

Rating: Buy
S&P 500: 1480

Occidental Petroleum Well-Positioned in Oil

<i>Symbol</i>	OXY	<i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i>	9,500
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	12
<i>Price (US\$/sh)</i>	51.44	<i>Natural Gas and Oil Production/Ebitda (%)</i>	87
<i>Pricing Date</i>	4/24/07	<i>Adjusted Reserves/Production NTM</i>	11.9
<i>Shares (mm)</i>	847	<i>EV/Ebitda</i>	5.2
<i>Market Capitalization (US\$mm)</i>	43,500	<i>PV/Ebitda</i>	6.8
<i>Debt (US\$mm)</i>	5,800	<i>Undeveloped Reserves (%)</i>	22
<i>Enterprise Value (EV) (US\$mm)</i>	49,300	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	38.60
<i>Present Value (PV) (US\$mm)</i>	64,200	<i>Present Value Proven Reserves(US\$/boe)</i>	19.50
<i>Net Present Value (US\$/share)</i>	69	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.25
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.15
<i>McDep Ratio - EV/PV</i>	0.77	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	1.7	<i>Indicated Annual Dividend (US\$/sh)</i>	0.88

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

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

Estimated present value presumes a long-term price for oil of US\$60 a barrel and natural gas, \$10 a million btu.

For historical analysis of OXY since 2000 see www.mcdep.com/3oxy.htm

Summary and Recommendation

Buy-recommended **Occidental Petroleum (OXY)** reported first quarter cash flow on April 24 above expectations from just a few months ago. Like crude oil price on which those results depend, Oxy stock is back in favor as it trades above its 200-day average. Offering present value of \$69 a share and concentrated 76% on oil, the shares look cheaper than oil futures. One and a half billion of the company's two billion barrels of oil reserves weighted by developed readiness are in the U.S., an oil importing country where oil taxes should be less onerous than in oil exporting countries (see table [Production and Reserves, 2006](#)). Purchasing those oil reserves in West Texas and California may be Chairman Ray Irani's most important contribution. As a result, the company is well-positioned to benefit if our expectations of rising oil prices are met. Meanwhile management believes it can grow volume more than 5% a year at the same time it returns about 5% a year to shareholders in dividends and stock repurchase.

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**Occidental Petroleum
 Production and Reserves, 2006**

	2006 Production <i>(daily)</i>	12/31/2006 Proven Reserves <i>Developed (bcf or mmb)</i>	<i>Undeveloped (bcf or mmb)</i>	Weighted <i>(bcf or mmb)</i>	Weighted Life Index <i>(years)</i>	NTM	
						Adjusted R/P <i>(years)</i>	
North American Natural Gas							
U.S.	595	217	1,953	489	2,198	10.1	10.2
Rest of World Natural Gas							
Middle East/North Africa	30	11	560	546	833	75.7	
Other ROW	110	40	205	57	234	5.8	
Total	140	51	765	603	1,067	20.9	22.0
Oil							
U.S.	268	98	1,396	282	1,537	15.7	
Latin America	71	26	140	86	183	7.0	
Middle East/North Africa	110	40	249	78	288	7.2	
Other Eastern Hemisphere	5	2	3		3	1.5	
Other	19	7	37	8	41	5.9	
Total	474	173	1,825	454	2,052	11.9	11.8
Total Oil Equivalent	596	218	2,278	636	2,596	11.9	11.9

Weighted Life Index counts undeveloped reserves at half stated value and is computed on latest calendar year volume.
 NTM Adjusted R/P also counts undeveloped reserves at half and is computed on next twelve months production.

**Occidental Petroleum Corporation
 Functional Cash Flow and Present Value**

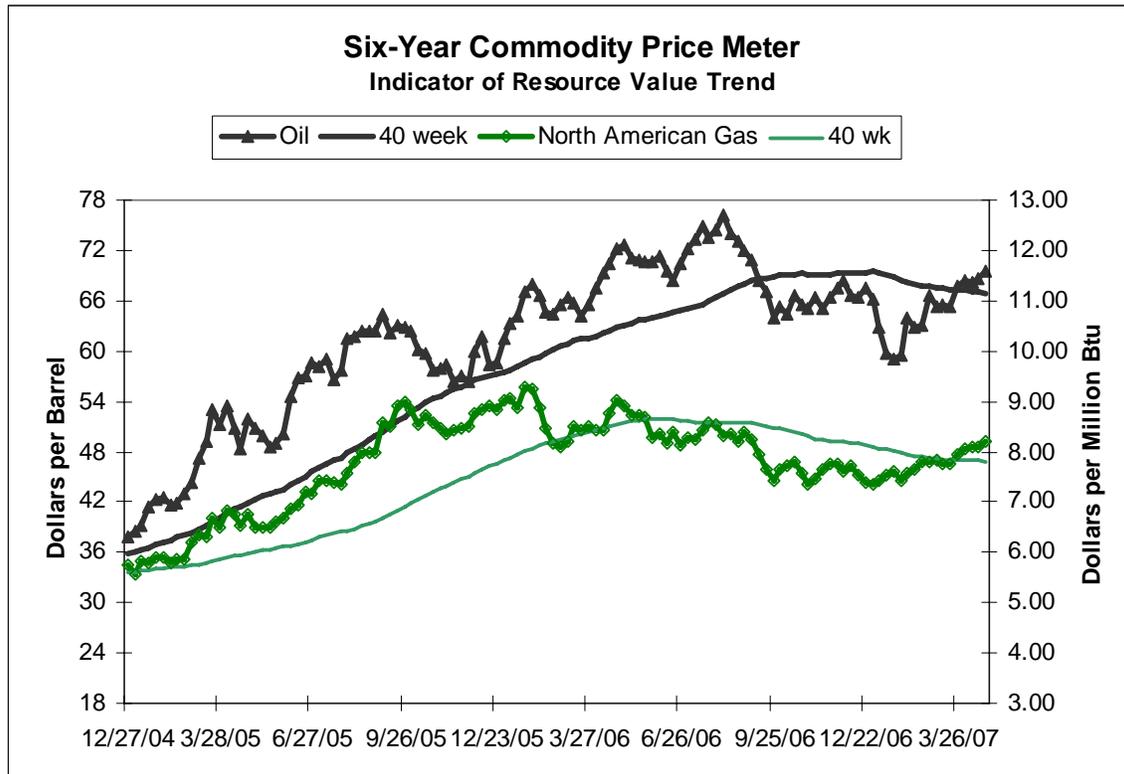
	NTM Ebitda <i>(US\$mm)</i>	Adjusted R/P	PV/ <i>Ebitda</i>	Present Value <i>(US\$mm)</i>	
U.S. Natural Gas	1,157	10.2	7.3	8,500	13%
Rest of World Natural Gas	72	22.0	8.3	600	1%
Oil	7,051	11.8	6.9	48,600	76%
Downstream	1,224		5.3	6,500	10%
	9,504	11.9	6.8	64,200	100%
Debt (US\$mm)				5,800	
Net Present Value (US\$mm)				58,400	
Shares (mm)				847	
Net Present Value - Standard Estimate (US\$/sh)				69	
Net Present Value - Approximation by Correlation (US\$/sh)				76	

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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>3/31/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/06</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>3/31/08</i>
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	582	599	595	585	585	585	585	585	585
Overseas (or Int'l)	126	136	141	134	134	134	134	134	134
Total	708	735	736	719	719	719	719	719	719
Oil (mbd)	492	493	483	467	467	467	467	467	467
Total gas & oil (mmb)	55	57	221	53	53	54	54	214	214
Total gas & oil (mbd)	610	616	605	587	587	587	587	587	587
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.97	6.57	7.23	6.81	7.60	7.95	8.80	6.97	8.52
U.S. (or North America)	8.36	5.64	6.51	6.38	7.12	7.45	8.25	7.30	7.97
Overseas (or Int'l)	2.25	1.44	1.66	2.16	2.16	2.16	2.16	2.16	2.16
Total	7.27	4.86	5.58	5.59	6.20	6.46	7.11	6.35	6.89
Oil (\$/bbl)									
WTI Cushing	63.33	59.99	66.05	58.08	65.07	67.85	69.47	64.35	68.20
Worldwide	53.11	51.18	56.29	51.78	58.02	60.49	61.94	58.09	60.80
Total gas & oil (\$/bbl)	51.28	46.80	51.67	48.06	53.77	56.06	58.01	54.01	56.83
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	438	311	1,413	336	379	401	444	1,560	1,703
Overseas (or Int'l)	26	18	85	26	26	27	27	106	106
Total	463	329	1,498	362	406	427	470	1,666	1,809
Oil	2,352	2,321	9,918	2,177	2,466	2,600	2,662	9,906	10,368
Ebitda (\$mm)									
Exploration and Production	2,130	1,702	7,960	1,721	1,953	2,059	2,130	7,862	8,280
Other	344	269	1,314	255	349	352	269	1,224	1,224
Total Ebitda	2,474	1,971	9,274	1,975	2,302	2,410	2,399	9,087	9,504
Exploration	71	100	295	102	102	102	102	408	406
Deprec., Deplet., & Amort.	480	565	2,063	588	588	588	588	2,352	2,352
Ebit									
Interest	29	20	100	9	9	9	9	36	36
Ebt									
Income Tax	663	450	2,386	447	561	599	595	2,202	2,349
Net Income (\$mm)									
Exploration and Production	2,002	1,499	7,331	1,549				1,549	
Other	248	156	901	137				137	
Unallocated	(1,019)	(819)	(3,802)	(856)				(856)	
Total	1,231	836	4,430	830	1,042	1,112	1,105	4,089	4,362
Shares (millions)									
Per share (\$)	861	853	861	847	847	847	847	847	847
Ebitda Margin (E&P)	1.43	0.98	5.15	0.98	1.23	1.31	1.31	4.83	5.15
Ebitda Margin (E&P)	76%	64%	70%	68%	68%	68%	68%	68%	68%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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