Occidental Petroleum Corporation

8/21/2006 Comments:

Occidental Petroleum Corporation is responding to The Corporate Library's June 6, 2006 publication, "The Opportunistic Timing of CEO Stock Option Awards." This publication "suggests" that Occidental increases the value of executive stock option awards by "timing…value-relevant press releases around options grants." The publication is clearly in error, for the reasons set forth below:

1. The publication alleges that, in July 2003, and again in July 2005, our second quarter earnings releases, which are published several days after stock options are granted, caused the option grants' value to increase. That is incorrect. Our stock price fell after the 2003 and 2005 earnings releases.

2. We do not "time" press releases to increase the value of our option grants. For the past ten years, with only one exception, option grants have always been made by the Compensation Committee of the Board at its July meeting. Our second quarter earnings releases have always been made later in the month, when the second quarter results are ready. The exact date for each Compensation Committee meeting is set two years in advance, therefore, the timing of our option grants is not even susceptible to manipulation.

3. Many factors affect the price of a company's shares at any given time. Historically, Occiental's [sic] stock price correlates to the price of oil.

4. Under the terms of our Incentive Plans, our options are granted subject to a three-year vesting period. Approximately one-third of each grant becomes exercisable each year. The first one—third does not vest until one year after the date of the grant. Therefore, a short term increase in the value of our stock in the days, weeks or even months following our second quarter earnings release would not benefit the optionees.

5/29/2003 Comments

OXY OCCIDENTAL PETROLEUM CORPORATION
10889 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90024

IN REPLY:
OCCIDENTAL INTERNATIONAL CORPORATION
1230 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10020
TELEPHONE (212) 603-8111
FACSIMILE (212) 265-2037

KENNETH J. HUFFMAN
VICE PRESIDENT–INVESTOR RELATIONS

DIRECT TELEPHONE (212) 603-8183

May 29, 2003

Mr. Ric Marshall
Chief Executive Officer
The Corporate Library LLC
45 Exchange Street
Suite 201
Portland, ME 04101

Dear Mr. Marshall:

Thank you for taking the time to speak with Linda Peterson and me on Tuesday, May 27. As we indicated to you, we were very surprised and disappointed to see that Occidental as given an "F" in Board Effectiveness Ratio and a "Very High" in Investment Risk.

In 1997, we announced a restructuring that would focus the company on large, long-lived cost-competitive oil and gas "legacy" assets in the US, Middle East and Latin America. Our objective was to transform the company into a top quartile performer in terms of returns on equity and capital employed.

In 1997, based on the three year average, Oxy ranked 12th out of 14 large cap oil companies in return on equity and 13th out of 14 companies in return on capital employed. For the year 2002 as well as the three year average for 2000-2002, Oxy ranked 1st in return on equity and 2nd in return on capital employed. I should point out that our equity more than doubled from the beginning of 1997 through the end of the year 2002. Thus, we have achieved our top quartile performance with respect to returns on equity and capital employed. The task ahead is to maintain a top quartile performance.

We have also seen significant performance improvement since 1997 in other financial measurements. In 2002, and for the three years 2000-2002, Oxy had the highest profitability per barrel of oil equivalent (BOE) and the highest free cash flow per BOE among the large cap oil and gas companies. Oxy is also ranked first or in the top quartile in finding and development cost for 2002 as well as 2000-2002.

With respect to our balance sheet, since 1997 Oxy's total debt has declined by over $1.7 billion and our debt to capitalization ratio has declined from 67% to 41% as of March 31, 2003.

Corporate governance is another area that is very important to Occidental. In 1999, Oxy published its corporate governance policies in the proxy. In 2001, the policies were added to our website. In its analysis of Oxy's 2003 Proxy Statement, Institutional Shareholder Services (ISS) published its then current corporate governance quotient for the company, stating "Oxy outperformed 96.2% of the companies in the S & P 500 and 99.5% of the companies in the Energy group." Clearly Oxy is an upper quartile performer in corporate governance.

In 2002, Oxy's total return to shareholders was 11% compared to a negative 22% for the S & P 500, a negative 15% for the Dow Jones Index and a negative 11% for the oil and gas peers. For the three years 2000-2002, Oxy's total return to shareholders is over 48% which is second among the large cap energy companies. Thus far this year Oxy's stock is a top quartile performer among the large cap energy stocks and is outperforming the Dow Jones and the S & P 500.

Yet, with these substantial results, The Corporate Library rated Oxy an "F" in Board Effectiveness and a "Very High" in investment risk primarily because of issues with the Chairman's compensation. When we discussed this, the only concerns you mentioned were that the chairman's salary of $1.3 million was above your guideline of $1.0 million and his 2002 cash bonus was $990,000 above your guideline, and the fact that Oxy does not expense stock options. You did indicate that his overall mix of cash compensation and stock awards were within your guidelines and that you encourage stock ownership by the company's executive officers, which Oxy also does.

We believe that your measurement is very narrow and does not reflect the significant operational and financial progress made by Occidental Petroleum under the leadership of Dr. Ray R. Irani and the Board of Directors.

Regards,

Kenneth J. Huffman

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