March 18, 2008

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

Dear Mr. Cox,

We write to follow up on our request in January 2006 that the SEC impose sanctions on the Chevron Corporation (CVX) for violations of its disclosure obligations regarding its liability for creating a large oil-related environmental catastrophe in the Amazon rainforest of Ecuador. As has been previously documented in our correspondence, Chevron's destructive practices in Ecuador threaten the survival of rainforest indigenous groups and can be linked to hundreds of deaths from cancer and other oil-related disease. It is undisputed that the quantity of toxic wastewater deliberately dumped by the company into the Amazon to lower production costs amounts to 18 *billion* gallons. Despite privately admitting to a U.S. government agency that it faces an extraordinary liability that could surpass $10 billion and the imminent end of a trial that the company for years has sought to delay, Chevron has continued to flout its disclosure obligations by adopting a policy of total silence on this issue in its public filings. If SEC enforcement action in the area of public disclosure is to be meaningful, this situation cannot be tolerated further without the imposition of a penalty on Chevron for failing to comply with its obligations.

It is beyond doubt that Chevron's legal position in the litigation, *Aguinda v. Texaco,*[1] has deteriorated significantly since our last contact. Counsel for Chevron has conceded as much: in a February 2008 submission to the office of the United States Trade Representative, made just four weeks ago, Chevron said *"we expect… a near-term unfavorable finding from the Ecuadorian court and potentially enormous … financial liability."*[2] This frank admission is supported by an ever-increasing quantum of scientific evidence unfavorable to Chevron before the court in Lago Agrio, Ecuador ("Lago trial"), including samples that evidence toxic contamination at Chevron production sites in the rainforest that are *thousands of times higher* than levels considered safe by regulatory authorities, as described in detail below. In contrast to this admission to the USTR, in its public materials and on its website Chevron has publicly downplayed its litigation risk in the Lago trial. We believe this public strategy deliberately misleads shareholders as well as regulators responsible for enforcement action. The enhanced risk factors facing Chevron, in addition to its elaborately designed stratagems to cover up these risk factors,

[1] 303 F.3d 470 (2d Cir. 2002) (affirming *forum non conveniens* dismissal on grounds that Ecuador's justice system provided a fair and impartial forum, conditioned on Chevron's consent to jurisdiction in Ecuador).

[2] This document is on file with Amazon Watch and can be obtained from the USTR. In this submission to the USTR, Chevron claims its expected liability would be "unfair" because the Lago trial is biased. As we explain below, Chevron's characterization of bias is not supported by a fair reading of the facts; the weight of the evidence indicates it is Chevron that has tried to undermine the fairness of the trial to avoid a final judgment, as described in detail in the text..

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are the basis for our request that sanctions be imposed. Copies of our original letters and supporting legal memorandum are attached as Exhibit A; we ask that these letters and memo be reviewed anew based on the material changes of circumstances described below.

Material Change of Circumstances for Chevron

Since our last correspondence, four material changes have occurred in the context of the *Aguinda* litigation that together cause severe prejudice to Chevron and provide the basis to trigger the company's disclosure obligations: 1) judicial rulings in the Lago trial suggest a final judgment could happen by the end of 2008; 2) new evidence against Chevron in the Lago trial includes thousands of analytical results – most produced by Chevron itself -- that demonstrate extensive levels of toxic contamination at the company's former oil production facilities in Ecuador; 3) a New York federal court permanently enjoined Chevron from an arbitration it sought against the government of Ecuador, a major adverse decision for the company; and, 4) Ecuador's Attorney General requested that the U.S. Department of Justice investigate Chevron for having committed a fraud during its purported remediation of some of its polluted sites in Ecuador.

Trial Coming to a Close

Last July, the judge in the Lago case ruled that the trial should move to the final evidentiary phase. Given that Chevron's primary defense strategy was to file repetitive motions to prevent the trial from terminating, this decision represented a significant setback to the company. This final evidentiary phase, called the global peritaje, involves the appointment of an independent special master to assess culpability and ascertain the monetary value of the damages caused. (In Ecuador, the civil code requires that evidence on liability and damages be completed as part of the same proceeding before any judgment is rendered.) The special master, Richard Cabrera, was appointed in June of 2007 and began work soon thereafter. Chevron's lawyers and technical advisors were found to have harassed Cabrera while he was conducting field sampling, and the court ordered that he be given police protection.[3] The special master report is being prepared by a large team of technical experts under Cabrera's supervision, and it is due within weeks according to court order. After comment on the report and the submission of written final arguments, the case will be ripe for decision. When we last wrote, the trial was in the judicial inspections phase, with scientific evidence from 32 sites gathered and analyzed by independent laboratories. The special master assessment will make use of all evidence collected from judicial inspections at fully 47 sites throughout the region, including drilling platforms, production and refining facilities, and unlined waste pits. This evidence includes roughly 250,000 pages of documents and more than 60,000 chemical sampling results, 80% of which have been produced by Chevron.

[3] As part of a new strategy to discredit the Lago trial, Chevron has purchased advertisements in Ecuadorian newspapers that assert Cabrera is unqualified to be the special master. Putting aside the questionable ethics involved in Chevron's efforts to extra-judicially influence a trial through paid newspaper advertisements, it is evident to any impartial observer that Cabrera is one of Ecuador's most highly regarded geologists and environmental consultants. Cabrera is also relying on a team of highly qualified technical experts in various disciplines to assist in the special master assessment. Our judgment is that Cabrera is being attacked by Chevron precisely because he *is qualified* to conduct a credible damages assessment, and that Chevron's paid attacks are aimed at intimidating Cabrera into resigning his special master post. After police protection was ordered to safeguard Cabrera following reports of Chevron's harassment, the special master informed the court that his Quito office was suspiciously robbed of case-related materials while other items of value were untouched. As of this writing, no arrests have been made (notably, Chevron has refused to condemn the robbery). Also significant is that when Cabrera was appointed by the Lago court to serve as a technical expert in an earlier judicial inspection, Chevron at that time never raised a single objection to his qualifications.

Scientific Evidence Against Chevron

Although space limitations prevent an exhaustive recitation of the tens of thousands of sampling results, a summary of the soil and water samples taken at former Chevron's sites in Ecuador indicate the company could face an enormous liability. Amazon Watch has been monitoring the trial since its inception. Our analysis of the evidence indicates that extensive levels of toxic contamination are present at fully 100% of the sites inspected. Chevron's counsel and public relations teams repeatedly claim, against the bulk of the available evidence, that the scientific results in the Lago trial indicate *no* evidence of harm. Observers have indicated the company makes these claims by relying on various semantic ploys and sleight of hand, including mixing composite samples to dilute levels of toxicity, in violation of EPA sampling protocols; sampling soils in areas that are irrelevant to the sources of ongoing contamination, such as on the top of nearby hills; refusing to cite applicable legal norms governing toxic contamination that would prove the company was in violation of said norms; refusing to test for Total Petroleum Hydrocarbons and other carcinogens, such as Chromium 6, that are in evidence around Chevron sites and that can be clearly linked to Chevron operational practices; and using inappropriate laboratory tests that undercount the amount of toxins in a sample. Despite these deceptive sampling and analysis practices, Chevron is still finding significant levels of toxins at its former production sites.[4] Chevron's own sampling results show dangerous levels of contamination at each of the inspected sites, and this is corroborated by multiple additional sources, including sampling results produced by the plaintiffs, by Chevron sub-contractors in the mid-1990s, by the Ecuadorian government investigative body (similar to the General Accounting Office in the U.S.), as well as Chevron itself when it did a limited environmental assessment at the time it was winding down its management of the relevant oil fields in the early 1990s. Simply put, the evidence that Chevron left life-threatening levels of contamination in Ecuador at its former sites is unassailable because it is corroborated by multiple sources, including Chevron itself.[5]

Another distinguishing characteristic of the evidence is the consistency of Chevron's contamination across every one of the former sites inspected by the court. Most of Chevron's sites have levels of Total Petroleum Hydrocarbons (TPHs) that are thousands of times higher than the Ecuadorian and U.S. standards. These include sites that Chevron falsely claimed it had "remediated" in the mid-1990s: Sacha 57, for example, reported TPHs at 262,581 parts per million in the trial, when Chevron claimed in its remediation that levels had been less than 5,000 ppm. The same holds true for Sacha 51 (68,430 ppm), Sacha 65 (37,158 ppm), Sacha 51 (29,657 ppm), Sacha 21 (28,000), Sacha 67 (20,344), Sacha 65 (12,256 ppm). In all of these sites, Chevron in 1998 had "certified" levels of contamination were less than 5,000 ppm to induce a "release" from liability from Ecuador's government for any claims the government might bring against it. While this release is irrelevant to the Lago trial, it shows the lengths to which Chevron was willing to engage in deceptive practices in the mid 1990s to try to escape liability from the plaintiffs, whose lawsuit had originally been filed in 1993 in the Southern District of New York.[6] These sampling results now form part of the basis for Ecuador's Attorney General to seek a DOJ

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[4] For a comprehensive analysis of Chevron's deceptive sampling practices, see, *e.g.*, Dr. Maest, et. al., *How Chevron's Sampling and Analysis Methods Minimize Evidence of Contamination*, 8 March 2006 (available at www.chevrontoxico.com).

[5] If one compares Chevron's results to actual norms that apply in Ecuador (to avoid implicating itself, Chevron refuses to cite Ecuadorian law in its technical reports), it is clear that the majority of Chevron's sampling results present levels of contamination – some as high 140,000 parts per million for TPHs, or 140 times higher than maximum tolerances allowed in Ecuador and 1,400 times higher than the median TPH norm in the U.S. Plaintiffs have found levels of TPHs up to 900,000 parts per million. Independent monitors not affiliated with either party also have found extensive levels of TPHs at Chevron's former sites.

[6] Chevron claims this release provides a total defense in the Lago trial, but three different federal courts in the U.S. have rejected Chevron's argument and for good reason – there is clear language in the release that carves out third-party claims.

investigation of Chevron for fraud, as described in more detail below. All of the scientific results are part of the public record of the trial and are obtainable via Amazon Watch or the court itself.

Adverse Decision In New York Litigation

When we last wrote, Chevron had initiated an arbitration against the Republic of Ecuador in federal court in New York seeking indemnification against any eventual damages awarded to plaintiffs in the Lago case. After reviewing more than one million documents in discovery and spending an estimated tens of millions of dollars in legal fees, Chevron's prospects in this case are now in a state of near-collapse. In June of 2007, Judge Leonard Sand of the United States District Court for the Southern District of New York issued an opinion in *Republic of Ecuador v. ChevronTexaco Corporation*[7] that permanently enjoined Chevron from obligating Ecuador's government to enter a binding arbitration over responsibility for damages in the Lago Agrio litigation.[8] By foreclosing the possibility of arbitration against Ecuador in New York, this ruling eliminates one of Chevron's last remaining chances to avoid legal responsibility for damages in the Lago case. Judge Sand granted Ecuador's motion for summary judgment on Chevron's counterclaims and affirmed its request for a permanent injunction of arbitration in New York. Because the opinion is based almost exclusively on expert testimony regarding Ecuadorian law – much of it provided by Chevron's own experts -- it is highly unlikely to be overturned on appeal.

Charges of Fraud Before Department of Justice

Chevron also has failed to notify shareholders that Ecuador has asked the U.S. Department of Justice to launch a fraud investigation against the company related to its Ecuador activities. In December, 2006, Solicitor General José María Borja, Ecuador's top legal official, submitted a formal request asking that the DOJ initiate an investigation into a number of Chevron's allegedly fraudulent activities in relation to its operational practices in Ecuador (this letter and materials are attached as Exhibit B). In a letter to then-Attorney General Gonzales, Borja said "the people of Ecuador would appreciate DOJ conducting a thorough investigation of the allegations" of fraud, including claims that:

- Chevron lied to Ecuador's government by claiming it cleaned up hundreds of toxic waste pits in the mid 1990s when in fact life-threatening levels of carcinogens remain, according to independent laboratory analyses of the type cited above.
- Chevron deliberately hid the existence of approximately 200 toxic waste pits by covering them with dirt to avoid remediating them.
- Via various deceits, Chevron was able to pay less than 1% of the cost of a comprehensive clean-up and then convinced Ecuador's government to "release" it from further liability by using false test results.
- To cover-up its earlier fraud, Chevron has now proposed that the Lago court adopt a standard that allows toxins in the soil at hundreds of times higher than levels allowed in the U.S. and in Ecuadorian law.

For more on how Chevron's argument about the release distorts the facts, see Plaintiffs' Supplemental Memorandum of Law at 31-35, *The Republic of Ecuador and PetroEcuador v. ChevronTexaco Corporation and Texaco Petroleum Company*, 04 Civ. 8378 (LBS) (filed Sept. 18, 2007 and available from Amazon Watch).

[7] See *Republic of Ecuador v. ChevronTexaco Corp.*, 499 F.Supp.2d 452 (S.D.N.Y. 2007).

[8] *Id.*

Borja indicated that his office was unable to conduct an investigation itself because it was involved in litigation against the company in U.S. federal court in New York. It is our understanding that agents from the Federal Bureau of Investigation have contacted Ecuador's current Attorney General to seek further information about the allegations. Again, Chevron has maintained total silence on this issue in its public filings.

Chevron Violations of SEC Regulations

The aforementioned changes of circumstances have led to a rapid deterioration of Chevron's litigation position in the Lago matter and clearly demonstrate that the company is now in violation of various SEC regulations for failing to disclose critical facts about its liability to shareholders. First, it is clear that Chevron's liability in Ecuador is even far more probable now than at the time of our last communication. Second, the size of the liability appears to have increased substantially, creating a situation where the materiality threshold as understood by SEC guidance is reached.[9] These two facts alone should alter the risk analysis that Chevron is required to perform pursuant to SEC regulations, but there is no evidence Chevron has undertaken such an analysis. It is noteworthy that Chevron's General Counsel, Charles James, has made public statements strongly suggesting the company expects to lose the litigation yet the company still has failed to adhere to SEC regulations requiring prompt disclosure.[10] The failure to report disclosure in any of its filings with the SEC violates Items 103 and 303 of SEC Regulation S-K[11] as well as other authoritative accounting and reporting guidance documents.

Highly relevant to any analysis of a company's disclosure obligations is the size of the potential liability. Given the magnitude of the soil and water damage being found at trial, combined with the social impacts on indigenous groups and other Amazon residents, the $10 billion figure cited by the plaintiffs must be taken seriously. As we understand it, the final comprehensive damages assessment by the special master will include not only funds to clean up all sites polluted by Chevron but also funds for recovery of uninhabitable lands lost by the indigenous groups who hold legal title to territories impacted by Chevron's operations; medical monitoring and long-term health care for dozens of affected communities; infrastructure improvements, including access to potable water and the implementation of proper waste re-injection; compensation for economic damages and loss of consortium; and compensation for degraded wildlife habitat. Again, none of this has been reported by Chevron to its shareholders in any securities filing. This failure to report is in flagrant violation of Item 103 of SEC Regulation S-K, which requires disclosure of "*any material pending legal proceedings*, other than ordinary routine litigation incidental to the business, to which the registrant or any of its subsidiaries is a party or of which any of their property is the subject" [emphasis added].[12]

Further, Item 303 of SEC Regulation S-K lists the requirements for the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A). This includes a discussion of any

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[9] *See Higher Cost Estimate for Chevron in Ecuador Expected*, Platts Oilgram News, Vol. 85 No. 178, September 10, 2007, at 6 (quoting plaintiff's attorney Steven Donziger that damages "likely will be significantly higher" than earlier $6 billion estimate and will include not only environmental clean-up costs but also expenses tied to health care and potable water systems).

[10] Aside from the USTR submission referenced at the top of this letter, Chevron's lawyers have been hinting to oil industry trade publications the company expects to lose the Lago litigation. See, *e.g.*, *Interview: Chevron Takes On Ecuador's Government*, Platts Oilgram News Vol. 85 No. 201, October 11, 2007 at 1 (quoting Chevron General Counsel Charles James as saying "*we very may well have to conclude this at some point* in time, that the loss contingency [sic] exists.") (emphasis added).

[11] 17 CFR 229.103, 229.303

[12] 17 C.F.R. §229.103

"known trends or uncertainties…reasonably expect[ed] [to] have a material… unfavorable impact on net sales or revenues or income from continuing operations,"[13] and "that would cause reported financial information not to be necessarily indicative of future operating results or future financial condition."[14] Under this rule, Chevron must disclose the pending Ecuadorian litigation in its MD&A, unless the company can show that a judicial decision against its interests is not reasonably likely or that an unfavorable judgment is not reasonably likely to have a material effect on the company. As nearly all scientific test results from the plaintiffs *and* the defendant as well as those conducted by court-appointed experts favor the plaintiffs, it is highly untenable to argue that an unfavorable judgment is not reasonably likely – especially since Chevron had conceded the opposite in its submission to the USTR as cited above. Similarly, it is unreasonable to believe that litigation potentially involving over $10 billion dollars in damages, with tremendous implications for the company's worldwide reputation and access to markets, will not have a material effect on the company's operations and financial condition. Even twenty years ago, when environmental disclosure requirements were less stringent, the SEC required detailed disclosure in similar cases.[15]

Chevron Misrepresentations To Prevent Enforcement

Substantial evidence indicates that Chevron has consistently misrepresented its litigation risk to shareholders and the public as part of a strategy to hide its liability in the Ecuador litigation. Apparently because Chevron expects an "enormous" adverse judgment in Ecuador, the company has begun to contrive claims of procedural unfairness to lay the groundwork for an attack on any enforcement action against it in U.S. courts should such a judgment come to pass. The argument that the Lago trial is biased against Chevron will no doubt also be presented to the SEC to try to deflect any enforcement action. A fair reading of the facts demonstrates that this argument is specious, derives from an ulterior motive, reflects an abuse of the judicial process, and likely will be rejected by any court that entertains an action by Chevron to delay the enforcement of any adverse judgment from the Lago trial. To wit:

Chevron has no basis to argue that the Lago trial is "unfair": The truth is that the Lago court has bent over backwards to accommodate Chevron's strategy of delay and to extend it due process protections not normally available to a typical defendant. On multiple occasions, the Court has granted Chevron's motions to delay inspections – decisions that have added many months, if not years, to the length of the proceedings. In no case in the history of Ecuador has one party submitted so many pages of documentary evidence and scientific samples (roughly 52,000 of the 64,000 scientific sampling results are from Chevron). The case has taken five years to litigate – probably one of the longest active trials in the world, and that follows ten years of jurisdictional delays in U.S. federal court prior to the Lago trial. The idea that the process has been "unfair" to Chevron is ludicrous; if anything, the process has been unfair to the plaintiffs, who have been forced to stomach Chevron's delaying tactics and abuse of the judicial process for almost 15 years without a final decision on the merits. During this time, counsel for

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[13] 17 C.F.R. § 229.303.

[14] 17 CFR § 229.303, Instruction 3.

[15] In *Re Occidental Petroleum Corporation*, the SEC found to be inadequate Occidental Petroleum's cursory treatment of its significant exposure due to improper discharge of wastes at Love Canal and Niagara Falls. See *In the Matter of Occidental Petroleum Corporation*, Admin. Proc. File No. 3-5936, Release No. 16950, July 2, 1980 (finding that Occidental's potential liabilities of hundreds of millions of dollars was material, and that general statements in Occidental filings that the company might incur future liabilities were insufficient disclosure). More than two decades later, Chevron is treating the Lago litigation with far less seriousness than Occidental treated its Love Canal liability even though Chevron is exposed to far more potential financial risk in Ecuador. Notably, even as late as 2004, Occidental noted in the MD&A section of its 2004 Annual Report that the company may be subject to loss contingencies and additional liabilities for Love Canal, and that such liabilities were determinable. In contrast, Chevron has been totally silent on its Ecuador liability.

the plaintiffs have been subjected to numerous death threats and forced to tolerate other attacks on the fairness of the trial while various Amazon communities have suffered tremendous hardship.[16]

Chevron's contrived claim of executive branch "interference": This argument is devoid of evidentiary foundation. Chevron has cited a trip in April 2007 by Ecuador's President, Rafael Correa, to the region of the Amazon where Chevron installed and operated its sub-standard production facilities. During this trip, Correa expressed concern for victims of environmental contamination but also made it clear that oil companies *in general* needed to improve their operating practices in Ecuador. Correa explicitly has stated on numerous occasions that Ecuador's judiciary is independent and that his comments were not made in reference to any pending litigation matter. Chevron claims this innocuous action – no different than any nation's President traveling to visit with the victims of an internal humanitarian crisis -- constitute executive branch "interference" in the Lago trial. In reality, it is Chevron that has a long and sordid history in Ecuador of executive branch interference and unclean dealing. Aside from the official allegations of fraud in its purported remediation, Chevron's representatives have threatened various Ecuadorian Presidents and Attorneys General with retaliation if they did not use political interference to terminate the Lago action (this, despite Chevron's express stipulation before a U.S. federal judge that it would consent to jurisdiction in the *Aguinda* case in Ecuador as a condition of its dismissal from U.S. federal court).[17] In the early 1990s, Chevron hired a former U.S. ambassador to Ecuador, Richard Holwill, to lobby the President of Ecuador to accept vastly inflated monetary claims that were concocted by Chevron to offset legitimate environmental damage claims the government had against it. Internal Chevron documents obtained in discovery indicate the company sought $800 million in damages from Ecuador via seven separate lawsuits, even though its internal calculation of the actual collective value of these claims was only two percent of that amount, or $16.7 million.[18] These documents also reveal that Ambassador Holwill recommended that Chevron "educate the Country on [Chevron's] claims so the potential of a $500 million payment *appears to be real*. Then, when the claim is resolved, [the President and Vice President] can claim they are heroes." In 1993, Chevron's government relations department co-wrote and submitted a letter to the New York federal court hearing the *Aguinda* case that sought a dismissal of the matter. Though written by Chevron, the letter was signed by Ecuador's ambassador to the U.S.

Chevron is estopped from challenging a judgment from Ecuador: We believe that Chevron is judicially estopped from claiming in the U.S. that Ecuador's courts are inadequate should it choose to challenge any adverse judgment in the Lago matter. From 1993 through 2006, to avoid jurisdiction in the U.S. over claims against it from Ecuadorian plaintiffs (including the *Aguinda* plaintiffs), Chevron argued to four separate U.S. courts that the Ecuadorian judiciary is adequate, independent, impartial, and fair. At Chevron's behest, the United States District Court for the Southern District of New York and the United States Court of Appeals for the Second Circuit both adopted its position and dismissed the *Aguinda* case from U.S. courts over the objections of the plaintiffs. These U.S. courts expressly found that Ecuador was an adequate and impartial forum, and as a condition of dismissal, Chevron expressly stipulated that it would consent to jurisdiction in Ecuador and waive statute of limitations defenses. As

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[16] See *Letter from Plaintiffs to International Commission of Jurists*, 22 February 2006 (documenting creation by Chevron lawyers of false military report to delay trial, death threats against lawyers for plaintiffs, and robbery of law offices of plaintiffs) (available at www.chevrontoxico.com or from Amazon Watch). As a general matter, several flagrant violations of human rights norms have afflicted the plaintiffs and members of the plaintiffs' advocacy team in the Lago matter. None of these abuses have resulted in arrests or accountability. What is clear is that *all* of the victims of these abuses were perceived by Chevron as representing interests adverse to its objectives.

[17] Chevron has admitted that its U.S.-based lawyers met with Ecuador President Alfredo Palacio in August 2005 to demand the government interfere in the Lago matter to relieve Chevron of its liability.

[18] Chevron's internal documents demonstrating these facts can be obtained by contacting Amazon Watch.

late as July 2006, Chevron claimed before the United States District Court for the Northern District of California that Ecuador's courts were a fair, impartial, and adequate forum. During these years, Chevron submitted no fewer then *ten expert affidavits* from Ecuadorian jurists uniformly attesting to the fairness of Ecuador's judicial system. It is only now, after the evidence in the Lago matter is almost fully presented, that Chevron concluded it faces an "enormous" liability and therefore did an about-face and began to argue Ecuador's courts are biased. Chevron's contradictory positions before different courts constitute a clear abuse of rights, which likely constitutes a waiver by the company that would prevent it from being able to challenge any result from the Ecuador court even if there was a basis to do so, which there is not.[19]

Chevron's misleading public relations campaign: As cited in our correspondence of 28 February 2006, Chevron has continued to widely disseminate misleading press statements that hide both the nature and scope of its potential liability in Ecuador. These press releases are placed on the internet and launched via paid distribution channels such as the PR Newswire, where they are often posted directly on investor websites such as the Money Central site of MSNBC. In any event, they are easily obtainable through Google searches and are available on Chevron's website under an elaborately designed section devoted to the Ecuador litigation (www.texaco.com/sitelets/ecuador/en/default.aspx). Since our last contact, Chevron unfortunately has continued this practice of putting out false information both through its press releases and on its website. In a press release dated March 1, 2007, Chevron pronounced the results from a well site called SSF-24 as "confirming that the remediated pits do not contain unsafe levels of petroleum-related compounds" while independent laboratory analyses found TPHs more than 66 times higher than the legal limit in Ecuador.[20] In another press release from the same day, describing the results from an inspection at well site Shushufindi-13, Chevron claimed the results confirm that "there is no health risk" at the site.[21] Yet at soils surrounding the site Cadmium 6 (a known human carcinogen) was found at 19 times the legal limit in Ecuador, and PAHs (polycyclic aromatic hydrocarbons) were found at more than 39 times the legal limit.[22] These limits are created by regulatory authorities to protect public health from unnecessary risk. Chevron's statements in its press release relative to contamination at this site are false.

In the absence of proper disclosure about the pending Ecuador liability, Chevron's shareholders must turn to the corporation's public statements to accurately deduce the financial health of their investments. But throughout its public and widely distributed press releases, Chevron has consistently misrepresented the facts on the ground in Ecuador, underemphasized the potential for a finding of liability, and overemphasized the likelihood that its shrinking set of defenses will be met with success. Again, SEC enforcement action is critical to protect shareholders from the negative effects of these violations of Chevron's disclosure obligations.

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[19] The doctrine of judicial estoppel prevents a party from playing "fast and loose with the courts [and] gaining unfair advantage through the deliberate adoption of inconsistent positions in successive suits." *Wight v. BankAmerica* Corp., 219 F.3d 79, 90 (2d Cir. 2000) (citation omitted). Chevron also has threatened to file claims against the government of Ecuador under international arbitration procedures, but such actions would suffer from various egregious defects – including the fact that Ecuador did not sign on to a bilateral investment treaty with the U.S. until after Chevron left the country in 1992.

[20] "The Results Of The Judicial Site Inspection At Shushufindi-24 Find No Risk To Public Health From Texaco Petroleum Activities,"Chevron Press Release, March 1, 2007, *available at* http://www.texaco.com/sitelets/ecuador/en/legal_archives/press/2007-03-01_ssf-24.asp.

[21] "Expert Report for Shushufindi-13 Finds that the Texaco Petroleum Remediation was Effective,"Chevron Press Release, March 1, 2007, *available at* http://www.texaco.com/sitelets/ecuador/ en/legal_archives/press/2007-03-01_ssf-13.asp.

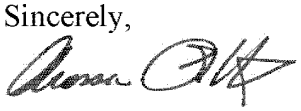
[22] *See* "Observaciones Al Informe Pericial Shushufindi 13 Del Ingeniero José Robalino" items 1-3 and 1-4 (on file with Amazon Defense Coalition and the Lago Agrio court).

Conclusion

As we stated in our earlier correspondence, we believe SEC oversight is essential to ensure the type of frank corporate disclosure that protects individual investors and the overall stability of financial markets. Despite the increasing likelihood that Chevron will be forced to pay (by its own admission) an "enormous" liability relating to its Ecuador operations, the company still has failed to share this frank internal assessment with shareholders. Instead, it has misled its shareholders and the public by deliberately downplaying the liability by posting misleading information and press releases on its corporate website. If Chevron is eventually held liable for a multi-billion dollar damages claim in Ecuador, the shock to investors and markets – who have received no warning from the company, and in fact have been spoon-fed a series of falsifications, exaggerations, omissions, and misleading public statements -- could be grave indeed. The interest of Chevron's thousands of individual and institutional shareholders in having access to truthful and complete information about the company's extraordinary Ecuador liability compels that the SEC take action to ensure that Chevron complies with disclosure obligations mandated by law.

If you need verification of any of the information herein referenced, please do not hesitate to contact me directly.

Sincerely,



Atossa Soltani
Executive Director, Amazon Watch

cc:
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