

Rating: Buy  
 S&P 500: 1302

## Occidental Petroleum Riding the Oil Trend

<i>Symbol</i>	OXY	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$m)</i>	11,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	12
<i>Price (US\$/sh)</i>	104.52	<i>Natural Gas and Oil Production/Ebitda (%)</i>	88
<i>Pricing Date</i>	4/25/06	<i>Adjusted Reserves/Production NTM</i>	10.4
<i>Shares (mm)</i>	431	<i>EV/Ebitda</i>	4.6
<i>Market Capitalization (US\$m)</i>	45,000	<i>PV/Ebitda</i>	5.2
<i>Debt (US\$m)</i>	7,200	<i>Undeveloped Reserves (%)</i>	26
<i>Enterprise Value (EV) (US\$m)</i>	52,200	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	44.40
<i>Present Value (PV) (US\$m)</i>	58,900	<i>Present Value Proven Reserves(US\$/boe)</i>	19.10
<i>Net Present Value (US\$/share)</i>	120	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.18
<i>Debt/Present Value</i>	0.12	<i>Earnings Next Twelve Months (US\$/sh)</i>	13.66
<i>McDep Ratio - EV/PV</i>	0.89	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	1.4	<i>Indicated Annual Dividend (US\$/sh)</i>	1.44

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

### Summary and Recommendation

Buy-recommended **Occidental Petroleum (OXY)** offers 15% appreciation potential to estimated net present value of \$120 a share. Our estimate for Oxy is in line with a correlation of present value with adjusted reserve life and next twelve months cash flow taking account of first quarter 2006 results reported on April 25. The estimate also presumes a long-term oil price of \$50 a barrel. Since Oxy stock is priced less than our estimate, at a McDep Ratio of 0.89, Oxy stock appears priced for a long-term oil price of about \$45 a barrel. Meanwhile the futures price for oil delivered over the next six years continues in a multi-year uptrend with the current quote at \$72. As a result of the widening price gap, we may soon be raising our estimates. Present value is concentrated 74% on oil, primarily in the U.S. where Oxy is the largest producer in the Permian Basin of West Texas and third largest producer in California.

### Functional Cash Flow and Present Value

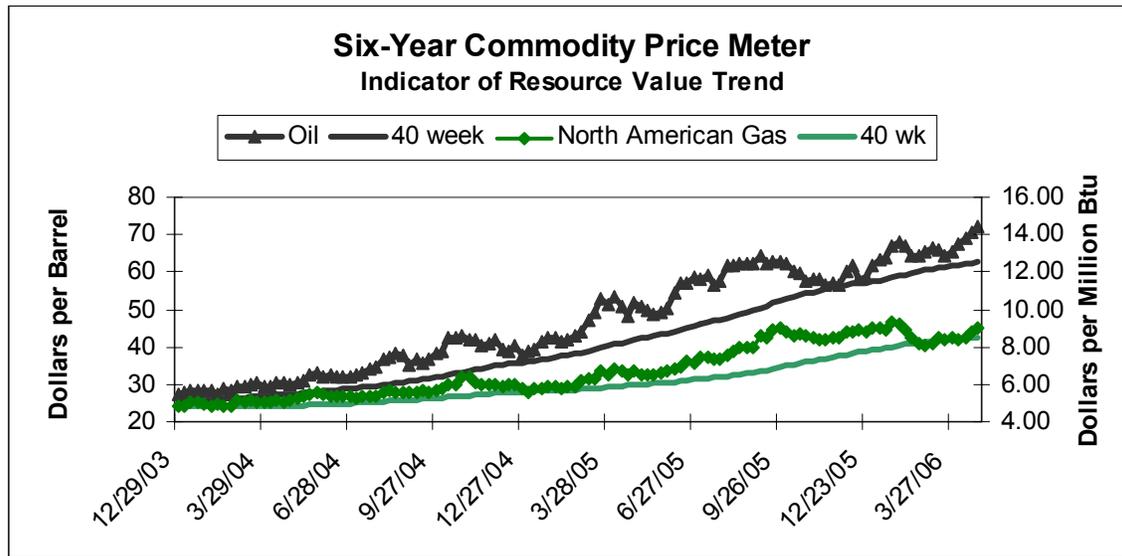
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$m)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$m)</i>	
U.S. Natural Gas	1,289	9.3	6.2	8,000	14%
Rest of World Natural Gas	77	16.6	11.7	900	2%
Oil	8,330	10.4	5.3	43,800	74%
Downstream	1,376		4.5	6,200	11%
	11,072	10.4	5.3	58,900	100%
Debt (US\$m)				7,200	
Net Present Value (US\$m)				51,700	
Shares (mm)				431	
Net Present Value - Standard Estimate (US\$/sh)				120	
Net Present Value - Approximation by Correlation (US\$/sh)				120	

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**Occidental Petroleum**  
**Next Twelve Months Operating and Financial Estimates**

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next Twelve Months</i>
	<i>3/31/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>
<b>Volume</b>									
Natural Gas (mmcf)									
U.S. (or North America)	528	572	<b>553</b>	582	582	582	582	<b>582</b>	<b>582</b>
Overseas (or Int'l)	134	102	<b>121</b>	126	126	126	126	<b>126</b>	<b>126</b>
Total	662	674	<b>674</b>	708	708	708	708	<b>708</b>	<b>708</b>
Oil (mbd)	427	477	<b>442</b>	492	500	500	500	<b>498</b>	<b>500</b>
Total gas & oil (mbd)	537	589	<b>555</b>	610	618	618	618	<b>616</b>	<b>618</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.27	13.00	<b>8.65</b>	8.97	7.53	8.24	9.99	<b>8.68</b>	<b>9.44</b>
U.S. (or North America)	5.94	9.81	<b>7.11</b>	8.36	7.02	7.68	9.31	<b>8.09</b>	<b>8.79</b>
Overseas (or Int'l)	1.69	2.13	<b>1.90</b>	0.38	0.50	0.50	0.50	<b>0.47</b>	<b>0.50</b>
Total	5.08	8.65	<b>6.17</b>	6.94	5.86	6.40	7.74	<b>6.74</b>	<b>7.31</b>
Oil (\$/bbl)									
WTI Cushing	49.65	60.02	<b>56.31</b>	63.33	72.20	75.16	75.97	<b>71.66</b>	<b>74.82</b>
Worldwide	41.71	50.50	<b>48.59</b>	53.11	60.55	63.03	63.71	<b>60.16</b>	<b>62.75</b>
Total gas & oil (\$/bbl)	39.40	50.76	<b>46.25</b>	50.89	55.70	58.33	60.41	<b>56.38</b>	<b>59.14</b>
<b>Revenue (\$mm)</b>									
Natural Gas									
U.S. (or North America)	282	516	<b>1,435</b>	438	372	411	498	<b>1,719</b>	<b>1,866</b>
Overseas (or Int'l)	20	20	<b>84</b>	4	6	6	6	<b>22</b>	<b>23</b>
Total	303	536	<b>1,519</b>	442	377	417	504	<b>1,741</b>	<b>1,889</b>
Oil	1,603	2,216	<b>7,846</b>	2,352	2,755	2,899	2,931	<b>10,937</b>	<b>11,452</b>
Other	1,434	1,432	<b>5,734</b>	1,776	1,776	1,776	1,776	<b>7,104</b>	<b>7,104</b>
Total	3,340	4,184	<b>15,099</b>	4,570	4,908	5,092	5,211	<b>19,782</b>	<b>20,446</b>
<b>Expense</b>									
Fixed	211	346	<b>1,190</b>	166	166	166	166	<b>664</b>	<b>889</b>
Variable	211	346	<b>1,190</b>	498	558	591	612	<b>2,259</b>	<b>2,426</b>
Other	1,152	1,179	<b>4,660</b>	1,432	1,432	1,432	1,432	<b>5,728</b>	<b>5,728</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	1,483	2,060	<b>6,986</b>	2,130	2,408	2,560	2,657	<b>9,755</b>	<b>10,026</b>
Other	283	253	<b>1,074</b>	344	344	344	344	<b>1,376</b>	<b>1,376</b>
Total Ebitda	1,766	2,313	<b>8,060</b>	2,474	2,752	2,904	3,001	<b>11,131</b>	<b>11,402</b>
Exploration	47	124	<b>337</b>	71	71	71	71	<b>284</b>	<b>284</b>
Deprec., Deplet., & Amort.	344	409	<b>1,485</b>	480	480	480	480	<b>1,920</b>	<b>1,920</b>
Other non cash									
<b>Ebit</b>	1,375	1,780	<b>6,238</b>	1,923	2,201	2,353	2,450	<b>8,927</b>	<b>9,198</b>
Interest	75	23	<b>185</b>	29	29	29	29	<b>116</b>	<b>142</b>
<b>Ebt</b>	1,300	1,757	<b>6,053</b>	1,894	2,172	2,324	2,421	<b>8,811</b>	<b>9,056</b>
Income Tax	455	615	<b>2,119</b>	663	760	813	847	<b>3,084</b>	<b>3,170</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	1,349	1,868	<b>6,337</b>	2,002					
Other	214	171	<b>777</b>	248					
Unallocated	(718)	(897)	<b>(3,180)</b>	(1,019)					
Total	845	1,142	<b>3,934</b>	1,231	1,412	1,510	1,574	<b>5,727</b>	<b>5,887</b>
<b>Shares (millions)</b>	406	399	<b>404</b>	431	431	431	431	<b>431</b>	<b>431</b>
Per share (\$)	2.08	2.86	<b>9.75</b>	2.86	3.28	3.51	3.66	<b>13.30</b>	<b>13.66</b>
Ebitda Margin (E&P)	78%	75%	<b>75%</b>	76%	77%	77%	77%	<b>77%</b>	<b>75%</b>
Tax Rate	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	<b>35%</b>

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