Initiating Coverage:

Occidental Petroleum Corp ($OXY)

Breakthroughs, Basins, and Buffet

Key Take-away: Oxy is making a strong play to increase its domestic oil and gas reserves, focusing on improving its production in the Permian Basin through a series of strategic acquisitions of CrownRock and Anadarko Petroleum. Despite being sensitive to current geopolitical events in the Middle East, Oxy remains committed to providing a consistent return to investors despite macro pressures by reducing production costs and expanding its market share of international oil fields, especially in Oman. OXY retains the confident backing of Buffett's Berkshire Hathaway, who hold a 26.9 % stake with the option to raise its position by 2050. OXY also maintains some of the largest carbon capture operations in the world, specializing in expanding its investment into the development of direct air capture technology, which has the potential to extend OXY's profit margins in future years.

Permian Basin Expansion via CrownRock and Anadarko: Occidental has strategically scaled its presence in the Permian Basin through the acquisitions of Anadarko (2019) and CrownRock (2024), with particular emphasis on the Midland sub-basin. The $12 billion CrownRock transaction alone added over 170,000 boe/d of production and 94,000+ net acres, along with ~1,700 Tier-1 drilling locations, many with breakeven costs below $40. This significantly enhances OXY's production capabilities while simultaneously allowing for it to reduce its operating expenses. As OXY finishes its integration of its high-yield assets and moves to divest the resulting non-core positions resulting from the acquisitions, it now controls a balanced, contiguous Permian position and has become the third-largest operator in the region. This expanded scale reduces development and production costs, improves capital efficiency, and strengthens the company's ability to generate high returns on capital despite volatile commodity cycles.

Aggressive Deleveraging and Balance Sheet Recovery: Following OXY's $55 billion acquisition of Anadarko in 2019, OXY faced significant financial stress, which was then worsened by the 2020 oil price collapse. Therefore, to pay off the almost $40 billion worth of debt from the deal, and improve its overall financial positioning, management responded with an aggressive deleveraging plan. Over five years, the company executed over $26 billion in debt reduction through non-core asset divestitures and disciplined free cash flow reinvestment and is now on track to lower its total debt to below $25 billion by 2026. Because of this aggressive strategy, OXY was able to paydown $4.5 billion of debt from the CrownRock deal, reaching its target nearly seven months ahead of schedule, reflecting strong execution and capital discipline. This financial reset enabled OXY to restore its dividend payments, improve its financial standing, and regain investment-grade ratings from Fitch and Moody's, therefore repositioning itself as a more resilient, capital-efficient operator in a volatile commodity environment.

Valuation: We initiate coverage with a $56 PT.

Consortium Research Group
Energy | Oil & Gas
July 14th, 2025

Stock Rating:	Overweight
Price Target:	$56.00
Price:	$45.04
Potential Upside:	24.4%
Ticker:	$OXY
Market Cap:	$45.2b
Shares Outstanding:	984mm
Dividend Yield:	2.08%

Energy & Sustainability Coverage Team

Analyst
Michael Murphy
Harvard University
Michaelmurphy@college.harvard.edu

Peer Comparisons

Comparable Companies					
$mm					
Ticker	**Mkt Cap**	**EV**	**P/E LTM**	**Revenue LTM**	**EBITDA LTM**
Hess Corporation (NYSE:HES)	$42,809	$51,847	19.3x	$12,270	$6,724
EOG Resources, Inc. (NYSE:EOG)	$65,931	$64,394	11.2x	$23,479	$12,144
ConocoPhillips (NYSE:COP)	$113,832	$130,381	11.4x	$59,090	$25,587
Diamondback Energy, Inc. (NasdaqGS:FANG)	$40,836	$56,313	8.5x	$12,286	$9,172
Occidental Petroleum Corp	$41,924	$73,979	17.2x	$27,553	$13,675

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Hess Corporation (NYSE:HES)	7.7x	79.0%	54.8%	32.7%	9.7%
EOG Resources, Inc. (NYSE:EOG)	5.3x	61.8%	51.7%	32.9%	(0.2%)
ConocoPhillips (NYSE:COP)	5.1x	49.0%	43.3%	26.1%	4.0%
Diamondback Energy, Inc. (NasdaqGS:FANG)	6.1x	75.5%	74.7%	46.3%	46.8%
Occidental Petroleum Corp	5.4x	64.1%	49.6%	20.9%	2.0%

High	7.71x	79.0%	74.7%	46.3%	46.8%
75th Percentile	6.14x	75.5%	54.8%	32.9%	9.7%
Average	5.93x	65.9%	54.8%	31.8%	12.5%
Median	5.41x	64.1%	51.7%	32.7%	4.0%
25th Percentile	5.30x	61.8%	49.6%	26.1%	2.0%
Low	5.10x	49.0%	43.3%	20.9%	-0.2%

General Dynamics Valuation		
Implied Enterprise Value (25th Percentile)	$	72,512
Implied Enterprise Value (Median)	**$**	**73,979**
Implied Enterprise Value (75th Percentile)	$	83,960
Implied Share Price (25th Percentile)	$	48.86
Implied Share Price (Median)	**$**	**50.35**
Implied Share Price (75th Percentile)	$	60.49

Source: S&P CapIQ

Company Overview

Company Description: Occidental Petroleum Corp. (OXY) is an independent U.S.-based oil & gas company with significant operations across the United States, the Middle East, and North Africa. OXY is a key player in the Permian basin, one of the world's most prolific oil-producing region, and the largest independent producer in Oman. OXY is primarily focused on its upstream E&P segment, although it maintains significant midstream and marketing segments that help ensure efficient transportation and sales. Occidental additionally owns and operates OxyChem, a chemical manufacturer that supplies essential chemicals for water treatment, healthcare, and construction. In 2018, OXY launched OXY low carbon ventures, specializing in decarbonization strategies and is pioneering advancements in carbon capture technology, such as direct air capture (DAC), lithium development, and net-zero power generation.

Aggressive Exploration & Expansion: Within the past year, Occidental has made it clear that it intends to drastically increase its production, both foreign and domestic. As aforementioned, OXY is making a big play to increase its presence in the Permian Basin. With its recent acquisitions of CrownRock and Anadarko increasing its production by over 30%, OXY is now the third largest producer in the region, with plans to expand by leveraging the 1,700 high-quality drilling locations it received in the acquisition of CrownRock. Additionally, OXY has drastically increased its overseas portfolio by expanding significantly in Oman. At the end of Q1, OXY announced that it is in talks with the Omani government to extend its contract in Block 53 through the end of 2050, which has the potential to grow the company's resources by over 850 MMboe. Additionally, OXY continues its aggressive exploration efforts in North Oman to discover more oil reservoirs, already having discovered over 250 MMboe.

Investing in Greener Future: OXY has positioned itself as one of the leaders in the development and refining of carbon capture technology. In cooperation with its subsidiary 1PointFive (its carbon capture, utilization, and sequestration (CCUS) arm founded in 2020), OXY is currently working on making a big play in Direct Air Capture (DAC) technology, along with significant backing from BlackRock. It is currently working on opening its STRATOS facility in the Permian basin, which is on track to be the world's largest DAC facility capable of capturing 500,000 metric tons of CO_2 each year, with the capabilities to scale up to over 1 million metric tons in the future. This project will not only be an extreme push to reducing emissions for the oil and gas industry, but has the potential to bring in anywhere from $290 million to $390 million in additional synergies for OXY each year through the sale of carbon, issuance of carbon credits, and use for enhanced oil recovery.

Industry Overview

AI-driven natural gas growth: The explosive global rise of artificial intelligence is rapidly changing energy demand, as data centers are emerging as some of the most power-hungry facilities on the planet. Industry forecasts show that the expected energy demand from data centers will more than double by 2030 as AI workloads increase; and in the United States, data centers are expected to drive almost half of the new electricity demand over the next five years. With the need for an affordable, consistent, and reliable energy source to power these data centers, natural gas has become the clear favorite as opposed to renewables, with many major tech companies investing in onsite natural gas turbines and engaging in direct partnerships in producing regions such as Texas. As such, oil & gas companies are investing heavily in building and supplying these large natural gas plants, positioning the industry as a key driver of the AI revolution.

Improved Drilling Tech: Despite the drilling boom that followed the Shale revolution in 2014, in which horizontal drilling and hydraulic fracturing revolutionized how oil could be recovered form unconventional reservoirs, recent data shows that it is becoming increasingly less economic to drill new wells, as available drillable locations begin to decline along with recoverable reservoirs. To counteract this, many drilling operators are making great strides to drastically reduce these costs by implementing new technology in their drilling operations. This includes implementing walking drilling rigs, faster workover operations, and using higher pressures for fracking fluid. These technological changes help reduce the downtime of wells and increase the amount of production these companies will be able to get from their current sites. These innovations will lower the breakeven costs for many E&P companies, thus increasing their profits.

Carbon Capture and Sequestration: As the world begins to look for new ways to reduce carbon emissions and fight against global warming. Many companies in the oil and gas sector have established large carbon capture and sequestration operations to offset their carbon emissions and invest in the future of the carbon capture industry. However, with a heavy reliance on government subsidies, many of these programs struggle to remain profitable without government support. Despite this, however, Oil & Gas giants continue to invest heavily in carbon capture technology with the hopes of winning big in the event of a technological breakthrough.

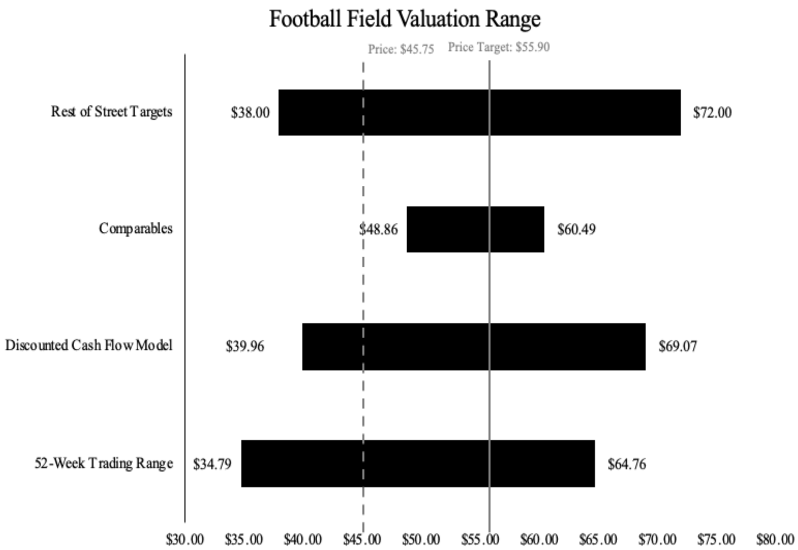
Investment Theses

OXY has yet to realize gains from Strategic Acquisitions: OXY's recent acquisitions, notably CrownRock and Anadarko, have significantly expanded its footprint in the Permian Basin, one of the most productive and cost-efficient oil regions in the U.S. This expansion strengthens OXY's domestic production capabilities and extends its inventory of high production and low-breakeven drilling locations. The increase in production capabilities signals a strong influx of cash flows in the near future. Presently, OXY continues to trade at a discount to peers despite a higher-quality asset base and stronger production outlook, suggesting that there could be a significant increase in the company's valuation as these synergies begin to be priced into the market.

Strong Record of Capital Discipline: Over the past five years, OXY has executed one of the most aggressive deleveraging efforts in the sector, reducing over $26 billion in debt since 2019 and achieving its $4.5 billion CrownRock paydown target ahead of schedule. This financial discipline, paired with a clear track record of returning capital to its investors, OXY is ahead of peers who are currently in the process of aligning capital return strategies with the current market expectations. With OXY approaching its >$15 billion net debt target and free cash flow remaining strong, the company is well positioned to scale its current model to increase equity returns in the near term. As OXY continues its aggressive production growth and debt paydown, these returns will only grow, which will provide a significant tailwind for the growth of the share price.

Price Target & Valuation

Our analysis gives OXY a price target of $56 and an overweight rating.



Potential Downsides to Our Rating

Volatility of the Oil Market: The oil and gas markets experiences constant volatility, responding very sensitively to geopolitical events and domestic policy. Because of this, it can be difficult to predict future cash flows of companies within this sector as their performance falls largely in line with that of the current market prices for oil, natural gas, and NGLs (The historical performance of the S&P E&P Index for oil and gas companies tracks nearly perfectly the movements in the WTI and Henry Hub indices which track oil and gas prices respectively). If prices fall too low, then valuations of the oil and gas market as a whole will likewise be depressed. With tensions rising in the Middle East, especially in and around OPEC nations in the region (i.e., Iran), there could be many potential opportunities for a continued increase in volatility in oil prices and the potential for an oil price crash in the near future.

Increased Tariffs: As previously stated, while Occidental maintains a strong domestic production position, it does, however, have significant operations abroad in the Middle East (specifically Oman and the UAE) and North Africa (Algeria). This means that with the current administration's policy of imposing broad-based tariffs, Occidental can see an increase in its COGS of both its overseas and domestic operations, which will lower its profit margins and thus its overall valuation.

Our Price Target: $56.00

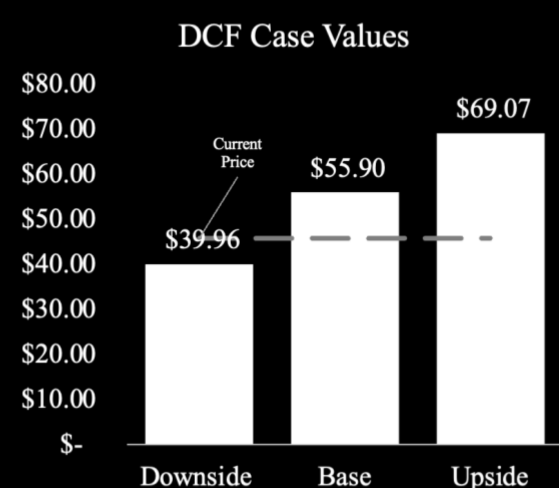
Our PT is based on the belief that oil prices will remain relatively stable over the next few years, and that OXY will continue its aggressive debt reduction strategy to improve its balance sheet, thereby enhancing its returns to investors and overall valuation. Additionally, we assume that the market will eventually correct to adjust for the increased cash flows brought in from Occidental's Permian Basin expansion and the AI-driven increased demand for natural gas.

Our Upside Case: $69.00

Our upside case is based on oil and gas prices rising significantly above expected levels. Additionally, this upside rating is based on the effects that a breakthrough in carbon capture will have on increasing OXY's cash flows and its positioning as a leader in the carbon capture space.

Our Downside Case: $40.00

Our downside case is based on the volatility of oil and gas prices driven largely by market uncertainty. If prices drop too low, OXY will have a harder time paying off its debt and will begin lowering the returns it makes to their investors, thus lowering their attractiveness against their peers.



Overall Market Uncertainty: The current widespread uncertainty in the markets resulting from both ever-changing domestic fiscal and monetary policy as well as the current geopolitical events, such as the Israel-Palestine conflict and the Russia-Ukraine War, presents a potential downside to our rating, as the market could experience significant dislocation. If prolonged, this dislocation could make it increasingly more difficult to forecast the performance of the company in the long term.

Projections

Income Statement ($mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	26,880	23,539	23,905	24,366	24,928	-2.5%
EBITDA	11,441	13,960	13,669	13,252	12,861	4.0%
EBIT	4,070	6,267	5,857	6,061	6,294	15.6%
NOPAT	(17,877)	2,790	13,304	4,696	2,896	-154.5%
Margin & Growth Data	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	**AVG%**
EBITDA Margin	42.6%	59.3%	57.2%	54.4%	51.6%	53.0%
EBIT Margin	15.1%	26.6%	24.5%	24.9%	25.3%	23.3%
Revenue Growth	-7.0%	-12.4%	1.6%	1.9%	2.3%	-2.7%
EBIT Growth	-36.7%	54.0%	-6.5%	3.5%	3.8%	3.6%
Valuation Metrics	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	**AVG%**
P/FCF	2.7x	8.5x	9.0x	8.8x	8.6x	7.5x
EV/Sales	2.6x	3.0x	2.9x	2.9x	2.8x	2.8x
EV/EBITDA	6.1x	5.0x	5.1x	5.2x	5.4x	5.4x
FCF Yield	37.7%	11.8%	11.1%	11.4%	11.7%	17%

About $OXY

Occidental Petroleum Corp (OXY), founded in 1920, operates as an independent E&P with operations in the United States, the Middle East, and North Africa. It engages in oil and gas exploration and production, as well as chemical manufacturing through its subsidiary, OxyChem. The company's business is organized into three segments: Oil and Gas, Chemical, and Midstream & Marketing, with a strong footprint in the Permian Basin and a unique integration of carbon capture initiatives. Occidental's core mission is to sustainably deliver energy and chemical products while leading the industry in low-carbon solutions.

Disclosures & Ratings

Appendix

Occidental Petroleum Corp
Discounted Cash Flow

Active Case:	**2 Base**
Current Share Price	$45.75

DCF Analysis ($mm)

	FY2020 12/31/20	FY2021 12/31/21	FY2022 12/31/22	FY2023 12/31/23	FY2024 12/31/24	FY2025 12/31/2025	FY2026 12/31/26	FY2027 12/31/27	FY2028 12/30/28	FY2029 12/30/29	FY2030 12/31/30
Stub						0.52	1.52	2.52	3.52	4.52	5.52
Discount Period						0.24	0.98	1.98	2.98	3.98	4.98
Revenue	16,261	26,314	37,095	28,918	26,880	23,539	23,905	24,366	24,928	25,597	26,379
Revenue Growth	*0%*	*62%*	*41%*	*-22%*	*-7%*	*-12%*	*2%*	*2%*	*2%*	*3%*	*3%*
Oil	10,943	17,444	21,356	17,950	21,099	19,197	19,485	19,850	20,297	20,830	21,455
Gas	986	1,815	2,733	1,305	978	1,826	1,853	1,892	1,941	2,003	2,078
NGLs	NA	NA	3,052	1,991	2,845	2,516	2,566	2,624	2,690	2,764	2,847
EBIT	(15,705)	3,705	14,117	6,429	4,070	6,267	5,857	6,061	6,294	6,559	6,859
EBIT Margin	*-97%*	*14%*	*38%*	*22%*	*15%*	*27%*	*25%*	*25%*	*25%*	*26%*	*26%*
Tax Expense	2,172	915	813	1,733	1,174	1,316	1,230	1,273	1,322	1,377	1,440
Effective Tax Rate	*-14%*	*25%*	*6%*	*27%*	*29%*	*21%*	*21%*	*21%*	*21%*	*21%*	*21%*
NOPAT	(17,877.00)	2,790.00	13,304.00	4,696.00	2,896.00	4,950.93	4,626.75	4,788.22	4,972.49	5,181.69	5,418.33
D&A	8,097	8,447	6,926	6,865	7,371	7,693	7,813	7,191	6,566	5,931	5,276
Capex	(2,535)	(2,870)	(4,497)	(6,270)	(7,018)	7,310	7,424	6,832	6,239	5,635	5,012
Changes in NWC	(1,332)	1,291	(758)	(1,902)	322	23	23	30	37	45	53
UFCF	(5,913)	12,816	25,485	19,733	16,963	5,311	4,992	5,116	5,263	5,433	5,629
PV of FCF						5,234	4,704	4,536	4,391	4,266	4,159

Terminal Value	
Perpetuity Growth Method	
2034 FCF	$5,629
Growth	1.00%
Terminal Value	$106,888
PV of Terminal Value	$78,974
PV of Projection Period	$27,291
PV of Terminal Value	$78,974
Implied TEV	$106,265
(-) Debt	$26,562
(+) Cash	$2,132
Implied Equity Value	$81,835
Basic Shares Outstanding	984
Implied Share Price	$83.15
Upside/Downside	81.76%

Implied Exit BF EV/EBIT	15.5x

Terminal Value	
Exit Multiple Method	
2034 EBIT	$6,859
EV/EBIT Exit Multiple	5.0x
Terminal Value	$34,293
PV of Terminal Value	$25,338
PV of Projection Period	$27,291
PV of Terminal Value	$25,338
Implied TEV	$52,628
(-) Debt	$26,562
(+) Cash	$2,132
Implied Equity Value	$28,198
Diluted Shares Outstanding	984
Implied Share Price	$28.65
Upside/Downside	-37.4%

Implied PGR	-13.1%

Blended Share Price	
Perpetutity Growth Method	50%
Exit Multiple Method	50%
Blended Share Price	$55.90
Upside/Downside	22.19%

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	0.91
Risk Free Rate	4.39%
Cost of Equity	5.24%
Weighted Average Cost of Debt	3.49%
Tax Rate	21.00%
Cost of Debt	1.02%
Total Equity	$45,024
Total Debt	$24,430
Equity/Total Capitalization	62.83%
Debt/Total Capitalization	37.17%
WACC	6.27%