



January 30, 2006

Mr. Christopher Cox
Chairman, U.S. Securities and Exchange Commission
101 F Street, N.E.
Washington, DC 20549

Dear Mr. Cox,

We write to request that you open an investigation into the Chevron Corporation (CVX) for violating SEC regulations governing disclosure obligations to shareholders in reference to litigation against the company over an oil-related environmental catastrophe in Ecuador. The SEC has long recognized that undisclosed environmental liabilities represent a serious threat to shareholder rights and to the public's ability to make sound investment decisions. The litigation against Chevron has created a potential liability for the company that clearly meets the materiality threshold as discussed in SEC guidance for disclosure, per the facts below.

As background, Chevron has been vigorously defending itself in a class action (or "popular action") lawsuit in Ecuador alleging that the company created perhaps the worst oil-related disaster in history. It has been forced to admit at trial that Texaco (acquired by Chevron in 2001) dumped over 18 billion gallons of toxic water into the rainforest, creating toxic contamination 30 times larger than the Exxon Valdez. One environmental remediation expert estimated that a basic clean-up would cost at least \$6 billion. A comprehensive ecological remediation could cost twice that. While the plaintiffs are not seeking individual damages, they are considering additional theories of economic damages that could push Chevron's liability higher still. In total, the potential liability appears to exceed 10% of Chevron's asset base.

Moreover, the litigation appears to pose a grave threat to the environmental and ethical reputation of the Chevron brand, which the company itself has acknowledged is "tak[ing] on an increasingly strategic role" in its relations with clients, its ability to secure new contracts and maintain client relationships, and its ability to appeal to environmentally sensitive consumers. Some of the many articles about the Ecuador litigation that are damaging the Chevron brand are enclosed.

Despite these alarming implications, Chevron has not mentioned the Ecuador litigation in any of its filings with the SEC. Given that the litigation in Ecuador, according to our analysis, clearly surpasses the materiality threshold as understood in SEC guidance, Chevron's failure to disclose and to recognize this environmental liability in its financial statements appear to put it in violation of Items 103 and 303 of SEC Regulation S-K as well as other authoritative accounting and reporting guidance. A brief memorandum attached to this letter more fully explains the legal reasoning behind this opinion.

SEC vigilance is essential to ensuring the sort of frank corporate disclosure that protects individual investors and the overall health of our financial markets. SEC vigilance is particularly essential in forcing corporations to disclose material environmental liabilities, which, because of their often uniquely grave consequences, companies are often particularly loath to disclose. As we are deeply concerned about the present lack of disclosure, and what it may suggest about the state of Chevron's corporate

governance, we respectfully ask that you open a formal investigation into Chevron's SEC filings from 2001 to the present to ascertain whether the lack of disclosure is indeed a violation of SEC regulations and a cause for concern for all Chevron shareholders.

Sincerely,

Atossa Soltani
Executive Director, Amazon Watch

Sarah Aird
Legal Counsel, Amazon Watch

cc:
Commissioners:
Cynthia A. Glassman
Paul S. Atkins
Roel C. Campos
Annette L. Nazareth

Nancy Morris, Office of SEC Secretary
James M. McConnell, Office of Executive Director
Office of Chief Counsel, Division of Corporation Finance
Linda Thomsen, Division of Enforcement
Scott Taub, Office of Chief Accountant
Helene L. Morrison, District Administrator, San Francisco District Office