

Rating: Buy
S&P 500: 1279

Occidental Petroleum Positive Profit and Volume Trend

<i>Symbol</i>	OXY	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$mm)</i>	10,700
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	10
<i>Price (US\$/sh)</i>	106.94	<i>Natural Gas and Oil Production/Ebitda (%)</i>	87
<i>Pricing Date</i>	8/3/06	<i>Adjusted Reserves/Production NTM</i>	10.6
<i>Shares (mm)</i>	433	<i>EV/Ebitda</i>	4.8
<i>Market Capitalization (US\$mm)</i>	46,300	<i>PV/Ebitda</i>	6.1
<i>Debt (US\$mm)</i>	5,500	<i>Undeveloped Reserves (%)</i>	26
<i>Enterprise Value (EV) (US\$mm)</i>	51,800	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	41.80
<i>Present Value (PV) (US\$mm)</i>	65,300	<i>Present Value Proven Reserves(US\$/boe)</i>	21.00
<i>Net Present Value (US\$/share)</i>	138	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.50
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/sh)</i>	12.34
<i>McDep Ratio - EV/PV</i>	0.79	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	1.6	<i>Indicated Annual Dividend (US\$/sh)</i>	1.76

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

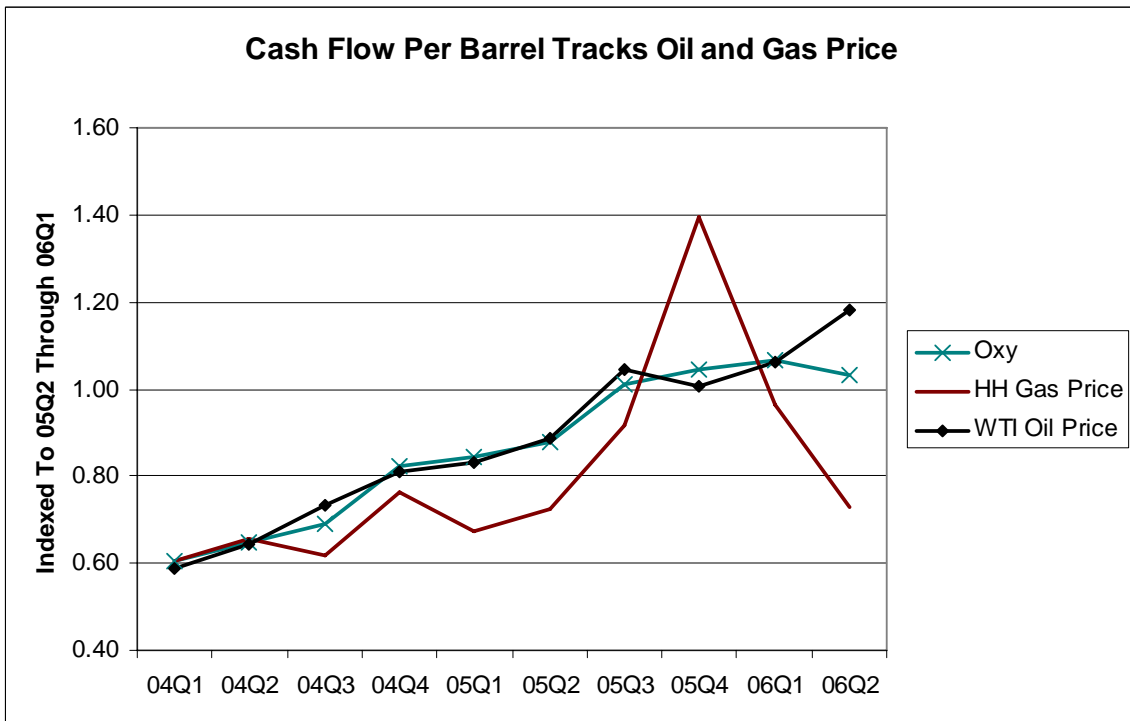
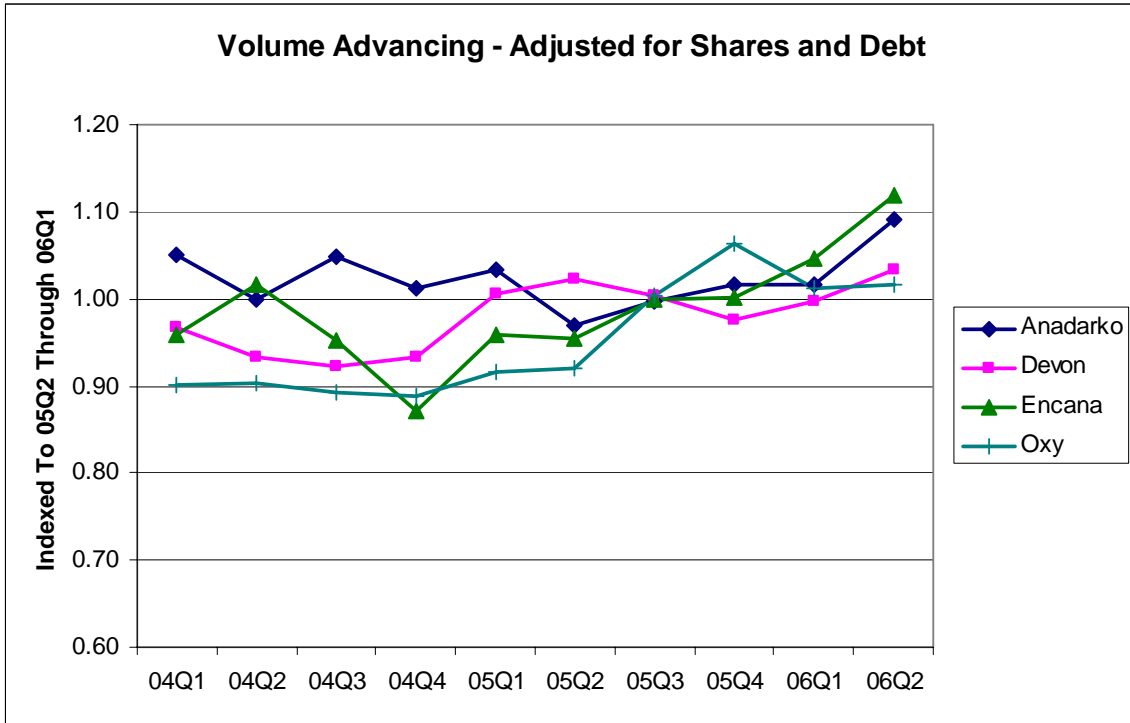
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

Buy-recommended **Occidental Petroleum (OXY)** offers 29% possible appreciation to net present value (NPV) estimated at \$138 a share presuming a long-term oil price of \$60 a barrel. We raised our estimate of NPV from \$120 a share when we revised our oil price from \$50 a barrel on June 6. That looks low compared to the current futures price of \$75 for oil delivered over the next six years. Meanwhile Oxy's oil and gas volume has been rising adjusted for shares and debt (see chart). The volume trend is positive despite an apparent reduction by 1% in the latest quarter for overseas government contracts that reimburse costs with oil at current price. Cash flow per barrel has been rising directly with oil price except for some influence from lower natural gas price in the second quarter of 2006 reported on August 4 (see chart). As a result, the company appears well-positioned to profit should our vision of an oil price of \$150 a barrel in 2010 become reality.

Kurt H. Wulff, CFA

Please see disclosures on the final page.



Please see disclosures on the final page.

Occidental Petroleum
Next Twelve Months Operating and Financial Estimates

	<i>Q2</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next Twelve Months</i>
	<i>6/30/05</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>	<i>3/31/07</i>
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	548	553	582	601	601	601	596	601	601
Overseas (or Int'l)	133	121	126	156	156	156	149	156	156
Total	681	674	708	757	757	757	745	757	757
Oil (mbd)	416	442	492	483	483	483	485	483	483
Total gas & oil (mmb)	48	202	55	55	56	56	222	55	222
Total gas & oil (mbd)	530	555	610	609	609	609	609	609	609
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.76	8.65	8.97	6.81	6.82	9.07	7.92	11.18	8.93
U.S. (or North America)	6.18	7.11	8.36	6.24	5.35	7.11	6.75	8.77	6.99
Overseas (or Int'l)	1.67	1.90	2.25	1.34	1.34	1.34	1.53	1.34	1.34
Total	5.30	6.17	7.27	5.23	4.53	5.92	5.71	7.24	5.83
Oil (\$/bbl)									
WTI Cushing	53.05	56.31	63.33	70.47	75.11	77.41	71.58	78.75	77.63
Worldwide	46.32	48.59	53.11	60.67	64.66	66.65	61.28	67.80	66.83
Total gas & oil (\$/bbl)	43.21	46.25	51.28	54.60	56.90	60.20	55.77	62.76	60.23
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	308	1,435	438	341	296	393	1,468	474	1,534
Overseas (or Int'l)	20	84	26	19	19	19	83	19	76
Total	328	1,519	463	360	315	412	1,551	493	1,610
Oil	1,753	7,846	2,352	2,667	2,873	2,962	10,853	2,947	11,782
Other	1,436	5,734	1,755	1,755	1,755	1,755	7,019	1,755	7,019
Total	3,518	15,099	4,570	4,782	4,944	5,129	19,424	5,195	20,412
Expense (\$mm)									
Fixed	270	1,190	171	237	237	237	883	237	949
Variable	270	1,190	514	712	750	794	2,769	809	3,150
Other	1,140	4,660	1,411	1,406	1,406	1,406	5,629	1,406	5,624
Ebitda (\$mm)									
Exploration and Production	1,542	6,986	2,130	2,078	2,201	2,343	8,752	2,394	9,293
Other	296	1,074	344	349	349	349	1,390	349	1,395
Total Ebitda	1,838	8,060	2,474	2,427	2,550	2,692	10,143	2,743	10,688
Exploration	111	337	71	50	90	90	301	90	360
Deprec., Deplet., & Amort.	356	1,485	480	494	494	494	1,962	494	1,976
Other non cash									
Ebit	1,371	6,238	1,923	1,883	1,966	2,108	7,880	2,159	8,352
Interest	47	185	29	33	33	33	128	33	132
Ebt	1,324	6,053	1,894	1,850	1,933	2,075	7,752	2,126	8,220
Income Tax	463	2,119	663	647	677	726	2,713	744	2,877
Net Income (\$mm)									
Exploration and Production	1,351	6,337	2,002	1,953					
Other	225	777	248	250					
Unallocated	(715)	(3,180)	(1,019)	(1,001)					
Total	861	3,934	1,231	1,202	1,257	1,349	5,039	1,382	5,343
Shares (millions)									
Per share (\$)	2.12	9.75	2.86	2.77	2.90	3.11	11.63	3.20	12.34
Ebitda Margin (E&P)	74%	75%	76%	69%	69%	69%	71%	70%	69%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

Please see disclosures on the final page.

Occidental Petroleum Corporation
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
U.S. Natural Gas	1,066	9.5	8.4	9,000	14%
Rest of World Natural Gas	53	11.4	17.0	900	1%
Oil	8,175	10.7	6.0	49,200	75%
Downstream	1,395		4.4	6,200	9%
	10,688	10.6	6.1	65,300	100%
Debt (US\$mm)					5,500
Net Present Value (US\$mm)					59,800
Shares (mm)					433
Net Present Value - Standard Estimate (US\$/sh)					138
Net Present Value - Approximation by Correlation (US\$/sh)					129

Disclaimer: This analysis was prepared by Kurt Wulff doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.

Please see disclosures on the final page.