

Rating: Buy
 S&P 500: 1530
 Intraday

Occidental Petroleum Ready for Peak Oil Test

<i>Symbol</i>	OXY	<i>Ebitda Next Twelve Months ending 6/30/08 (US\$m)</i>	10,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	10
<i>Price (US\$/sh)</i>	59.93	<i>Natural Gas and Oil Production/Ebitda (%)</i>	89
<i>Pricing Date</i>	7/24/07	<i>Adjusted Reserves/Production NTM</i>	11.5
<i>Shares (mm)</i>	842	<i>EV/Ebitda</i>	5.5
<i>Market Capitalization (US\$m)</i>	50,500	<i>PV/Ebitda</i>	6.9
<i>Debt (US\$m)</i>	5,100	<i>Undeveloped Reserves (%)</i>	22
<i>Enterprise Value (EV) (US\$m)</i>	55,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	40.60
<i>Present Value (PV) (US\$m)</i>	69,900	<i>Present Value Proven Reserves(US\$/boe)</i>	21.60
<i>Net Present Value (US\$/share)</i>	77	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.60
<i>Debt/Present Value</i>	0.07	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.74
<i>McDep Ratio - EV/PV</i>	0.79	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	1.7	<i>Indicated Annual Dividend (US\$/sh)</i>	1.00

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\$66 a barrel and natural gas, \$11 a million btu.

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

Summary and Recommendation

Buy-recommended **Occidental Petroleum (OXY)** offers unlevered appreciation potential of 26% to estimated net present value (NPV) of \$77 a share revised up with long-term oil price from \$69 a share on May 29. Second quarter results reported on July 24 trace a rising trend in unlevered cash flow (Ebitda) connected primarily to crude oil price (see table [Next Twelve Months Operating and Financial Estimates](#)). NPV for the large cap stock is concentrated 78% on oil and NPV looks low compared to our estimates for some thirty other producers (see table [Functional Cash Flow and Present Value](#)). As a result, Oxy stock may be a prime beneficiary should world oil production fail to meet peak volumes projected for next winter by the *U.S. Energy Information Administration* and the consuming governments' *International Energy Agency*. Regardless, the trend in long-term oil price appears to be up despite volatility of short-term quotes (see chart [Six-Year Commodity Price Meter](#)). Finally, OXY stock also has positive momentum as it trades above its 200-day average.

Kurt H. Wulff, CFA

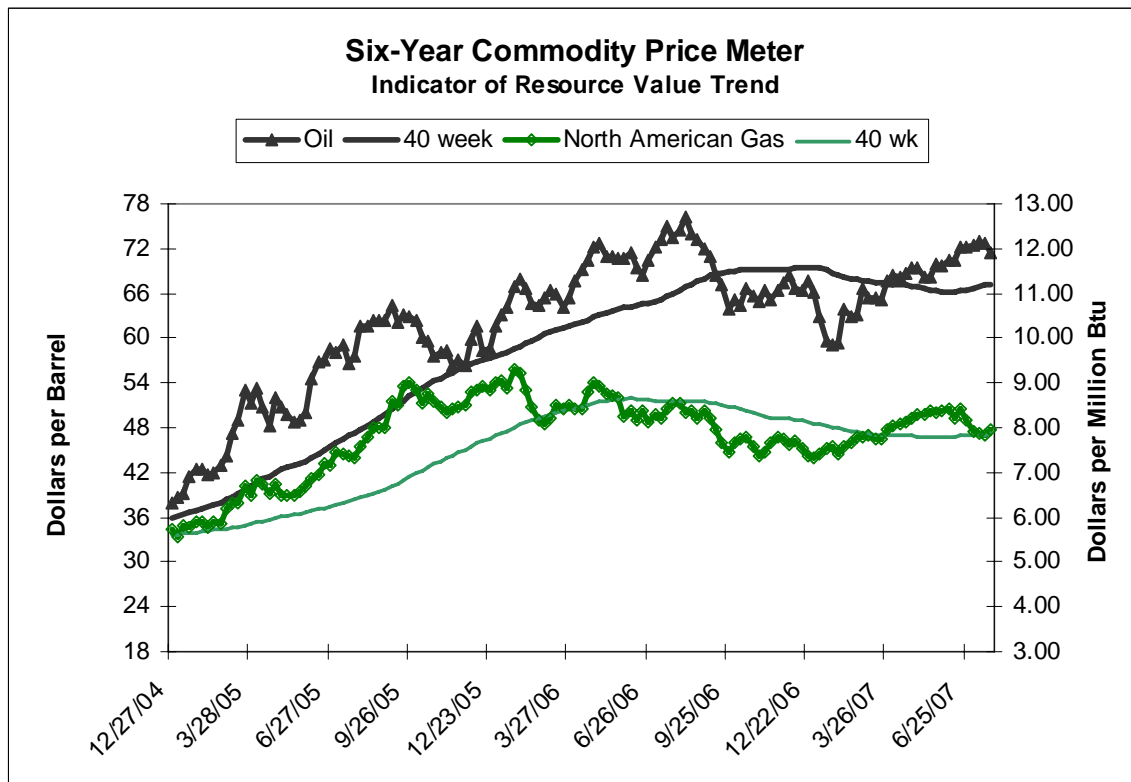
Occidental Petroleum
Next Twelve Months Operating and Financial Estimates

	<i>Q2</i>	<i>Q3</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next Twelve Months</i>
	<i>6/30/06</i>	<i>9/30/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>6/30/08</i>
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	601	597	595	585	609	609	609	603	609
Overseas (or Int'l)	156	145	141	134	78	100	200	128	224
Total	757	742	736	719	687	709	809	731	833
Oil (mbd)	483	463	483	467	469	469	469	468	469
Total gas & oil (mmb)	55	54	221	53	53	54	56	215	222
Total gas & oil (mbd)	609	587	605	587	583	587	603	590	607
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	6.58	7.23	6.81	7.56	6.36	7.22	6.97	7.49
U.S. (or North America)	6.24	5.88	6.51	6.38	7.07	5.95	6.76	6.54	7.00
Overseas (or Int'l)	1.34	1.70	1.66	2.16	1.72	1.72	1.72	1.83	1.72
Total	5.23	5.06	5.58	5.59	6.46	5.36	5.51	5.72	5.58
Oil (\$/bbl)									
WTI Cushing	70.47	70.42	66.05	58.08	64.91	74.48	74.58	64.35	74.07
Worldwide	60.67	60.52	56.29	51.78	59.11	67.83	67.92	61.73	67.46
Total gas & oil (\$/bbl)	54.60	54.17	51.67	48.06	55.12	60.64	60.13	56.06	59.68
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	341	323	1,413	336	392	334	379	1,440	1,555
Overseas (or Int'l)	19	23	85	26	12	16	32	86	141
Total	360	346	1,498	362	404	349	410	1,525	1,696
Oil	2,667	2,578	9,918	2,177	2,520	2,923	2,928	10,548	11,535
Ebitda (\$mm)									
Exploration and Production	2,078	2,050	7,960	1,721	1,921	2,225	2,270	8,136	8,997
Other	349	352	1,314	255	271	352	269	1,146	1,146
Total Ebitda	2,427	2,402	9,274	1,975	2,192	2,577	2,539	9,283	10,144
Exploration	50	74	295	102	93	100	100	395	400
Deprec., Deplet., & Amort.	494	524	2,063	588	564	564	564	2,280	2,256
Ebit									
Interest	33	18	100	9	6	12	12	39	48
Ebt									
Income Tax	647	625	2,386	447	535	665	652	2,299	2,604
Net Income (\$mm)									
Exploration and Production	1,953	1,877	7,331	1,549	1,682			3,231	
Other	250	247	901	137	158			295	
Unallocated	(1,001)	(963)	(3,802)	(856)	(846)			(1,703)	
Total	1,202	1,161	4,430	830	994	1,236	1,211	4,270	4,836
Shares (millions)									
Per share (\$)	1.39	1.35	5.15	0.98	1.18	1.47	1.44	5.07	5.74
Ebitda Margin (E&P)	69%	70%	70%	68%	66%	68%	68%	67%	68%
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>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
U.S. Natural Gas	1,053	9.8	8.5	9,000	13%
Rest of World Natural Gas	96	13.2	7.3	700	1%
Oil	7,849	11.8	6.9	54,200	78%
Downstream	1,146		5.2	6,000	9%
	10,144	11.5	6.9	69,900	100%
Debt (US\$mm)					5,100
Net Present Value (US\$mm)					64,800
Shares (mm)					842
Net Present Value - Standard Estimate (US\$/sh)					77
Net Present Value - Approximation by Correlation (US\$/sh)					85



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