March 20, 2006

Mr. Robert Herz, Chairman
Mr. Robert C. Wilkins, Senior Project Manager
Financial Accounting Standards Board
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Dear Mssrs. Herz and Wilkins:

On behalf of Occidental Petroleum Corporation, we are writing the Financial Accounting Standards Board (FASB) to request the earliest possible consideration of "Phase 2" in the Fair Value Option (FVO) project. We believe that this proposed optional change in the accounting treatment for non-financial assets and liabilities would simplify the accounting for energy commodities, and would allow energy companies to reflect more clearly the economic management of their energy portfolios.

The current online update for the FVO project dated 2/24/06 indicates that the FVO project has been split into two phases: Phase 1 for financial assets and liabilities, and Phase 2 for selected non-financial items. That update also states that "[a]lthough some preliminary research related to Phase 2 will occur during the Phase 1 comment period, the staff expects the principal Phase 2 activity will begin after a final statement has been issued for Phase 1."

During a recent FASB meeting held on 2/15/06, the Board considered a formal request from the National Grain Trade Council and other constituents to amend Statement 133 by allowing for separate hedging of risks associated with non-financial assets and liabilities ("Issue 5" on the 2/15/06 agenda). Though the Board rejected this request, several
members expressed their preference to address this issue (i.e., the accounting treatment for non-financial assets and liabilities) through Phase 2 of the FVO project.

At the 2/15/06 meeting, Mr. Donald Young noted "... his concern that the current accounting practice could affect management behavior in a way that would be detrimental to the capital markets and shareholder value." Speaking even more bluntly, Chairman Robert Herz noted "... that a non-neutral discriminatory basis has been created for hedge accounting with respect to financial and nonfinancial items. He stated that while there is a difference in physical aspects and because various basis risks are involved, many of these risks are market-based and are therefore able to be effectively hedged."

In siding with Mssrs. Young and Herz in support of Issue 5, Ms. Leslie Seidman stated "... that this issue represents another consequence of the mixed-attribute model. She noted the difficulty in justifying the different approach that Statement 133 pursues with respect to hedges of nonfinancial items versus financial risks, and believes that the application of this guidance creates a non-level playing field. Ms. Seidman proposed addressing this issue either by permitting broader hedging under Statement 133 or by permitting a fair value option for some nonfinancial items."

We strongly agree with the comments shown above by Mr. Young, Chairman Herz, and Ms. Seidman, and we encourage FASB to accelerate its consideration of Phase 2 under the FVO project. The artificial distinction that has currently been drawn within the FVO project could result in allowing fair value option treatment for non-derivative, financial assets and liabilities, while not allowing fair value option treatment for non-derivative, non-financial assets and liabilities (such as agricultural and energy commodities).

The grain merchants of the Midwest and the energy producers of the Southwest should not be treated differently than the financial corporations of the Northeast, all of whom deserve FASB’s impartial consideration with respect to the FVO. We ask that FASB consider Phase 2 of the FVO project (for non-financial assets and liabilities) side by side with Phase 1 of the FVO project (for financial assets and liabilities), and that whatever logical conclusion FASB reaches on what is now called Phase 1 should apply equally to what is now called Phase 2.

Respectfully,

Jim A. Leonard
Controller & Principal Accounting Officer

Gordon E. Goodman
Trading Control Officer