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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2011**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-00368

Chevron Corporation

(Exact name of registrant as specified in its charter)

Delaware	94-0890210	6001 Bollinger Canyon Road, San Ramon, California 94583-2324
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)	(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (925) 842-1000

Securities registered pursuant to Section 12 (b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, par value $.75 per share	New York Stock Exchange, Inc.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Chevron Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, comprehensive income, equity and of cash flows present fairly, in all material respects, the financial position of Chevron Corporation and its subsidiaries at December 31, 2011, and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

San Francisco, California
February 23, 2012

Millions of dollars, except per-share amounts

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construction is in progress, with initial recognition of proved reserves expected upon reaching "economic producibility" per SEC guidelines; (e) $14 – miscellaneous activities for two projects with smaller amounts suspended. While progress was being made on all 47 projects, the decision on the recognition of proved reserves under SEC rules in some cases may not occur for several years because of the complexity, scale and negotiations connected with the projects. The majority of these decisions are expected to occur in the next three years.

The $1,877 of suspended well costs capitalized for a period greater than one year as of December 31, 2011, represents 161 exploratory wells in 47 projects. The tables below contain the aging of these costs on a well and project basis:

Aging based on drilling completion date of individual wells:	Amount	Number of wells
1997–2000	$ 49	16
2001–2005	396	47
2006–2010	1,432	98
Total	$ 1,877	161

Aging based on drilling completion date of last suspended well in project:	Amount	Number of projects
1999	$ 8	1
2003–2006	345	10
2007–2011	1,524	36
Total	$ 1,877	47

Note 20

Stock Options and Other Share-Based Compensation

Compensation expense for stock options for 2011, 2010 and 2009 was $265 ($172 after tax), $229 ($149 after tax) and $182 ($119 after tax), respectively. In addition, compensation expense for stock appreciation rights, restricted stock, performance units and restricted stock units was $214 ($139 after tax), $194 ($126 after tax) and $170 ($110 after tax) for 2011, 2010 and 2009, respectively. No significant stock-based compensation cost was capitalized at December 31, 2011 and 2010.

Cash received in payment for option exercises under all share-based payment arrangements for 2011, 2010 and 2009 was $948, $385 and $147, respectively. Actual tax benefits realized for the tax deductions from option exercises were $121, $66 and $25 for 2011, 2010 and 2009, respectively.

Cash paid to settle performance units and stock appreciation rights was $151, $140 and $89 for 2011, 2010 and 2009, respectively.

Chevron Long-Term Incentive Plan (LTIP) Awards under the LTIP may take the form of, but are not limited to, stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and nonstock grants. From April 2004 through January 2014, no more than 160 million shares may be issued under the LTIP, and no more than 64 million of those shares may be in a form other than a stock option, stock appreciation right or award requiring full payment for shares by the award recipient. For the major types of awards outstanding as of December 31, 2011, the contractual terms vary between three years for the performance units and 10 years for the stock options and stock appreciation rights.

Texaco Stock Incentive Plan (Texaco SIP) On the closing of the acquisition of Texaco in October 2001, outstanding options granted under the Texaco SIP were converted to Chevron options. These options, which had 10-year contractual lives extending into 2011, retained a provision for being restored. This provision enabled a participant who exercised a stock option to receive new options equal to the number of shares exchanged or who had shares withheld to satisfy tax withholding obligations to receive new options equal to the number of shares exchanged or withheld. The restored options were fully exercisable six months after the date of grant, and the exercise price was the market value of the common stock on the day the restored option was granted. Beginning in 2007, restored options were issued under the LTIP. No further awards may be granted under the former Texaco plans.

Unocal Share-Based Plans (Unocal Plans) When Chevron acquired Unocal in August 2005, outstanding stock options and stock appreciation rights granted under various Unocal Plans were exchanged for fully vested Chevron options and appreciation rights. These awards retained the same provisions as the original Unocal Plans. Unexercised awards began expiring in early 2010 and will continue to expire through early 2015.

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The fair market values of stock options and stock appreciation rights granted in 2011, 2010 and 2009 were measured on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions:

	Year ended December 31		
	2011	2010	2009
Stock Options			
Expected term in years[1]	**6.2**	6.1	6.0
Volatility[2]	**31.0%**	30.8%	30.2%
Risk-free interest rate based on zero coupon U.S. treasury note	**2.6%**	2.9%	2.1%
Dividend yield	**3.6%**	3.9%	3.2%
Weighted-average fair value per option granted	**$21.24**	$16.28	$15.36
Restored Options			
Expected term in years[1]	**1.2**	1.2	1.2
Volatility[2]	**20.6%**	38.9%	45.0%
Risk-free interest rate based on zero coupon U.S. treasury note	**0.7%**	0.6%	1.1%
Dividend yield	**3.4%**	3.8%	3.5%
Weighted-average fair value per option granted	**$ 7.55**	$12.91	$12.38

1 Expected term is based on historical exercise and postvesting cancellation data.
2 Volatility rate is based on historical stock prices over an appropriate period, generally equal to the expected term.

A summary of option activity during 2011 is presented below:

	Shares (Thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2011	74,852	$ 67.04		
Granted	14,260	$ 94.46		
Exercised	(15,844)	$ 60.20		
Restored	33	$ 103.96		
Forfeited	(953)	$ 85.79		
Outstanding at December 31, 2011	72,348	$ 73.71	6.4 yrs	$ 2,365
Exercisable at December 31, 2011	45,494	$ 67.84	5.3 yrs	$ 1,755

The total intrinsic value (i.e., the difference between the exercise price and the market price) of options exercised during 2011, 2010 and 2009 was $668, $259 and $91, respectively. During this period, the company continued its practice of issuing treasury shares upon exercise of these awards.

As of December 31, 2011, there was $265 of total unrecognized before-tax compensation cost related to non-vested share-based compensation arrangements granted or restored under the plans. That cost is expected to be recognized over a weighted-average period of 1.7 years.

At January 1, 2011, the number of LTIP performance units outstanding was equivalent to 2,727,874 shares. During 2011, 1,011,200 units were granted, 810,071 units vested with cash proceeds distributed to recipients and 47,167 units were forfeited. At December 31, 2011, units outstanding were 2,881,836, and the fair value of the liability recorded for these instruments was $294. In addition, outstanding stock appreciation rights and other awards that were granted under various LTIP and former Texaco and Unocal programs totaled approximately 2.2 million equivalent shares as of December 31, 2011. A liability of $62 was recorded for these awards.

Note 21

Employee Benefit Plans

The company has defined benefit pension plans for many employees. The company typically prefunds defined benefit plans as required by local regulations or in certain situations where prefunding provides economic advantages. In the United States, all qualified plans are subject to the Employee Retirement Income Security Act (ERISA) minimum funding standard. The company does not typically fund U.S. nonqualified pension plans that are not subject to funding requirements under laws and regulations because contributions to these pension plans may be less economic and investment returns may be less attractive than the company's other investment alternatives.

The company also sponsors other postretirement (OPEB) plans that provide medical and dental benefits, as well as life insurance for some active and qualifying retired employees. The plans are unfunded, and the company and retirees share the costs. Medical coverage for Medicare-eligible retirees in the company's main U.S. medical plan is secondary to Medicare (including Part D) and the increase to the company contribution for retiree medical coverage is limited to no more than 4 percent each year. Certain life insurance benefits are paid by the company.

Under accounting standards for postretirement benefits (ASC 715), the company recognizes the overfunded or underfunded status of each of its defined benefit pension and OPEB plans as an asset or liability on the Consolidated Balance Sheet.