103
Acquisitions and other(c, d)	$ 134	$ 77	$ 69

(a) Earnings before special items represents segment earnings adjusted for the effect of certain infrequent transactions that may affect comparability between years. Earnings before special items is not considered to be an alternative to operating income in accordance with generally accepted accounting principles. See "Special Items" table for a list of special items affecting earnings.

(b) Includes certain amounts previously shown in exploration capital expenditures. The 2001 amount includes a $66 million write-off of the Gibraltar well in Colombia.

(c) Includes mineral acquisitions but excludes significant acquisitions individually discussed in this report.

(d) Includes capitalized portion of injected CO_2 of $48 million and $44 million in 2001 and 2000, respectively.

Occidental explores for and produces oil and natural gas, domestically and internationally. Occidental seeks long-term growth and improvement in profitability and cash flow through a combination of increased operating efficiencies in core assets, enhanced oil recovery projects, focused exploration opportunities and complementary property acquisitions.

Earnings before special items in 2001 were $2.44 billion compared with $2.40 billion in 2000. The increase in earnings before special items reflected primarily the impact of higher natural gas prices and higher production volumes, partially offset by lower worldwide crude oil prices and higher exploration expense.

Approximately 54 percent of oil and gas sales revenues for 2001 were attributable to oil and gas trading activity, compared with approximately 50 percent in 2000 and 43 percent in 1999. These trading activities focus on obtaining the highest sale price available. Occidental also occasionally engages in hedging activities for relatively small parts of its total production to reduce exposure to price risk, thereby mitigating cash-flow volatility. Refer to "Derivative and Hedging Activities" for a complete discussion. Other than the positive effect on oil and gas realized prices, the results of trading activities are not significant.

The increase in oil and gas trading revenues from 2000 to 2001 was due to a 14-percent increase in the volume of oil and gas trades and a 49-percent increase in gas prices. The revenue was also positively affected by an increase in the volume of Natural Gas Liquids (NGLs), although this impact was not significant. These positive effects were partially offset by an 18-percent decrease in oil prices associated with the trading contracts.

CHEMICAL

In millions, except as indicated	2001	2000	1999
SEGMENT SALES	$ 3,092	$ 3,795	$ 3,221
SEGMENT (LOSS) EARNINGS	$ (394)	$ 169	$ (37)
EARNINGS BEFORE SPECIAL ITEMS(a)	$ 41	$ 293	$ 147
KEY PRODUCT INDEXES (1987 through 1990 average price = 1.0)			
Chlorine	0.74	1.58	0.79
Caustic soda	1.33	0.69	0.66
Ethylene Dichloride	0.61	1.37	0.97
PVC commodity resins(c)	0.68	0.95	0.70
KEY PRODUCT VOLUMES			
Chlorine (thousands of tons)	2,847	2,977	3,230
Caustic soda (thousands of tons)	2,857	3,168	3,223
Ethylene Dichloride (thousands of tons)	735	979	1,080
PVC commodity resins (millions of pounds)	3,950	3,902	3,454
CAPITAL EXPENDITURES(b)			
Basic chemicals	$ 37	$ 49	$ 35
Vinyls	$ 55	$ 61	$ 25
Specialty businesses	$ 25	$ 41	$ 50
Other	$ 3	$ 4	$ 6

(a) Earnings before special items represents segment earnings adjusted for the effect of certain infrequent transactions that may affect comparability between years. Earnings before special items is not considered to be an alternative to operating income in accordance with generally accepted accounting principles. See "Special Items" table for a list of special items affecting earnings.

(b) Excludes the formation of OxyVinyls and the acquisition of the balance of INDSPEC in 1999.

(c) Product volumes produced at PolyOne facilities contributed to OxyVinyls are excluded from the product indexes.

Earnings before special items were $41 million in 2001, compared with $293 million in 2000. The decrease in earnings before special items reflected the impact of lower average prices for chlorine, EDC and PVC resins and a loss from the Equistar equity investment compared with income from the prior year, partially offset by higher prices for caustic soda and lower raw-material and feedstock costs.

Earnings before special items were $293 million in 2000, compared with $147 million in 1999. The increase in earnings before special items primarily reflected the impact of higher average prices for chlorine, EDC and PVC resins, partially offset by higher raw-material and feedstock costs.

SPECIAL ITEMS

Special items are significant, infrequent items reflected in the Consolidated Statements of Operations that may affect comparability between years. These items are listed below to assist in understanding the results of Occidental's operations on an ongoing basis. The special items included in the 2001, 2000 and 1999 results are detailed below. For further information, see Note 15 to the Consolidated Financial Statements and the discussion above.

SPECIAL ITEMS

Benefit (Charge) In millions	2001	2000	1999
OIL AND GAS			
Gain on sale of interest in the Indonesian Tangguh LNG project(a)	$ 399	$ --	$ --
Gain on sale of additional interests in Gulf of Mexico assets(a)	7	--	--
Gain on partial sale of Gulf of Mexico assets(a)	--	39	--
Write-down of various assets, real estate and investments	--	(53)	(9)
Loss on sale of office building(a)	--	(14)	--
Chevron litigation settlement(a)	--	--	488
Write-down of Peru producing operations(a)	--	--	(29)
Claims, settlements, reorganization and other	--	--	(35)
Gain on buyout of contingency payment(a)	--	41	--
Gain on receipt of contingency payment	--	--	11
CHEMICAL			
Write-down of Equistar investment	$ (412)	$ --	$ --
Credit from state tax rate adjustment	14	--	--
Write-down of chemical intermediate businesses and various assets	--	(135)	(159)
Gain on sale of Durez business(a)	--	13	--
Loss on foreign investment abandonment (a)	--	(2)	--
Write-downs by Equistar	--	--	(28)

Severance, plant shutdown, idling and plant write-down costs	(37)	--	--
Gain on sale of chemical plant by Equistar	--	--	12
Claims and settlements	--	--	(9)
CORPORATE			
Loss on sale of pipeline-owning entity (a)	$ (272)	$ --	$ --
Environmental remediation	(109)	--	--
Settlement of state tax issue	70	--	--
Gain on sale of CanadianOxy investment	--	493	--
Claims and settlements	--	(17)	--
Extraordinary (loss)gain on debt redemption(a)	(8)	1	(107)
Insurance dividend	6	11	18
Changes in accounting principles(a)	(24)	--	(13)
Tax effect of pre-tax adjustments	192	(133)	55

(a) These amounts are shown after-tax.

CONSOLIDATED OPERATIONS - REVENUES

SELECTED REVENUE ITEMS

In millions	2001	2000	1999
Net sales	$ 13,985	$ 13,574	$ 7,820
Interest, dividends and other income	$ 223	$ 263	$ 913
Gains(losses) on disposition of assets, net	$ 10	$ 639	$ (13)
(Loss)income from equity investments	$ (92)	$ 67	$ 41

The increase in sales in 2001, compared to 2000, primarily reflected higher natural gas prices and higher oil and gas trading revenue, in turn, due to higher oil and gas trading volumes and higher gas prices, partially offset by lower crude oil and chemical prices. The increase in sales in 2000, compared with 1999, primarily reflected higher worldwide crude oil and natural gas prices, higher domestic oil production, mainly from the Altura and THUMS acquisitions, higher oil and gas trading activity and the inclusion of the full year revenues from OxyVinyls, partially offset by lower international oil production.

Interest, dividends and other income in 2001 and 2000 included interest income on the notes receivable from the Altura partners of $102 million and $106 million, respectively. Interest, dividends and other income in 1999 included the favorable litigation settlement of $775 million.

Gains on disposition of assets in 2001 included the pre-tax gain of $454 million on the sale of the interest in the Tangguh LNG project and the pre-tax loss on the sale of an interest in the subsidiary that leased a pipeline to Occidental's former MidCon subsidiary of $459 million. Gains on disposition of assets in 2000 included the pre-tax gain of $493 million on the sale of the CanadianOxy investment, the pre-tax gain of $61 million on the partial sale of the Gulf of Mexico assets, the pre-tax gain of $63 million on the receipt of contingency payments related to a prior-year sale of a Dutch North Sea subsidiary and the pre-tax gain of $34 million on the sale of the Durez business.

The loss from equity investments in 2001, compared with income from equity investments in 2000, was primarily due to a loss of $89 million from the Equistar equity investment in 2001. The increase in income from equity investments in 2000, compared with 1999, was due to higher earnings at Equistar.

CONSOLIDATED OPERATIONS - EXPENSES

SELECTED EXPENSE ITEMS

In millions	2001	2000	1999
Cost of sales	$ 9,488	$ 8,963	$ 5,269
Selling, general and administrative and other operating expenses	$ 675	$ 691	$ 645
Write-down of assets	$ 415	$ 180	$ 212
Minority interest	$ 143	$ 185	$ 58
Exploration expense	$ 184	$ 94	$ 75
Interest and debt expense, net	$ 392	$ 518	$ 498

The increase in cost of sales in 2001, compared with 2000, primarily reflected higher costs related to increased oil and gas trading volumes, higher prices for gas trading and higher production volumes. The increase in cost of sales in 2000, compared with 1999, primarily reflected the higher costs related to oil and gas trading, higher domestic oil production volumes and higher raw-material and energy costs in the chemical segment.

Selling, general and administrative and other operating expenses decreased in 2001, compared to 2000, due mainly to a decrease in chemical selling costs. Selling, general and administrative and other operating expenses increased in 2000, compared to 1999, due to the increase in oil and gas production taxes resulting from higher oil and gas prices and the acquisition-related higher production, partially offset by lower other costs.

Write-down of assets in 2001 included the write-down of the Equistar equity investment. The 2000 amount includes the write-down of certain oil and gas investments and the write-down of the chemical intermediate businesses. The 1999 amount includes the write-down of the Peru producing operations and the write-down of the chemical intermediate business.

Minority interest in 2001 and 2000 included preferred distributions to the Altura partners of $104 million and $107 million, respectively.

Exploration expense in 2001 included expensing higher-cost exploration wells, primarily the Gibraltar well in Colombia of $66 million.

The decrease in interest and debt expense in 2001, compared with 2000, reflected lower outstanding debt levels and lower interest rates. The increase in interest and debt expense, net in 2000, compared to 1999, reflected the interest on the Altura non-recourse debt, partially offset by lower outstanding corporate debt levels.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

In millions	2001	2000	1999
NET CASH PROVIDED	$ 2,652	$ 2,401	$ 1,044

The higher operating cash flow in 2001, compared with 2000, resulted from higher recurring non-cash charges, including depreciation, depletion and amortization, exploration expenses and a loss from equity investments.

The higher operating cash flow in 2000, compared with 1999, resulted mainly from higher earnings before special items. Depreciation, depletion and amortization of assets increased due to the increase in property, plant and equipment from the Altura acquisition.

Other non-cash charges in 2001 included the write-down of the Equistar investment and environmental remediation accruals. Other non-cash charges in 2000 included the write-down of the chemical intermediate businesses and other miscellaneous items. Other non-cash charges in 1999 included the write-down of chemical assets and other miscellaneous items. See the "Special Items" table on page 19. Each of the three years also included charges for employee benefit plans and other items.

INVESTING ACTIVITIES

In millions	2001	2000	1999
NET CASH(USED) PROVIDED	$ (736)	$(3,097)	$ 1,591

The 2001 amount included the gross proceeds of $863 million from the sale of the entity that owns pipelines in Texas and the sale of Occidental's interest in the Tangguh LNG project in Indonesia.

The 2000 amount included the gross proceeds of approximately $800 million from the sale of the CanadianOxy investment, gross proceeds of $150 million from the sale of the Durez business and approximately $342 million from the monetization of the GOM assets. The 2000 amount also included approximately $3.7 billion for the purchases of Altura and THUMS.

The 1999 amount included the proceeds from the $1.4 billion note receivable and the $775 million proceeds from the Chevron litigation settlement. The 1999 amount reflected lower capital expenditures and also reflected net cash used of $113 million in connection with the formation of OxyVinyls.

CAPITAL EXPENDITURES

IN MILLIONS	2001	2000	1999
Oil and Gas	$ 1,223	$ 791	$ 474
Chemical	120	155	116
Corporate and other	58	6	11
TOTAL	$ 1,401	$ 952	$ 601

Oil and gas capital expenditures were significantly higher in 2001 reflecting higher oil field service costs and higher development spending resulting, primarily, from a larger asset base. Amounts from all three years exclude any significant acquisitions.

Occidental's capital spending budget for 2002 is $1.1 billion. Of the total, approximately $1 billion will be allocated to oil and gas, with Qatar, Elk Hills and the Permian Basin receiving the highest priority.

FINANCING ACTIVITIES

In millions	2001	2000	1999
NET CASH (USED)PROVIDED	$(1,814)	$ 579	$(2,517)

The 2001 amount reflected the repayment of $2.3 billion of long-term and non-recourse debt, partially offset by proceeds of $861 million from new long-term debt.

The 2000 amount reflected the proceeds from the $2.4 billion non-recourse debt offset by repayments of $1.4 billion on the long-term and non-recourse debt. The 2000 amount also includes the first year of purchases made to satisfy delivery commitments under the gas pre-sale commitment that was signed in 1998.

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The 1999 amount reflected the repayment of commercial paper and long-term debt.

Occidental paid common stock dividends of $372 million in 2001 and $369 million in 2000 and paid preferred and common stock dividends of $363 million in 1999. In 1999, a total of 4,847,130 shares of CXY-indexed convertible preferred stock were converted by the holders into 15,708,176 shares of Occidental's common stock. At the end of 2001, 2000 and 1999, Occidental had no preferred stock outstanding. However, most of the Trust Preferred Securities issued in January 1999 by Oxy Capital Trust I, a wholly-owned subsidiary of Occidental, remain outstanding at December 31, 2001.

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

ADDITIONAL CONSIDERATIONS REGARDING FUNDING AND LIQUIDITY

In the course of its business activities, Occidental pursues a number of projects and transactions to meet its core business objectives. The accounting and financial statement treatment of these transactions is a result of the varying methods of funding employed. Occidental also makes commitments on behalf of unconsolidated entities. These transactions, or groups of transactions, are recorded in compliance with generally accepted accounting principles and, unless otherwise noted, are not recorded on Occidental's balance sheets. The following is a description of the business purpose and nature of these transactions.

>> CHEMICAL TRANSACTIONS

TAFT COGENERATION FACILITY

Occidental has undertaken certain commitments in connection with the construction and leasing of a cogeneration facility in Taft, LA. This facility will supply all the steam and electric power requirements for Occidental's Taft chlor-alkali plant for less cost than if the plant were to generate its own steam and purchase electricity from a public utility. An owner trust with investors as participating beneficiaries owns the project, with Occidental acting as general contractor during construction. The equity participant in the owner trust has committed to fund the owner trust with equity in the amount of three percent of the total project cost during construction and 13 percent of the total project cost upon commencement of the lease term. During the construction period, Occidental is fully liable for total project costs if an event of termination occurs due to its willful misconduct or bankruptcy, and Occidental is liable to pay up to 89.9 percent of the eligible construction costs if an event of termination occurs for reasons other than force majeure. Upon completion of construction and satisfaction of certain other conditions, expected to occur by December 31, 2002, Occidental will enter into a 26-year operating lease of the facility. The total cost of the project at the inception of the lease is expected to be approximately $450 million. The total accumulated costs of the project as of December 31, 2001 amount to approximately $328 million. If these costs were recorded as liabilities on Occidental's balance sheet, either during construction or during the lease term, the Taft cogeneration facility would also be recorded as an asset on the balance sheet.

LEASES

Occidental has entered into various operating lease agreements, mainly for railcars, manufacturing facilities and office space. The leased assets are used in Occidental's operations where leasing offers advantages of greater operating flexibility and generally costs less than alternative methods of funding. Lease payments are charged to Occidental's operations, mainly as cost of sales. Occidental estimates the present value of the remaining lease payments to be $310 million at December 31, 2001. Occidental has fixed-price purchase options associated with certain leases at various dates ranging from 2003 to 2015, with an estimated present value of $285 million. These obligations are not recorded as liabilities on Occidental's consolidated balance sheets. If they were so recorded, the leased properties also would be included on the balance sheets as assets.

OXYMAR

Occidental has a 78.6-percent ownership interest in OxyMar, a general partnership that owns a vinyl chloride monomer (VCM) facility in Texas operated by OxyChem. Marubeni Corporation (Marubeni) owns the remaining 21.4 percent of OxyMar, but has a 50-percent voting interest. The OxyMar VCM plant is a modern, efficient manufacturing facility. Occidental's chlorovinyls business derives economic benefit as the supplier of chlorine, a major raw material, to OxyMar. OxyMar, in turn, supplies VCM required by Occidental to manufacture PVC, one of its major products. This investment in OxyMar is recorded as an equity investment on the consolidated balance sheet. Occidental owns 28.6 percent of OxyMar directly and the OxyVinyls partnership, which is 76-percent owned by Occidental, owns 50 percent. Therefore, because of the effect of a third party's minority ownership interest, Occidental's total share of OxyMar's results is only approximately 67 percent. Occidental guarantees 50 percent of OxyMar's $165 million private placement bonds due 2016 and 100 percent of a $220 million revolving line of credit which matures in 2005, under which $105 million was outstanding at December 31, 2001. These amounts are reflected as debt on OxyMar's balance sheet. Marubeni has a right to put its interest in OxyMar to Occidental in 2004 by paying approximately $30 million to Occidental and, in connection with this transfer, require Occidental to assume Marubeni's guarantee of OxyMar's debt. If Occidental acquires the Marubeni interest, it will consolidate OxyMar. If OxyMar were to be consolidated, its assets, including the VCM facility, and its liabilities, including debt to third parties, would be recorded on Occidental's consolidated balance sheets. As of December 31, 2001, Occidental had advanced $144 million to OxyMar and had a net equity investment of $52 million.

INGLESIDE

Occidental and Conoco Inc. (Conoco) each has a 50-percent interest in Ingleside Cogeneration Limited Partnership, a limited partnership (Ingleside LP), which operates a cogeneration plant in Texas. The cogeneration facility supplies all of the steam and electric power requirements to Occidental's Ingleside chlor-alkali plant and the VCM plant Occidental owns with Marubeni, at less cost than if these facilities were to produce their own steam and purchase electric power from a public utility. At December 31, 2001, Ingleside LP had approximately $178 million in debt, which is secured by its assets. Occidental has not guaranteed this debt; however, Occidental and Conoco currently each guarantee half of a debt service reserve amount of approximately $8.5 million. Occidental accounts for this investment using the equity method.

EQUISTAR

Occidental has entered into an indemnity agreement with Equistar, its 29.5-percent equity investee, to contribute to Equistar an amount equal to the lesser of approximately $420 million or the principal amount of Equistar's notes due 2009 then outstanding, together with interest. At December 31, 2001, the outstanding principal amount of Equistar's notes due 2009 was almost $600 million. Occidental is only required to pay this amount to Equistar if the holders of the notes have not been able to obtain payment after having pursued and exhausted all their remedies to compel payment by Equistar, including the liquidation of assets. The indemnity expressly does not create any right in the holders of the notes or any person other than Occidental, Equistar and the partners of Equistar. Occidental may elect to terminate the indemnity in certain circumstances.

v OIL AND GAS TRANSACTIONS

ECUADOR

In Ecuador, Occidental has a 12-percent interest in a company currently constructing a pipeline, which is expected to be completed in 2003. Construction of the pipeline has made it feasible for Occidental to begin developing the Eden Yuturi field it discovered several years ago in the southeastern corner of Block 15. The development of Eden Yuturi, together with ongoing work in the western portion of the block that is currently in production, is expected to add net incremental production of 30,000 barrels per day, all of which is expected to be shipped through the new pipeline. Occidental has committed to make capital contributions up to its share (approximately $148 million) of the estimated total project costs, less an equivalent percentage (up to approximately $110 million under existing financing arrangements) of any senior project debt incurred by the pipeline company. The pipeline company's senior project debt is to be repaid with the proceeds of ship-or-pay tariffs of certain upstream producers in Ecuador, including Occidental. Under their ship-or-pay commitments, Occidental and the other upstream producers have each assumed their respective share of project-specific risks, including construction risk, operating risk and force-majeure risk. Under certain circumstances, Occidental could be required to pay an advanced tariff payment that would in turn be used by the pipeline company to service or prepay project debt. As of December 31, 2001, Occidental has contributed $9 million to the company. Occidental reports this investment in its consolidated financial statements using the equity method of accounting.

ELK HILLS POWER

Occidental and Sempra Energy (Sempra) each has a 50-percent interest in Elk Hills Power LLC, a limited liability company that is currently constructing a gas-fired, power-generation plant in California. Occidental accounts for this investment using the equity method. In January 2002, Elk Hills Power LLC entered into a $400 million construction loan facility. Occidental guarantees $200 million (50 percent) of the loan facility. At January 31, 2002, approximately $94 million of the $200 million guaranteed amount was outstanding.

v OTHER TRANSACTIONS

RECEIVABLES SALE PROGRAM

Occidental has an agreement in place to sell, under a revolving sale program, an undivided interest in a designated pool of trade receivables. This program is used by Occidental as a low-cost source of working capital funding. The amount of proceeds, which totaled $360 million outstanding in each of 2001 and 2000, that Occidental has received on the sale of the undivided interest and the related accounts receivable that have been sold, are not included in the debt and trade receivables accounts, respectively, on Occidental's consolidated balance sheets. Fees and expenses under this program are included in selling, general and administrative and other operating expense. Under the program, receivables must meet certain criteria. The program terminates upon certain events, including Occidental's senior debt rating falling below investment grade. In such an event, the amount of proceeds outstanding at that time would have to be funded through other means, which could result in an increase in debt recorded on the consolidated balance sheets along with a corresponding increase in the accounts receivable balance. The consolidated income statement effect of such an event would not be significant.

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v CONTRACTUAL OBLIGATIONS

The table below summarizes and cross-references certain contractual obligations that are disclosed in the Consolidated Balance Sheets (CBS) and/or the accompanying Notes.

(In millions)		Payments Due by Year			
Contractual Obligations	Total	2002	2003 to 2004	2005 to 2006	2007 and thereafter
Long-Term Debt (CBS and Note 6)(a)	$ 4,065	$ --	$ 829	$ 852	$ 2,384
Capital Leases (CBS and Note 8)	27	1	1	1	24
Operating Leases (Note 8)(b)	426	67	102	70	187
Fixed and Determinable Purchase Obligations (Note 9)(c)	81	15	26	22	18
Other Long-Term Contracts (Notes 1, 7 and 12)(e)	1,105	137	145	360 (d)	463
TOTAL	$ 5,704	$ 220	$ 1,103	$ 1,305	$ 3,076

(a) Includes principal payments, unamortized discounts and mark-to-market adjustments related to fair-value hedges.
(b) Offset by sub lease rental income.
(c) Excludes capital commitments.
(d) The $360 million receivable securitization amount is reflected in the 2005-2006 year column since Occidental could finance the amount with its committed credit line, which becomes due in 2006, if the program was terminated.
(e) Includes the $282 million natural gas delivery commitment (CBS), the $360 million receivable securitization program and the $463 million Trust Preferred Securities (CBS).

COMMITMENTS

In addition to those discussed above, Occidental has entered into commitments on behalf of entities, whether or not affiliated with Occidental, including performance bonds and guarantees of environmental, financial or other obligations. Occidental's liability under these commitments arises only if the entity primarily responsible fails to perform its contractual obligations. In management's opinion, it is unlikely that any of these commitments will have a material adverse effect upon Occidental's consolidated financial position or results of operations.

ANALYSIS OF FINANCIAL POSITION

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

SELECTED BALANCE SHEET COMPONENTS

In millions	2001	2000
Trade receivables, net	$ 360	$ 809
Receivables from joint ventures, partnerships and other	$ 327	$ 517
Long-term receivables, net	$ 2,186	$ 2,119
Equity investments	$ 993	$ 1,327
Property, plant and equipment, net	$ 12,858	$ 13,471
Current maturities of long-term debt and capital lease liabilities	$ --	$ 258
Accounts payable	$ 720	$ 1,091
Accrued liabilities	$ 858	$ 1,089
Current obligation under natural gas delivery commitment	$ 137	$ 129
Long-term debt, net	$ 4,065	$ 3,285
Altura non-recourse debt	$ --	$ 1,900
Long-term obligation under natural gas delivery commitment	$ 145	$ 282
Other deferred credits and liabilities	$ 2,326	$ 2,415
Minority interest	$ 2,224	$ 2,265
Trust Preferred Securities	$ 463	$ 473
Stockholders' equity	$ 5,634	$ 4,774

The lower balance in trade receivables at December 31, 2001, compared with December 31, 2000, reflected lower product prices during the fourth quarter of 2001 versus 2000. The decrease in receivables from joint ventures, partnerships and other was due to lower mark-to-market adjustments on derivative financial instruments in the oil and gas trading group. The lower balance in equity investments primarily reflected the write-down of the equity investment in Equistar in December 2001. The decrease in the net balance in property, plant and equipment reflected depreciation, depletion and amortization and the sale of the entity that owns pipelines in Texas, offset in part by capital spending.

The decrease in current maturities of long-term debt reflected a reclassification of the current portion of long-term debt, since it is management's intention to refinance the amount on a long-term basis by issuing long-term debt. The decrease in accounts payable was due to lower trade payable balances in the oil and gas marketing and trading operations. The decrease in accrued liabilities was due to lower mark-to-market adjustments on derivative financial instruments in the oil and gas trading group, a lower accrual for interest expense and other miscellaneous items. The increase in long-term debt primarily reflected the $800 million senior notes that were issued in 2001 mainly to extinguish the non-recourse debt, which was originally incurred as a result of the Altura acquisition. The non-recourse debt was extinguished in 2001 using free operating cash flow and senior-note proceeds. The long-term balance of the obligations under the natural gas delivery commitment decreased from December 31, 2000, which reflected the reduction in the overall amount of the obligation. Other deferred credits and liabilities included deferred compensation, primarily other post-retirement benefits, environmental reserves, contract advances, deferred revenue and other deferred items. The decrease in this account was primarily the result of the decrease in deferred revenue from the GOM monetization. The increase in stockholders' equity primarily reflected net income, partially offset by dividends on common stock.

The table below presents principal amounts, by currency and by year of maturity for Occidental's long-term debt obligations, excluding $9 million in unamortized discount, at December 31, 2001:

DEBT CURRENCY DENOMINATIONS AND INTEREST RATES
In millions of U.S. dollars, except rates