



April 4, 2013

Occidental Petroleum Corporation  
10889 Wilshire Blvd.  
Los Angeles, CA 90024

Attn: Directors of Occidental Petroleum  
John E. Feick, Carlos M. Gutierrez, Rosemary Tomich,  
Aziz Rodni Daoud Syriani, Edward P Djerejian, Avedick B. Poladian,  
Howard I. Atkins, Margaret M. Foran, Dr. Ray Irani, Stephen Chazen

Dear Members of the Board,

We are writing to help you understand our wishes as shareholders so you can better execute your fiduciary duties on our behalf. We believe many Occidental Petroleum (Oxy) shareholders are troubled by the infighting in the corporate suite. As reflected in The Wall Street Journal, the current situation reflects poorly on the company and the board. We wish for the company to prosper and for the reputations of those involved to be enhanced by their association with Oxy. After studying company financials and interviewing current and former executives, we have concluded that Mr. Chazen should remain as CEO and be given broader responsibility in managing Oxy's diverse global interests because he has:

- Delivered superior long-term operating and market results;
- Support from senior management throughout the company;
- Support of the company's long-term shareholders; and
- Earned the respect and support of the broader business and investing community.

This is the wrong time to transition to a new CEO. We believe that Oxy has in place an effective and respected CEO who should be empowered to manage an orderly transition in the future. Internal and external candidates should be considered and groomed as Mr. Chazen's successor at a point in time in the future when this transition is more appropriate.

We are happy to share our research so that you may have the most informed view possible as you make your decision in the best interest of employees and shareholders. Mr. Chazen has the trust of both.

**1) Oxy has exhibited better performance since Mr. Chazen assumed a larger role, beginning with his appointment as CFO.**

Beginning with Mr. Chazen's appointment as CFO, Oxy's performance experienced a meaningful and sustained improvement. From 1984 to 1998, the total return to Oxy shareholders was the lowest in its peer group, underperforming by 8.4%. After Mr. Chazen became CFO, Oxy's stock price increased at a 20.0% average annual rate, the highest amongst its peers, outperforming them by 10.0%. Mr. Chazen has produced spectacularly for shareholders and employees. We view any short-term stock performance metric as irrelevant, including the recent, less than two-year period of underachievement quoted in the Wall Street Journal.<sup>1</sup>

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<sup>1</sup> The Wall Street Journal. Aaron Lucchetti. March 29, 2013.

## Compound Annual Return on Investment in Security<sup>2</sup>

	<b>Irani Era<sup>3</sup></b>	<b>Chazen Era<sup>4</sup></b>	
	<b><u>1984-1998</u></b>	<b><u>1999-2012</u></b>	<b><u>1984-2012</u></b>
Occidental Petroleum	4.5%	20.0%	11.7%
Conoco Phillips	9.1%	11.8%	10.4%
Exxon Mobil	19.9%	8.6%	14.3%
Hess	5.3%	9.8%	7.5%
BP	20.1%	3.1%	11.6%
Chevron	16.1%	10.4%	13.3%
Apache	7.1%	15.8%	11.2%
Peer group average	12.9%	9.9%	11.4%
Oxy vs peer group	-8.4%	10.1%	0.3%

Based on our extensive research, we firmly believe that Mr. Chazen is an excellent capital allocator who enjoys the confidence of employees, shareholders, and Wall Street.

We have great concern for future performance given the Board's decision to seek a change in the CEO position. The CEO bears great responsibility for appropriately allocating capital and we appreciate Mr. Chazen's role in that regard.

Mr. Chazen understands the trade-off between risk and reward and has appropriately directed capital to projects where the asset is owned, rather than rented. We prefer the less risky focus on domestic assets because doing business in the Middle East has changed – less attractive today than it has been in the past and will likely be even less attractive in the future, as enumerated below.

- International partners have become more sophisticated, and contracts correspondingly less attractive.
- There is more competition for foreign deals.
- Increasingly complex deals.
- The geo-political situation is anything but stable and begs the following question: Will those in power in the future have the same western view as today's leaders?
- More capital is required to enter these projects.
- The time to get an international project up and running is longer.
- Assets are rented, not owned. The international assets come with an expiration date, whereas the domestic assets are long-life reserves that can potentially get larger with continued technological advances.

Contrast international operations to the strong domestic asset-base where reserves have a long life, you don't have to worry about your partners, and time is your friend as technological improvements may increase the reserves.

<sup>2</sup> CAGR of shares purchased. CAGR is Compound Annual Growth Rate, or the year over year growth rate of an investment over a specified period of time.

Source: Bloomberg. Peer group is largest relevant sample of oil companies that have an available trading history: Apache, BP, Chevron, Conoco Phillips, Exxon, Hess. Peer group comparison is total return of stock: appreciation plus dividends. Numbers may not add due to rounding.

<sup>3</sup> Year Dr. Irani became President

<sup>4</sup> Year Mr. Chazen became CFO

## 2) Mr. Chazen is a proven manager who has the confidence of Oxy employees

We care about all stake holders, including employees. In order to assess the perception of Mr. Chazen's capabilities, we interviewed a number of current and ex-employees. Our survey reflects that these individuals come out decidedly on the side of Mr. Chazen.

## 3) Mr. Chazen maintains the confidence of shareholders

The other shareholders with whom we have spoken also believe that Mr. Chazen should continue in his role as CEO, and that Dr. Irani should retire.

We have tried to communicate with Dr. Irani on this subject but he did not return our phone call.

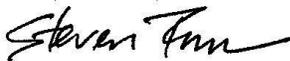
## 4) Mr. Chazen also has the confidence of Wall Street.

Bank of America Merrill Lynch analyst Doug Leggate sums it up in a report quite well. "...the (Occidental Petroleum) Board issued a terse statement on succession planning. Absence of subsequent clarity leads us to conclude some level of discord in the boardroom and with it an *unnecessary distraction* for an investment case where the near term focus has shifted to cost reduction. From our discussions with management, progress on U.S. production growth and costs is ahead of expectations; but should the architect of this strategy be derailed by the Board, OXY's investment case will understandably come under scrutiny...."<sup>5</sup>

A Board's most important responsibility is to choose the right CEO. Finding the right person all too frequently proves a difficult and uncertain task. At Oxy, we are fortunate to have a proven individual as CEO. It would be a shame for the company to lose such a uniquely qualified individual.

We are happy to expand on our views.

Respectfully submitted,



Steven Romick  
Managing Partner

cc: Institutional Shareholder Services (ISS)

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<sup>5</sup> Bank of America Merrill Lynch. March 19, 2013.

Click [here](#) for the letter to Institutional Shareholder Services (“ISS”) re: Occidental Petroleum.

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