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Via e-mail

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-7010

Re: File Number S7-42-10 – Disclosure of Payments by Resource Extraction Issuers

Chevron Corporation (Chevron) appreciates the opportunity to provide comments to the Securities and Exchange Commission (the “Commission”) on the proposed rules regarding the Disclosure of Payments by Resource Extraction Issuers pursuant to Section 13(q) of the Securities Exchange Act of 1934 (“the Exchange Act”).

Chevron is a global, integrated energy company based in San Ramon, California. The company explores for, produces and transports crude oil and natural gas; refines, markets and distributes transportation fuels and other energy products; manufactures and sells petrochemical products; generates power and produces geothermal energy; provides energy efficiency solutions; and is developing energy resources for the future, including biofuels. The company’s activities are widely dispersed geographically, with operations in North America, South America, Europe, Africa, Asia and Australia.

Chevron has participated with other member companies of the American Petroleum Institute (API) in recent months to prepare comments to the Commission on the proposed rules. The API’s comment letter on the proposed rules was submitted separately on January, 28 2011. Chevron fully endorses the comments made in that letter. In the following discussion, we will highlight several matters described in detail in the API response that are of particular importance to Chevron.

Investor Protection, Competition and Efficiency

We urge the Commission to fully consider the detailed API comments on potential impacts of Section 13(q) on our investors and on competition and efficiency. As the final rules for Section 13(q) are developed, the Commission must consider the mandates under the Exchange Act that protect investors and promote competition and efficiency. These previous mandates, as described under Section 3(f), Section 23(a)(2) and other sections, are still in effect. Appropriate consideration of unintended effects on investors, competition and efficiency is absolutely critical given the important role that U.S. energy companies play in the global energy industry and economy.

Chevron has supported the Extractive Industries Transparency Initiative (EITI) since its inception, and has served on the EITI Board on two occasions. EITI sets the global standard for improving payment and revenue transparency related to the commercial development of natural resources. EITI guidelines

provide an equitable mechanism for transparency by 1) ensuring confidentiality of contracts and commercially sensitive information while making a compilation of the payment and revenue data public, and 2) by requiring universal application to all parties, including national oil companies, operating in the extractive industries in a given country. Section 13(q) seeks to achieve transparency by requiring payment disclosure from only certain companies, specifically, those resource extraction issuers that file annual reports with the Commission. Moreover, while Section 13(q) requires the Commission to make a compilation of that information available to the public, some commentators have argued that all company specific information must be publicly disclosed at the project level, a disclosure level that goes far beyond existing EITI guidelines. As will be discussed below, final rules that implement Section 13(q) in such a manner would result in significant competitive and investor harm.

To the extent the final rules under Section 13(q) diverge from EITI guidelines, such rules carry great potential to harm investors, reduce competition, and impair market efficiency. If the rules under Section 13(q) require public disclosure of unnecessarily detailed information, particularly at the project level, such disclosure will provide competitors with sensitive commercial information and place the Commission's U.S. filers at a substantial competitive disadvantage.

The following examples illustrate more specifically these potential harmful effects on Chevron, our investors and on competition:

Example 1. Chevron begins acquiring high-potential exploratory acreage on a confidential basis through agents in Country A. The acreage acquisition requires Chevron to pay bonuses to the local governments. Because Chevron must disclose these bonuses, its identity is revealed. A non-U.S. competitor of Chevron not subject to Section 13(q) steps into the market and begins bidding for remaining available acreage, driving up Chevron's costs significantly. At the same time, the non-U.S. competitor is able to acquire additional acreage in another part of Country A on a confidential basis.

Example 2. Country B invites Chevron and other Commission filers to develop its natural resources. Officials from Country B use Section 13(q) disclosures for projects in Country E to determine the rates of return that Commission filers are willing to accept. Country A uses this information to negotiate more favorable terms. The investors of Chevron or other Commission filers participating in Country A's projects receive a lower investment return than would otherwise be the case.

Example 3. Chevron wishes to pursue Project X in Country C. In order to be economically viable, Project X requires favorable tax and royalty terms. Country C is willing to grant appropriate fiscal relief for Project X, but does not wish the terms to be publicly disclosed because the disclosure would create pressure for Country C to grant comparable terms on other projects. Country C awards Project X to a non-U.S. company that is not subject to Section 13(q) disclosure.

Example 4. Country D participates in the Extractive Industries Transparency Initiative and supports country-level disclosure of aggregate payment data. For economic, competitive, and foreign policy reasons, Country D considers the specific commercial terms of its agreements to develop natural resources to be state secrets and has accordingly passed laws prohibiting public disclosure of such terms. If the rules implementing Section 13(q) require disaggregated public disclosure of commercially sensitive terms, Chevron will be unable to bid on projects in Country D. As a result, Country D's resources are developed by national oil companies that are not subject to Section 13(q).

Consideration of API's recommendations in the development of the final rules is also essential for the Commission to comply with the spirit of President Obama's January 18, 2011 *Executive Order on Improving Regulation and Regulatory Review*. The Executive Order makes it clear that regulatory action should promote economic growth and competitiveness, use the least burdensome means for achieving regulatory objectives, and take into account both the costs and benefits of regulatory action. Final rules for Section 13(q) that result in overly detailed reporting could harm investors, reduce competition, and reduce efficiency without significant incremental benefit to transparency objectives. Public disclosure of large volumes of immaterial information would be confusing to investors and result in competitive harm. In addition, such rules would cause Chevron and other companies to incur substantial incremental compliance costs. This high cost would divert funds that could be better spent on development of energy resources. Chevron firmly believes that the final rules can be written in such a way that satisfies the objectives and legal intents of Section 13(q) with a lower cost, fit-for-purpose approach that meets the spirit of this Executive Order.

Impact on Safety and Security

In addition to the potential competitive harm that is possible if the final rules under Section 13(q) diverge from EITI guidelines, we believe there is a real possibility that public disclosure of this payment information, particularly at the project level, could jeopardize the safety and security of our operations and employees. Chevron has already experienced numerous incidents where facilities have been sabotaged, operations disrupted and employees endangered by those who oppose the host country government or energy development. Highly disaggregated payment information can be misused by some organizations to achieve political gains, pressure governments or harm local economies. For example, detailed disclosure of payments to the government by project would provide organizations with information as to which projects provide the most revenue for the government, inviting actions against those facilities and potential harm to Chevron and national employees. We believe strongly that the final rules that implement Section 13(q) should take these risks into consideration.

Key Areas for Rulemaking Discretion

We believe the Commission has sufficient rulemaking discretion to implement Section 13(q) in a manner that is both true to the language and purpose of that provision, while also consistent with the Commission's obligations to protect investors and promote competition and efficiency. We also believe the Commission can use its discretion to develop final rules under Section 13(q) without creating additional safety and security risks. We highlight the following key areas of discretion:

- ***Publicly available information*** As explained in detail in the API response to Question 86, Section 13(q) provides the Commission with discretion to maintain the information submitted by individual resource extraction issuers in confidence for the Commission's internal use and to make only a compilation of such information available to the public. Such a public compilation could aggregate payment information from all Commission filers at the country level, consistent with EITI guidelines. This approach would promote the transparency goals of Section 13(q), and at the same time allow the Commission to fulfill its mandates to protect investors and promote competition and efficiency. We believe this approach is the simplest and least burdensome way to implement Section 13(q) consistent with the statute. If the Commission chooses not to adopt the approach outlined here and, instead, to make the information submitted by issuers under Section 13(q) directly available to the public, the

Commission could exercise rulemaking discretion in several other areas, described in the following items, to mitigate investor and competitive harm.

- **Definition of “project”** As described in API’s response to Questions 39, 40, 45 and 47, defining the term “project” for which data must be reported below the country level is another key area of Commission rulemaking discretion. An appropriately broad definition that allows issuers to aggregate data from multiple contracts relating to the same underlying resource could do much to alleviate company concerns about disclosure of competitively sensitive data. This can be achieved in several ways, including adoption of the broad definition of “project” at the geologic basin or province as proposed in the API’s response to Question 40, adopting a definition of “project” as “reporting unit” as discussed in the response to Question 45, or limiting disclosure to only those projects that are “material” to an issuer as discussed in the response to Question 47. However, a decision by the Commission to adopt a more granular definition of “project” would result in significant investor and competitive harm.
- **Exemptions to prevent violation of host country laws** As described in API’s response to Questions 54, 55 and 60, we strongly believe the Commission should provide exemption for disclosure that would violate host country laws. Such an exemption could be structured along the lines of Item 1202 of Regulation S-K.
- **Exemptions to protect commercially sensitive information** As described in API’s responses to Questions 12, 15 and 19, we believe the Commission should provide an exemption for disclosure of commercially sensitive information. Such an exemption could be implemented by allowing redaction, for a period of time, of such sensitive information consistent with long-standing practice under the Freedom of Information Act. An exemption could also mitigate safety and security concerns in certain situations.
- **Exemptions of foreign private issuers or government-owned entities** As described in API’s responses to Questions 3 and 4, we strongly believe that exemptions for disclosures under Section 13(q) should not be provided for foreign private issuers or government-owned companies. Such exemptions would result in further competitive harm to Chevron and other U.S. companies and would further damage the interests of our investors.
- **Materiality and “not de minimis”** As described in API’s responses to Questions 26 and 29, we believe the Commission should base the final rules on existing materiality guidance described in the Commission’s Rule 12b-2, SAP 99 and FASB Concept 2. We strongly believe that the statute requires reporting of only material total amounts paid in the annual reporting period by payment category. In addition, EITI guidelines emphasize reporting of only material benefits. As also described in API’s responses to Questions 32, 35 and 37, we strongly advise the Commission to avoid establishment of specific materiality thresholds, such as fixed dollar amounts or percentages. If the Commission decides to establish such materiality thresholds, it will substantially increase the likelihood of overburdening issuers and users with large volumes of unnecessary and immaterial detail. The reporting of immaterial amounts will significantly increase the regulatory burden and cost of compliance.

- **Scope and definition of “commercial development of oil, natural gas, or minerals”** As described in API’s responses to Questions 6 through 11, we strongly advocate use of a definition of “commercial development...” that is consistent with Rule 4-10 of Regulation S-X. Adoption of such a definition in the final rules is consistent with the requirements of Section 13(q) because it focuses on resource extraction activities. Adoption of such an upstream-oriented definition will substantially reduce the burdens and cost of compliance.
- **Reporting of payments** As described in API’s response to Question 13, we believe the Commission should allow issuers to report amounts based on the “gross” amount actually paid by the issuer to the government entity (as opposed to the issuer’s net share of the payment). Requiring an issuer to report the net share of payments made on its behalf by others (e.g., the operator of a venture) would substantially increase the burden and cost of compliance without a corresponding benefit.
- **Auditing** As described in API’s response to Question 76, we do not support an audit requirement for extractive payment reporting. An audit requirement is not specified in Section 13(q) and would significantly increase both the upfront implementation costs and ongoing annual costs and burdens associated with this reporting.
- **Annual report requirements** As described in API’s response to Question 68, we support the Commission’s proposal that Form 10-K include a brief statement that the information required under Section 13(q) will be furnished on either a separate Form 8-K, or on a new annual report form developed for the purpose, no later than 150 days following the end of the most recently completed calendar year. We believe this information should be confidentially submitted to the Commission solely for its use in preparing its public compilation. Such an approach mirrors that already taken by other Administrative departments, such as the Department of Energy.
- **Effective date** As described in more detail in Section III (Paperwork Reduction Act) of the API response, the level of disclosures proposed in the rule will require significant change to Chevron’s complex and integrated enterprise resource planning systems (ERPs). With final rules to be issued in April 2011, only eight months will remain in 2011 to complete certain needed ERP system modifications to enable updated and detailed payment transaction capture to begin by January 1, 2012 for a calendar year 2012 effective date. As a result, we believe that a 2012 effective date is feasible only if the disclosures remain unaudited, scope is limited to upstream activities, “project” is defined at the country or reporting unit level, and reporting is on a “gross” basis (i.e., as paid to the government) and in U.S. dollars. A 2014 effective date would be necessary if the final rules include any of the following: auditing requirements, downstream activities, a granular definition of project, net reporting of all payments, and reporting in multiple currencies. If the Commission ultimately includes any of these more burdensome and costly requirements, consideration should be given to requiring limited disclosures for a two year (2012 and 2013) transition period before the more detailed requirements become effective. This recommended timeline is heavily influenced by our expectation of other significant ERP system changes that will arise as a result of FASB and IASB convergence initiatives. The Commission’s decision regarding IFRS adoption later in 2011 would also introduce requirements for significant ERP system changes.

January 28, 2011
Page 6

We thank the Commission for the opportunity to provide these comments. If you have any questions on the content of this letter, please contact Al Ziarnik, Assistant Comptroller, at (925) 842-5031.

Very truly yours,

A handwritten signature in dark ink, consisting of a stylized, cursive 'M' followed by a few vertical strokes.