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Department of the Interior
Minerals Management Service
381 Elden St.
Herndon, Virginia 20170-4817

Attention: Dr. Marshall Rose
Chief, Economics Division

Re: Chevron Comments on Proposed Notice of Sale for OCS Lease Sale 213 (November 16, 2009)

Dear Dr. Rose,

Chevron U.S.A. Inc. (Chevron) appreciates the opportunity to provide comments to the Minerals Management Service (MMS) on the above-referenced proposed Notice of Sale 213 (the "Proposed NOS") for Outer Continental Shelf (OCS) lease blocks located in the Central Gulf of Mexico. The Proposed NOS is generally consistent with other recent Gulf of Mexico lease sale notices, except in one significant respect. Specifically, the Proposed NOS indicates that for leases located in water depths between 800 and less than 1600 meters the MMS may reduce the primary lease term from 10 to 7 years, with a 3-year extension available under certain circumstances. We do not support this proposed change because it negatively affects our ability to explore for oil and gas production in the deepwater Gulf of Mexico and, if adopted, would be a disincentive to domestic exploration in the deepwater Gulf of Mexico. Given that the deepwater Gulf of Mexico is one of the few remaining frontier areas currently available to us with significant potential for increasing domestic oil and gas production and thereby enhancing U.S. energy security, the MMS should seriously reconsider its proposed change.

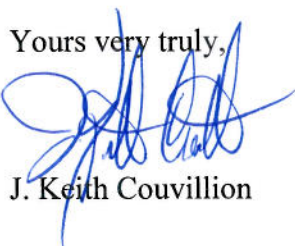
Exploring for oil and gas in the deepwater Gulf of Mexico requires the parties conducting the exploration activities evaluate a portfolio of opportunities from which they may select from for future drilling. Our objective is to drill the leases that are most "prospective," that is, most likely to contain oil and gas in commercial quantities. Determining which leases are most prospective requires major capital investments in developing a geological picture through seismic and other data. A lessee cannot afford to make these investments unless prospects are part of a lease portfolio that it owns or otherwise actually has the ability to drill. A lease portfolio containing a

reasonable inventory of drilling opportunities provides the incentive necessary to support a party's investment in pre-drilling activities with the hope of identifying subsurface opportunities that merit the massive and risky expenditures of exploratory drilling. As the MMS is aware, the reality of deepwater exploration is that only a small portion of deepwater lands hold commercial quantities of oil and gas. For that reason, even given the major technological advances that our industry has made in deepwater drilling, many exploratory wells in the deepwater continue to result in non-commercial or dry holes. It is therefore critical that lessees be allowed to maintain a lease portfolio that provides them with the opportunity to identify and evaluate commercially viable prospects. The proposed change to 7 +3 year lease terms will make maintaining a portfolio even more difficult and could result in creating a leasing process that is even more risky ultimately resulting in less offshore development instead of more.

The only rationale that the MMS provides for its proposed change is that "[t]he proposed 7+3 lease term recognizes that exploration can typically be undertaken within the initial 7- year lease term, but development still may require the full 10 year term." This rationale does not recognize the importance of creating and maintaining a high-quality exploration portfolio that increases the possibility of commercial success. Deepwater leases, including those in the 800 to 1600 meter water depth range, require more time to evaluate their prospectiveness from both a technical and commercial perspective. Given the massive capital investments involved in exploring and developing deepwater projects, there are already powerful financial and capital stewardship incentives to drill and develop prospects as soon as possible. In addition, with every lease sold the federal government at a minimum gains bonus and rental income whether or not commercial quantities of oil and gas production are ever discovered. For these reasons, our recommendation is that the MMS leave the lease term for acreage located in water depths between 800 to 1600 meters at 10 years.

In the event MMS nevertheless decides to move forward with issuing leases for 7-year terms with optional 3- year extensions, we recommend that the final Notice of Sale for OCS Lease Sale 213 be modified to clarify that 7-year leases can be "extended to 10 years if a well is spudded on the lease or in a approved unit which includes the lease within the initial 7-year lease term...." We believe it is important to include the highlighted language in the preceding sentence to ensure that there is no misunderstanding as to when the 3-year extension will or will not be granted.

We thank you for the opportunity to comment on the Proposed NOS. Should there be any questions regarding our comments, please do not hesitate to contact me.

Yours very truly,

J. Keith Couvillion