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LYONDELL CHEMICAL CO
Form SC 13D/A
October 14, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13D

Under the Securities Exchange Act of 1934

Amendment No. 2

Lyondell Chemical Company

(Name of Issuer)

Common Stock

(Title of Class of Securities)

552078

(CUSIP Number)

Donald P. de Brier, Esq.
Occidental Petroleum Corporation
10889 Wilshire Boulevard
Los Angeles, California 90024
(310) 208-8800

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications)

October 7, 2003

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box
[]

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CUSIP No. 552078

(1) Names of reporting persons.
I.R.S. Identification Nos. of above persons (entities

Occidental Petroleum Corporation
95-4035997

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- only).
- (2) Check the appropriate box if a member of a group (a)
 (see instructions) (b)
- (3) SEC use only.
- (4) Source of funds (see instructions). OO, WC
- (5) Check if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e).
- (6) Citizenship or place of organization. Delaware
- Number of shares beneficially owned by each reporting person with:
- (7) Sole voting power. 0
- (8) Shared voting power. 44,010,972 (including 2,700,000 regular Common Stock, 36,310,972 of Series B Common Stock and 5,0 shares of Lyondell regular Common issuable upon exercise of a warrant)
- (9) Sole dispositive power. 0
- (10) Shared dispositive power. 44,010,972 (including 2,700,000 regular Common Stock, 36,310,972 of Series B Common Stock and 5,0 shares of Lyondell regular Common issuable upon exercise of a warrant)
- (11) Aggregate amount beneficially owned by each reporting person 44,010,972 (including 2,700,000 regular Common Stock, 36,310,972 of Series B Common Stock and 5,0 shares of Lyondell regular Common issuable upon exercise of a warrant)
- (12) Check if the aggregate amount in Row (11) excludes certain shares (see instructions).
- (13) Percent of class represented by amount in Row (11). 24.2%
- (14) Type of reporting person (see instructions). CO

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CUSIP No. 552078

- (1) Names of reporting persons. Occidental Petroleum Investment
 I.R.S. Identification Nos. of above persons (entities only). 95-2584267

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- (2) Check the appropriate box if a member of a group (a)
 (see instructions) (b)
- (3) SEC use only.
- (4) Source of funds (see instructions). OO, WC
- (5) Check if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e).
- (6) Citizenship or place of organization. California
- Number of shares beneficially owned by each reporting person with:
- (7) Sole voting power. 0
- (8) Shared voting power. 44,010,972 (including 2,700,000 regular Common Stock, 36,310,972 of Series B Common Stock and 5,0 shares of Lyondell regular Common issuable upon exercise of a warrant)
- (9) Sole dispositive power. 0
- (10) Shared dispositive power. 44,010,972 (including 2,700,000 regular Common Stock, 36,310,972 of Series B Common Stock and 5,0 shares of Lyondell regular Common issuable upon exercise of a warrant)
- (11) Aggregate amount beneficially owned by each reporting person 44,010,972 (including 2,700,000 regular Common Stock, 36,310,972 of Series B Common Stock and 5,0 shares of Lyondell regular Common issuable upon exercise of a warrant)
- (12) Check if the aggregate amount in Row (11) excludes certain shares (see instructions).
- (13) Percent of class represented by amount in Row (11). 24.2%
- (14) Type of reporting person (see instructions). CO

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CUSIP No. 552078

- (1) Names of reporting persons. Occidental Chemical Holding Corp
 I.R.S. Identification Nos. of above persons (entities only). 95-2865897

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- (2) Check the appropriate box if a member of a group (a)
(see instructions) (b)
- (3) SEC use only.
- (4) Source of funds (see instructions). OO, WC
- (5) Check if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e).
- (6) Citizenship or place of organization. California

Number of shares beneficially owned by each reporting person with:

- (7) Sole voting power. 0
- (8) Shared voting power. 44,010,972 (including 2,700,000 regular Common Stock, 36,310,972 of Series B Common Stock and 5,0 shares of Lyondell regular Common Stock issuable upon exercise of a warrant)
- (9) Sole dispositive power. 0
- (10) Shared dispositive power. 44,010,972 (including 2,700,000 regular Common Stock, 36,310,972 of Series B Common Stock and 5,0 shares of Lyondell regular Common Stock issuable upon exercise of a warrant)
- (11) Aggregate amount beneficially owned by each reporting person 44,010,972 (including 2,700,000 regular Common Stock, 36,310,972 of Series B Common Stock and 5,0 shares of Lyondell regular Common Stock issuable upon exercise of a warrant)
- (12) Check if the aggregate amount in Row (11) excludes certain shares (see instructions).
- (13) Percent of class represented by amount in Row (11). 24.2%
- (14) Type of reporting person (see instructions). CO

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ITEM 1. SECURITY AND ISSUER.

Title of class of equity security: Series B Common Stock
Common Stock

Issuer: Lyondell Chemical Company

Address of principal executive offices: 1221 McKinney Street, Suite 700
Houston, Texas 77010

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This Schedule relates to the regular Common Stock of Lyondell, the Series B Common Stock of Lyondell, and a warrant to acquire shares of the regular Common Stock of Lyondell. For reporting purposes, the Reporting Person has treated the Series B Common Stock of Lyondell as being part of the same class under Section 12 of the 1934 Act as the regular Common Stock of Lyondell.

ITEM 2. IDENTITY AND BACKGROUND.

Occidental Petroleum Corporation ("Occidental"):

state of organization: Delaware
principal business: engaged, through its subsidiaries and affiliates, in the production, development and marketing of natural resources and chemicals
principal business address: 10889 Wilshire Boulevard
Los Angeles, California 90024

Occidental Petroleum Investment Co. ("OPIC"):

state of organization: California
principal business: holding company
principal business address: 10889 Wilshire Boulevard
Los Angeles, California 90024

Occidental Chemical Holding Corporation ("OCHC"):

state of organization: California
principal business: holding company
principal business address: 10889 Wilshire Boulevard
Los Angeles, California 90024

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The name, business address, and current principal occupation or employment of each of the executive officers and directors of Occidental, OPIC and OCHC (collectively, the "Companies") are set forth below. Unless otherwise indicated, the business address of each such person is 10889 Wilshire Boulevard, Los Angeles, California 90024. All such persons listed below are citizens of the United States except Mr. Syriani, who is a citizen of Lebanon; Dr. Segovia, who is a citizen of Colombia; and Mr. Feick, who is a citizen of Canada. Directors of Occidental are identified by an asterisk (*).

Name and Business Address

Present Principal Occupation or Employment

Ray R. Irani*

Chairman of the Board and Chief Executive Officer of

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| | |
|---|--|
| | Occidental |
| Ronald W. Burkle* 9130 West Sunset Boulevard Los Angeles, California 90069 | Managing Partner and majority owner of The Yucaipa Companies |
| John S. Chalsty* 10 Rockefeller Center, 8th Floor New York, New York 10020 | Chairman, Muirfield Capital Management, LLC |
| Stephen I. Chazen | Chief Financial Officer and Executive Vice President Corporate Development of Occidental |
| Donald P. de Brier | Executive Vice President, Secretary and General Counsel of Occidental |
| Edward P. Djerejian* Rice University, MS-40 6100 Main Street Houston, Texas 77005-1892 | Director, James A. Baker III Institute for Public Po |
| S. P. Dominick, Jr. (1)(2) | Vice President and Controller of Occidental; Preside of OPIC |
| R. Chad Dreier* 24025 Park Sorrento, Suite 400 Calabasas, California 91302 | President and Chief Executive Officer, The Ryland Group |
| John E. Feick* 230, 319-2nd Avenue, SW Calgary, Alberta, Canada T2P OC5 | President and Chief Executive Officer of Matrix Solutions, Inc. |
| Richard W. Hallock | Executive Vice President - Human Resources of Occidental |
| J. R. Havert (1)(2) | Vice President and Treasurer of Occidental; Vice President and Treasurer of OPIC; Vice President and Treasurer of OCHC |

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| Name and Business Address ----- | Present Principal Occupation or Employment ----- |
|--|---|
| Kenneth J. Huffman | Vice President - Investor Relations of Occidental |
| Scott A. King (2) 5005 LBJ Freeway Dallas, Texas 75244 | Vice President and General Counsel of OCHC |
| Dale R. Laurance* | President of Occidental |
| Anthony R. Leach | Vice President - Finance of Occidental; Executive Vi President of OCHC |
| Irvin W. Maloney* | Retired Chairman and Chief Executive Officer, |

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| | |
|---|---|
| | Dataproducts Corporation |
| Robert M. McGee | Vice President of Occidental |
| Lawrence P. Meriage | Vice President - Communications and Public Affairs of Occidental |
| Donald L. Moore 5 East Greenway Plaza Houston, Texas 77046-0504 | Vice President and Chief Information Officer of Occidental |
| John W. Morgan | Executive Vice President - Operations of Occidental; Vice President of OPIC |
| R. Casey Olson 5 East Greenway Plaza Houston, Texas 77046-0504 | Vice President of Occidental |
| Linda S. Peterson (1) | Assistant Secretary of Occidental; Vice President and Secretary of OPIC; Vice President and Assistant Secretary of OCHC |
| Rodolfo Segovia* Carrera 9A No. 99-02 OF. 1001 Santafe de Bogota, D.C. Colombia | Member of Executive Committee of Inversiones Sanford |
| Richard A. Swan | Vice President - Health, Environment and Safety of Occidental |
| Aziz D. Syriani* 505 Park Avenue - 11th Floor New York, New York 10022 | President and Chief Operating Officer of The Olayan Group |

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| Name and Business Address ----- | Present Principal Occupation or Employment ----- |
|---|---|
| Rosemary Tomich* | Owner of the Hope Cattle Company and the A.S. Tomich Construction Company; Chairman of the Board of Directors and Chief Executive Officer, Livestock Clearing, Inc. |
| Aurmond A. Watkins, Jr. | Vice President - Tax of Occidental; Vice President of OCHC |
| Walter L. Weisman* P.O. Box 18017 Beverly Hills, California 90209 | Past Chairman and Chief Executive Officer of American Medical International, Inc. |

(1) Director of OPIC
(2) Director of OCHC

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During the last five years, none of the Companies or the natural persons named above (a) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (b) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

Occidental will pay Credit Suisse First Boston ("CSFB") \$33,480,000 in cash to consummate its purchase of 2,700,000 shares of Lyondell's regular Common Stock. The transaction's expected closing date is October 14, 2003. The source of these funds is the working capital of Occidental and its subsidiaries.

Occidental did not transfer any funds in exchange for the 594,180 shares of Series B Common Stock of Lyondell described in Item 5(c), below. The securities constituted stock dividends.

On August 22, 2002, Occidental paid Lyondell \$440 million pursuant to a Securities Purchase Agreement, dated as of July 8, 2002, between Lyondell and OCHC (the "Securities Purchase Agreement") and received 34 million shares of Series B Common Stock and 5,000,000 shares of regular common stock issuable upon exercise of the Warrant for the Purchase of Shares of Common Stock (the "Warrant"). 1

1 The \$440 million came from general corporate funds received when Occidental sold to Lyondell three of its affiliates, which owned a 29.5% interest in Equistar Chemicals, LP.

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ITEM 4. PURPOSE OF TRANSACTION.

As described in Item 5(c), (i) Occidental agreed to purchase 2,700,000 million shares of Lyondell's regular Common Stock from CSFB as part of a public offering of those shares and (ii) Occidental received 594,180 shares of Series B Common Stock of Lyondell as a dividend in place of a cash dividend. Pursuant to Lyondell's Certificate of Incorporation, Lyondell has the right to elect to pay dividends on its Series B Common Stock with additional shares of Series B Common Stock rather than cash.

Directly and through OPIC and OCHC, Occidental currently holds its Lyondell shares for investment purposes only with a view toward maximizing long-term shareholder value for Occidental's shareholders and not for the purpose of controlling Lyondell.

Other than as set forth above or in Item 6 of this Schedule 13D, Occidental currently has no plans that relate to, or would result in, any of the actions listed in clauses (a) through (j) of Item 4 of Schedule 13D. However, Occidental continuously reviews and analyzes its investments in each of its subsidiaries and other operations, including the Lyondell shares, in order to determine whether value for Occidental's shareholders is best served by holding those investments, increasing, disposing of, or monetizing those investments, or recapitalizing or otherwise restructuring those investments. With respect to the

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Lyondell shares, these reviews and analyses depend on a variety of factors, including without limitation, the price of, and other market conditions relating to, the Lyondell shares, the investment return on the Lyondell shares, Lyondell's business and prospects, other investment and business opportunities available to Occidental, general stock market and economic conditions, tax considerations, and other factors deemed relevant.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.

| | | | |
|-----|----------------------|--|----------------------|
| (a) | Occidental: ----- | aggregate number of shares held: percentage of class: | 44,010,972* 24.2% |
| | OPIC: ----- | aggregate number of shares held: percentage of class: | 44,010,972* 24.2% |
| | OCHC: ----- | aggregate number of shares held: percentage of class: | 44,010,972* 24.2% |

None of the directors or executive officers listed in Item 2 above is the beneficial owner of Lyondell common stock, except Ray R. Irani and Stephen I. Chazen, each of whom holds 1,780 shares of restricted common stock, 1,780 shares of phantom stock (to be settled for cash upon vesting of the restricted common stock), and 1,044.6028 deferred stock units (to be settled

* This number includes 2,700,000 shares of regular Common Stock, 36,310,972 shares of Series B Common Stock and 5,000,000 shares of regular Common Stock issuable upon exercise of the Warrant.

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for cash upon retirement). Each of Dr. Irani's and Mr. Chazen's holdings constitute less than one percent of Lyondell's common stock.

| | | | |
|-----|----------------------|--|--------------------------------------|
| (b) | Occidental: ----- | sole power to vote or direct the vote: shared power to vote or direct the vote: sole power to dispose or direct the disposition: shared power to dispose or direct the disposition: | 0 44,010,972* 0 44,010,972* |
| | OPIC: ----- | sole power to vote or direct the vote: shared power to vote or direct the vote: sole power to dispose or direct the disposition: shared power to dispose or direct the disposition: | 0 44,010,972* 0 44,010,972* |
| | OCHC: ----- | sole power to vote or direct the vote: shared power to vote or direct the vote: sole power to dispose or direct the disposition: shared power to dispose or direct the disposition: | 0 44,010,972* 0 44,010,972* |

None of the directors or executive officers listed in Item 2 above is the beneficial owner of Lyondell common stock, except Ray R. Irani and Stephen I.

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Chazen, each of whom holds 1,780 shares of restricted common stock, 1,780 shares of phantom stock (to be settled for cash upon vesting of the restricted common stock), and 1,044.6028 deferred stock units (to be settled for cash upon retirement). Each of Dr. Irani's and Mr. Chazen's holdings constitute less than one percent of Lyondell's common stock.

(c) On October 7, 2003, Occidental entered into a letter agreement with CSFB (the "Letter Agreement") that obligates Occidental or one of its affiliates to purchase 2,700,000 shares of Lyondell regular Common Stock at \$12.40 per share. Occidental will pay CSFB \$33,480,000 in cash to consummate this transaction, which is expected to close on October 14, 2003. On September 30, 2003, Occidental received a stock dividend of 594,180 shares of Series B Common Stock of Lyondell.

(d) Not applicable.

(e) Not applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

Pursuant to the Letter Agreement, in addition to agreeing to purchase the 2,700,000 shares of Lyondell regular Common Stock, Occidental agreed not to dispose of, or request registration of, any of its Lyondell shares for ninety days from the public offering date stated in

* This number includes 2,700,000 shares of regular Common Stock, 36,310,972 shares of Series B Common Stock and 5,000,000 shares of regular Common Stock issuable upon exercise of the Warrant.

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the prospectus for Lyondell's public offering (the "Lock-Up Period"). The two Occidental officers who serve on Lyondell's board of directors (as described in more detail below) entered into separate agreements with CSFB that provided that they would not dispose of any of their Lyondell shares during the Lock-Up Period. Also in connection with the Letter Agreement, Occidental and Lyondell entered into a First Amendment to Stockholder's Agreement, dated as of October 7, 2003 (the "Amendment"). The Amendment provided a specific waiver of Occidental's obligations (stated in the Stockholder's Agreement) that it would not acquire, or agree to acquire, any Lyondell securities.

Pursuant to the Securities Purchase Agreement, OCHC purchased from Lyondell a total of 34,000,000 shares of Lyondell's newly created Series B common stock. Pursuant to the Warrant, OCHC also received warrants to purchase an additional 5 million shares (the "Warrant Shares") of Lyondell's regular common stock for \$25 per share. In exchange for the Lyondell securities, Occidental paid \$440,000,000 in cash.

As additional consideration for the transaction, Occidental will receive from Lyondell a contingent payment equal to 7.38% of cash distributions from Equistar for 2002 and 2003 up to a total of \$35 million, to be paid either in cash or in Lyondell regular Common Stock or Series B Common Stock.

Pursuant to a Stockholders Agreement, dated as of August 22, 2002 (the "Stockholders Agreement"), Lyondell has appointed to its board of directors two

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of Occidental's executive officers, Dr. Ray R. Irani (who also is an Occidental director) and Mr. Stephen I. Chazen. Unless Occidental obtains Lyondell's consent, the Stockholders Agreement prevents Occidental (a) from selling its Series B common stock or the Warrant Shares and (b) from converting its Series B common stock into regular Lyondell common stock for at least two years. In addition, the Stockholders Agreement generally requires Occidental to vote its Lyondell common stock in favor of the slate of directors proposed by Lyondell's management. The Stockholders Agreement will be effective as long as Occidental owns 17 million or more shares of Lyondell common stock.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS.

- Exhibit 1 Agreement Pursuant to Rule 13d-1(k)
- Exhibit 2 Securities Purchase Agreement, dated as of July 8, 2002, by and between Lyondell Chemical Company and Occidental Chemical Holding Corporation*
- Exhibit 3 Warrant for the Purchase of Shares of Common Stock, issued August 22, 2002*
- Exhibit 4 Stockholders Agreement, dated as of August 22, 2002, by and among Lyondell Chemical Company and the Stockholders as defined therein*

* Previously filed.

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- Exhibit 5 Letter Agreement dated as of October 7, 2003
- Exhibit 6 First Amendment to Stockholders Agreement, dated as of October 7, 2003

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SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

October 10, 2003 OCCIDENTAL PETROLEUM CORPORATION

By: /s/ J. R. HAVERT

Name: J. R. Havert
Title: Vice President and Treasurer

OCCIDENTAL PETROLEUM INVESTMENT CO.

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By: /s/ J. R. HAVERT

Name: J. R. Havert
Title: Vice President and Treasurer

OCCIDENTAL CHEMICAL HOLDING CORPORATION

By: /s/ J. R. HAVERT

Name: J. R. Havert
Title: Vice President and Treasurer

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