



The Energy to Grow

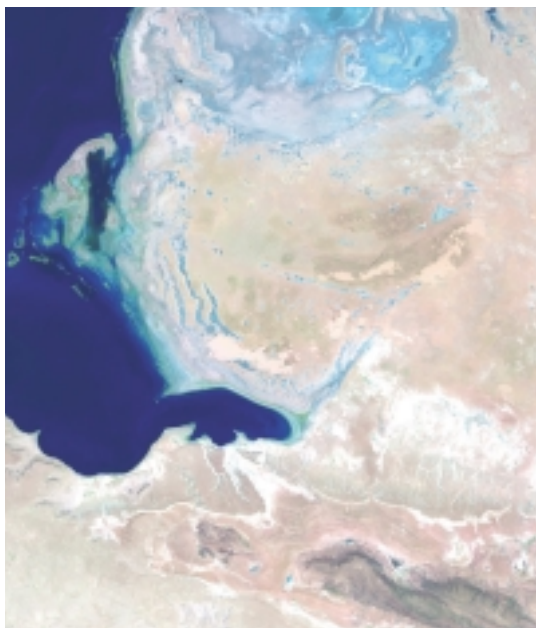
Gulf of Mexico



Papua New Guinea



Nigeria



Caspian Region

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ABOUT THE COVER

Remote-sensing images, captured by aircraft and satellite, provide key information about an area's geology, vegetation and infrastructure. In Nigeria, Chevron is using such data to create an environmental baseline map. In Papua New Guinea, the company has shared remote-sensing images in support of a World Wildlife Fund environmental program.



Whenever possible, Chevron prints on recycled and recyclable paper. The company has printed its Annual Reports on recycled paper since 1990.

CHEVRON IS WELL PREPARED FOR A CHANGING WORLD

I feel fortunate to have been named chief executive officer of your company at one of the most dynamic times in our 120-year history. The competitive landscape has changed, emerging technologies are reshaping industry, and old approaches to business are giving way to new. What remains constant, however, is the importance of energy to the world's economic growth.

With our enviable resource base, strong market and technology positions, and our talented and dedicated work force, Chevron is well prepared for this changing world.

In this, my first letter to you, I'll highlight our 1999 accomplishments and lay out goals for the next five years. But first, I want to acknowledge the leadership of my predecessor, Ken Derr, who retired at the end of 1999. Ken contributed enormously to creating today's Chevron – a strong, focused company with excellent growth prospects and unassailable values.

I'm committed to building on that legacy. We have the energy to grow our business, and we will continue providing communities and nations with the energy they need to grow and prosper.

A LOOK BACK

What a difference a year makes. In late 1998, crude oil prices were at near-record lows, and recovery was uncertain. At that time, we announced plans to reduce capital spending in most of our businesses and to launch a companywide effort to reduce our cost structure by \$500 million. These moves allowed us to continue funding our growth in international exploration and production.

We've more than met our commitments. In the first quarter of 1999, we acquired Rutherford-Moran Oil Corporation, which gives us a new growth platform in Southeast Asia's natural gas market. In September, we purchased Petrolera Argentina San Jorge S.A., a company with excellent prospects in two key geologic basins in Latin America.

TO OUR STOCKHOLDERS



Dave O'Reilly

**Dick Matzke**

Vice Chairman

In addition, we continued to invest in ongoing operations. Production from Kazakhstan's Tengiz Field was up 14 percent to 214,000 barrels of oil a day in 1999, and plant expansions will boost production to 260,000 by year-end. The Kuito Field, our first deepwater project in Angola, started operations in December and is expected to produce 100,000 barrels a day when fully operational. In addition, Genesis and Gemini – our first two deepwater fields in the Gulf of Mexico – started up last year. Their combined output at year-end was 82,000 barrels a day.

As pledged, we reduced capital spending in targeted areas. In addition, our initiatives to eliminate \$500 million from our cost structure on a sustained basis have proved very successful. Savings came from all parts of the company. We reorganized chemicals, pipeline, and North American upstream (exploration and production) and downstream (refining, marketing and transportation) units; sold noncore U.S. upstream assets, as well as our two San Francisco office buildings; restructured human resources and finance; standardized information technology systems; improved how we buy goods and services; and completed the move of our downstream affiliate Caltex from Dallas to Singapore.

Having achieved these goals and benefited from a recovery in oil prices, our performance improved in 1999. Operating earnings were \$2.3 billion, up from \$1.9 billion in 1998. Worldwide liquids production was up 2 percent to a record 1.13 million barrels a day, and for the seventh straight year, oil and gas reserves additions exceeded production.

However, we fell short in operating with excellence. The cost of incidents was up in 1999. That's unacceptable. We're redoubling our efforts to ensure that the appropriate process improvements are in place and that all employees are engaged in this critical area.

A LOOK AHEAD

I've set two challenging goals for the five-year period 2000 through 2004: to be No.1 in total stockholder return relative to our peers – tougher competitors than ever – and to achieve a minimum 12 percent return on capital employed while continuing to grow. Success requires profitable earnings-per-share growth greater than our competitors', and I'm convinced that we have the organization and the will to succeed.

Priorities driving our success. Achieving these goals will require superior performance in four areas: operational excellence, cost reduction, capital stewardship and profitable growth – all driven by organizational capability.

1. Operational excellence: Safe, reliable, efficient operations companywide are essential to achieving our objectives. They are, in fact, the foundation for growth. This is Job No.1 for all of us day in and day out. We are committed to ensuring continued and sustainable improvements in our operations.

2. Cost reduction: We will build on last year's \$500 million cost-reduction effort, much of which will continue to show rewards in the coming years. For example, we are just starting to reap the benefits from our new global procurement process and from our restructured support functions.

3. Capital stewardship: We reinvest about \$5 billion annually in our business. It's essential that we be wise stewards of our investors' money. We have a world-class project-management process that is helping us improve greatly in two areas: decision quality –

**Jim Sullivan**

Vice Chairman



Ken Derr's Legacy

While Ken Derr was chairman, 1989 through 1999, Chevron's market capitalization nearly quadrupled to about \$60 billion. But Derr's contributions went beyond this remarkable financial performance. He expanded the company globally, broadening operations in Africa, Asia and Latin America and pioneering Chevron's entry into Kazakhstan. He inspired improved work processes and open communication. He stressed the importance of valuing diversity and developing leaders. The Chevron of tomorrow will be stronger for his efforts.

ensuring that the right people have the right data when deciding whether a project should proceed; and project execution – excelling in engineering, construction and start-up so that we employ capital most efficiently. The start-up of Angola's deepwater Kuito Field – under budget and just two and a half years after discovery – was a remarkable achievement and is evidence of progress in this area.

4. Profitable growth: Delivering on operational excellence, cost reduction and capital stewardship will provide earnings growth. But we must do more.

We will seek continued profitable growth in our core businesses, particularly international upstream. We will seek acquisitions and alliances that enhance growth. In February, we announced a joint venture between our chemicals business and that of Phillips Petroleum Company. The new \$6 billion company, to be formed by midyear, will be a world-class competitor in petrochemicals. We will also capture new opportunities. Currently, we're growing in the power and gas business through Dynegy, in which we hold about a 28 percent interest. We're also investing in new process technologies, including a method for converting natural gas to liquids, as well as in information and Internet technologies.

However, none of this can happen without *organizational capability* – our combined talents, knowledge, systems and processes effectively applied to the four priorities above. To continue to build organizational capability, we must learn from our experiences and rapidly share knowledge across work groups. Seeking and applying better ways to operate with excellence, reduce costs, improve capital stewardship and grow profitably are critical to our success. We have a talented team of people to accomplish this.

THE ENERGY TO GROW

The energy business has a very bright future. It fulfills a critical role in providing products and services to customers and communities around the globe and is essential to economic growth and prosperity in both the developed and the developing world.

Chevron's reputation is second to none. As a valued participant in the economies of more than 100 countries, we are respected by host governments, by our business partners and by millions of customers worldwide.

I am proud of our people and our progress and optimistic about our future. We've moved aggressively to make Chevron a stronger company, and we are prepared to participate in the exciting period of growth that lies ahead. I'm confident we will succeed.

Dave O'Reilly

*Chairman of the Board
and Chief Executive Officer*

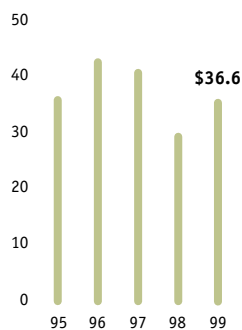
February 23, 2000

FINANCIAL HIGHLIGHTS

Millions of dollars, except per-share amounts	1999	1998	% Change
Net income	\$ 2,070	\$ 1,339	55%
Sales and other operating revenues	\$35,448	\$29,943	18%
Capital and exploratory expenditures*	\$ 6,133	\$ 5,314	15%
Total assets at year-end	\$40,668	\$36,540	11%
Total debt at year-end	\$ 8,919	\$ 7,558	18%
Stockholders' equity at year-end	\$17,749	\$17,034	4%
Cash flow from operating activities	\$ 4,481	\$ 3,731	20%
Common shares outstanding at year-end (Thousands)	656,345	653,026	—
Per-share data			
Earnings – basic	\$ 3.16	\$ 2.05	54%
Earnings – diluted	\$ 3.14	\$ 2.04	54%
Cash dividends	\$ 2.48	\$ 2.44	2%
Stockholders' equity	\$ 27.04	\$ 26.08	4%
Market price at year-end	\$ 86.63	\$ 82.94	4%
Total debt/total debt plus equity	33.4%	30.7%	
Return on average stockholders' equity	11.9%	7.8%	
Return on average capital employed (ROCE)	9.4%	6.7%	

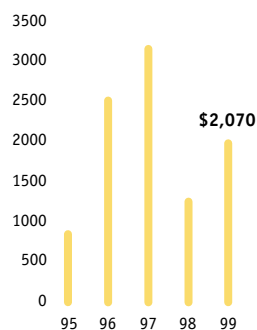
* Includes equity in affiliates

TOTAL REVENUES
Billions of dollars



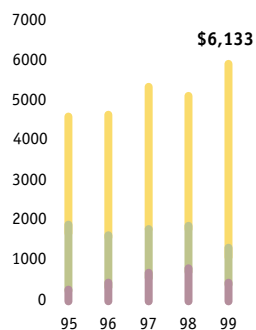
Revenues improved 20 percent mainly due to higher prices for crude oil and refined products.

NET INCOME
Millions of dollars



Net income of \$2.070 billion was up 55 percent from 1998.

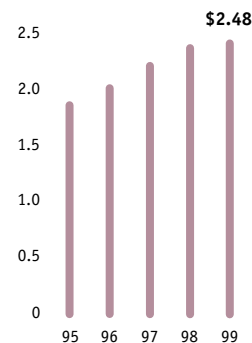
CAPITAL & EXPLORATORY EXPENDITURES*
Millions of dollars



Exploration and production accounted for 75 percent of 1999 expenditures.

*Includes equity in affiliates

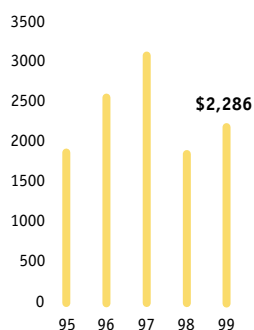
CASH DIVIDENDS PAID
Dollars per share



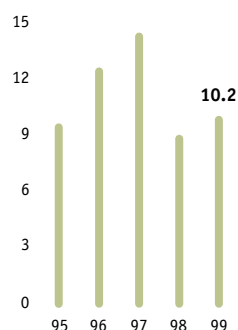
Annual dividends increased for the 12th consecutive year.

OPERATING HIGHLIGHTS

	1999	1998	% Change
Net production of crude oil and natural gas liquids ¹ (Thousands of barrels per day)	1,127	1,107	2%
Net production of natural gas ¹ (Millions of cubic feet per day)	2,513	2,393	5%
Sales of natural gas ¹ (Millions of cubic feet per day)	4,936	4,807	3%
Refinery input ¹ (Thousands of barrels per day)	1,424	1,344	6%
Sales of petroleum products ^{1,2} (Thousands of barrels per day)	2,384	2,224	7%
Net proved reserves of crude oil, condensate and natural gas liquids ¹ (Millions of barrels)	4,784	4,697	2%
Net proved reserves of natural gas ¹ (Billions of cubic feet)	9,056	9,303	(3)%
Chemicals sales revenues ³ (Millions of dollars)	\$3,737	\$3,216	16%
Adjusted operating expenses per barrel	\$ 5.16	\$ 5.32	(3)%
Number of employees at year-end ⁴	31,459	33,676	(7)%

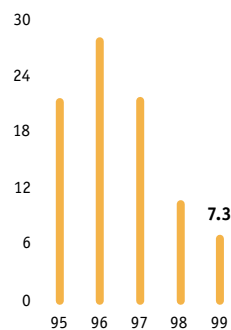
¹Includes equity in affiliates²Restated to conform to 1999 presentation³Includes sales to other Chevron companies⁴Excludes service station personnel**EARNINGS, EXCLUDING SPECIAL ITEMS***Millions of dollars*

Operating earnings were up 18 percent in 1999, benefiting from the recovery in crude oil prices.

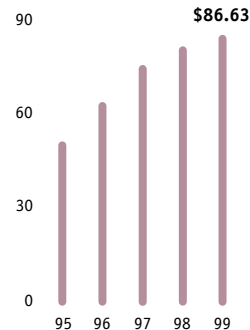
RETURN ON AVERAGE CAPITAL EMPLOYED**Percentage*

Increased profitability boosted Chevron's return on capital employed to 10.2 percent.

*Excluding special items

AVERAGE ANNUAL RETURN TO STOCKHOLDERS*Percentage*

The annual return on Chevron stock has averaged 17.9 percent over the past five years.

CHEVRON YEAR-END COMMON STOCK PRICE*Dollars per share*

The price of Chevron's common stock increased approximately 4 percent in 1999.



DEJI HAASTRUP

Chevron Nigeria's manager of community and government relations, Haastrup currently is focusing his skills on a new geographic area. He's on special assignment as Chevron Overseas' liaison officer for Latin America, a strategically important high-growth region.

“Our partnerships around the world have more similarities than differences. What I’ve learned working in Nigeria I can apply to a new growth region like Latin America. We pride ourselves – and, in one sense, gauge our success – by the welcome that local communities afford us.”

UPSTREAM

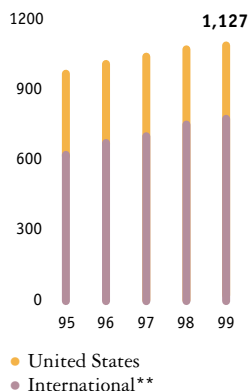
EXPLORATION & PRODUCTION

INTERNATIONAL HIGHLIGHTS

- OPERATIONAL EARNINGS INCREASED 61 PERCENT TO \$1.156 BILLION.
- OIL AND EQUIVALENT GAS PRODUCTION VOLUMES GREW 7 PERCENT DUE TO GAINS IN ANGOLA AND KAZAKHSTAN AND THROUGH ACQUISITIONS.
- RESERVES REPLACEMENT EQUALED 169 PERCENT OF 1999 PRODUCTION.
- HIGH-POTENTIAL ASSETS ACQUIRED IN THAILAND AND ARGENTINA.
- PRODUCTION BEGAN FROM THE BANZALA AND KUITO FIELDS IN ANGOLA.
- JOINT VENTURE FORMED WITH PETROBRAS TO EXPLORE DEEP WATER OFFSHORE BRAZIL.
- THE BRITANNIA PROJECT IN THE U.K. NORTH SEA WON A BRITISH CONSTRUCTION INDUSTRY AWARD FOR EFFICIENCY IN LARGE-SCALE CONSTRUCTION.

NET CRUDE OIL & NATURAL GAS LIQUIDS PRODUCTION*

Thousands of barrels per day



Net liquids production rose 2 percent, with increased production in Canada, Kazakhstan and Indonesia.

*Includes equity in affiliates

**Includes Canada

In international exploration and production, 1999 capped a decade of improvements marked by increases in earnings, production volumes and oil and gas reserves, as well as by gains – in time and money – from better project management.

Tengiz output increases; pipeline moves ahead. Tengizchevroil (TCO), a joint venture with Kazakhstan, represents one of Chevron's most promising growth prospects. Production from the Tengiz Field was up 14 percent in 1999, averaging 214,000 barrels a day, and is expected to top 700,000 in 2010. Plant expansions will boost production to 260,000 barrels a day by year-end. Chevron holds a 45 percent interest in TCO, which early this year completed 7 million work hours without a lost-time incident.

The key to unlocking the potential of Tengiz is an export pipeline. In 1999, after years of negotiations, construction began on the Caspian Pipeline Consortium's (CPC) 900-mile pipeline. It's expected to begin transporting oil from the Tengiz Field to the Black Sea port of Novorossiysk in 2001. In November, CPC shareholders approved a \$1.3 billion budget and work plan for 2000. Chevron is the largest oil company shareholder of CPC, with a 15 percent interest.

West Africa begins deepwater production, sees growth in natural gas. In December 1999, Chevron began production from the Kuito Field, Angola's first deepwater project. Development studies are under way for the nearby Benguela and Belize fields, both discovered in 1998. Chevron has a 31 percent interest in each.

In Angola, one of the company's strongest growth areas, the company plans to increase production to 600,000 barrels a day by 2002, up from 460,000 in 1999.

In Nigeria, another key growth area, Chevron plans to increase production from 1999 levels of 420,000 barrels a day to 600,000 oil-equivalent barrels by 2003. Chevron has a 40 percent interest in the Nigerian fields it operates.

Nigeria's oil fields contain large amounts of natural gas, which typically has been flared during oil production. Chevron's long-term gas strategy aims to eliminate flaring and to market clean-burning natural gas, thereby reducing greenhouse gas emissions.

The Escravos Gas Plant gathers and processes natural gas for domestic and international customers. A 600-mile pipeline, planned for 2002, will supply natural gas to



Chevron acquired an interest in the Tantan Platform in the Gulf of Thailand, among other assets, with its 1999 purchase of Rutherford-Moran Oil Corporation.

electricity plants in neighboring Ghana, Benin and Togo. Near Escravos, Chevron and partner Sasol Synfuels International plan to build one of the world's largest gas-to-liquids plants to convert natural gas into clean-burning fuels. Augmenting Chevron's gas strategy are "zero-flare" oil field developments in Nigeria, Angola and the Republic of Congo.

Acquisitions made in high-growth areas. Chevron acquired Rutherford-Moran Oil Corporation and became operator of fields strategically positioned to supply natural gas to growing Southeast Asian markets. By year-end, Chevron was producing 46,000 oil-equivalent barrels a day. Chevron's interest is 52 percent.

Chevron also acquired Petrolera Argentina San Jorge S.A., which produces about 78,000 barrels of oil and 40 million cubic feet of gas a day. Recently, San Jorge made new oil discoveries in the Santa Cruz and Rio Negro provinces. Chevron expects that San Jorge, Argentina's second-largest oil exporter, will provide further growth in Latin America.

Operations strong in United Kingdom, Australia, Indonesia. In 1999, the North Sea's Britannia Field, which began operations in 1998 nearly 20 percent under construction budget, was producing 650 million cubic feet of natural gas a day – 10 percent above target. The field contains reserves of about 3 trillion cubic feet. Chevron owns a 30 percent share.

Chevron and partners made significant natural gas discoveries offshore Western Australia at the Geryon and Orthrus wells, increasing reserves available to produce liquefied natural gas. Chevron has a 25 percent interest in these wells and assumed operatorship of them and nearby fields in early 2000.

Caltex Pacific Indonesia, a 50 percent-owned affiliate, remains the dominant producer in Indonesia. It produced about 745,000 barrels of oil a day in 1999, using steam injection at the Duri Field and water injection at the Minas Field to increase oil recovery.

NORTH AMERICA HIGHLIGHTS

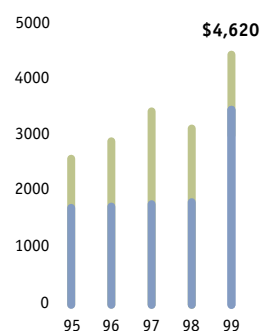
- GENERATED \$1.2 BILLION IN CASH.
- ACHIEVED RECORD SAFETY PERFORMANCE IN THE UNITED STATES AND CANADA.
- REDUCED OPERATING EXPENSES 14 PERCENT, OR 66 CENTS PER BARREL BELOW THE 1998 LEVEL.
- BEGAN PRODUCTION FROM GENESIS AND GEMINI, CHEVRON'S FIRST DEEPWATER PROJECTS IN THE GULF OF MEXICO.
- INCREASED PRODUCTION FROM THE GULF OF MEXICO'S VIOSCA KNOLL FIELD TO 65 MILLION CUBIC FEET OF GAS A DAY, A RATE EXPECTED TO DOUBLE THIS YEAR.

Chevron's production areas in North America continue to generate cash and earnings through aggressive cost management and capital efficiency, providing cash to the corporation and funding for two main growth areas: the Gulf of Mexico's deep water and offshore eastern Canada.

Deepwater production continues to climb. Through deepwater exploration in the Gulf of Mexico, Chevron aims to find 2 billion barrels of oil equivalent over the next

EXPLORATION & PRODUCTION – CAPITAL & EXPLORATORY EXPENDITURES*

Millions of dollars



■ United States
■ International*

International expenditures outpaced U.S. spending four to one.

*Includes equity in affiliates
**Includes Canada

Genesis, Chevron's first "floating spar" platform, was designed for simultaneous drilling and production operations. With it, the company began its first deepwater Gulf of Mexico production in early 1999.





MUSTAPHA ABDERRAHMANE

An information technology specialist based in Kazakhstan, Abderrahmane is fluent in Arabic, English and French. He has supported Chevron units from Caracas to Kuwait and from West Africa to Western Australia.

“Few employees actually drill for oil. But everyone drills for data. Chevron’s global information system makes it easier to transfer knowledge, share best practices and make sound decisions. As an organization, we have to be skilled in technologies above the ground as well as below.”

10 years. In 1999, Chevron began producing two deepwater fields. Genesis, a Chevron-operated project, had year-end gross production of 47,000 barrels a day of oil and equivalent gas, and Gemini, 35,000 barrels a day. Chevron's shares are 57 percent and 40 percent, respectively. Gemini came on stream faster and at less cost than the industry average. Production from a third project, Typhoon, which Chevron will operate, is planned for August 2001 at an initial rate of 46,000 barrels a day. Chevron's share is 50 percent.

Opportunities grow in eastern Canada. Offshore eastern Canada, additional wells, along with gas injection, resulted in the Hibernia Field's year-end gross production increasing to more than 150,000 barrels of oil a day. The estimate of recoverable oil from Hibernia was increased 15 percent to 750 million barrels due to improved reservoir performance. Chevron's interest is 27 percent. Chevron is evaluating development of Hebron, a nearby field with more than 650 million barrels of oil. The company also acquired a significant leasehold in Nova Scotia in 1999 and plans to complete seismic analysis and begin drilling in 2002.

New projects tap growth in western Canada. In May, Chevron made a major natural gas discovery at Fort Liard in the Northwest Territories. The discovery well and one drilled subsequently are expected to yield a combined 145 million cubic feet of gas a day. First production is expected by midyear. Chevron is the operator, with a 43 percent interest.

In Alberta, Chevron acquired a 20 percent interest in Shell's Athabasca Oil Sands Project containing about 1.6 billion barrels of recoverable bitumen that will be processed into synthetic crude. Plans call for constructing a mine, an upgrader and pipelines to process 155,000 barrels a day of bitumen for at least 30 years starting in late 2002.

Dynegy merger completed. In February, Chevron invested an additional \$200 million in Dynegy Inc., which recently merged with Illinova Corporation, creating a company with a market capitalization in excess of \$6 billion. Chevron has a 28 percent interest in this full-service provider of energy products and services. Total power generation capacity is more than 14,000 gross megawatts.

DOWNSTREAM

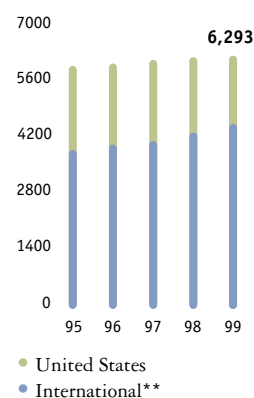
REFINING, MARKETING & TRANSPORTATION

HIGHLIGHTS

- BRANDED GASOLINE SALES WERE UP 5 PERCENT TO 545,000 BARRELS A DAY, GROWING AT TWICE THE U.S. INDUSTRY AVERAGE.
- CONVENIENCE STORE SALES INCREASED 25 PERCENT TO \$290 MILLION.
- PASCAGOULA, MISSISSIPPI, REFINERY SET PLANT RECORDS FOR RELIABILITY AND THROUGHPUT.

U.S. refining, marketing and transportation reported operating earnings of \$375 million, down from \$633 million in 1998. The reduced earnings were due primarily to rising

NET PROVED RESERVES
Millions of OEG* barrels



Net proved reserves were up in 1999, increasing for the seventh consecutive year.

*Oil and equivalent gas
 **Includes Canada and equity in affiliates



The ExtraMile Market, Chevron's new convenience-store concept, debuted in the Dallas area. New stores also have opened in California, Arizona, Washington and Louisiana.



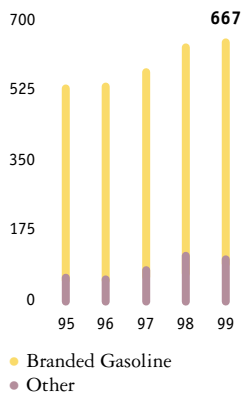
NANCY REYDA

As marketing manager of brand development, Reyda was one of the creative sparks behind the Web-based Chevron Retailer Alliance. She's now responsible for developing new e-businesses.

“We’re reinventing everything we do in retail around the power of the Internet, and that signals a breakthrough for us. Using the Web for business-to-business commerce, we can create new value and make it easier for our retailers to conduct their business.”

U.S. GASOLINE SALES VOLUMES

Thousands of barrels per day



Higher-value branded gasoline makes up the larger part of gasoline sales.

crude oil prices, weak Gulf Coast refining margins and higher costs for refinery incidents.

Ongoing cost-reduction efforts include improvements in purchasing – part of the corporation's global procurement effort – energy efficiency and scheduled plant maintenance.

Retail increases nonfuel sales, debuts online business. Marketing continues to build on its strategy of combining fuel sales and convenient quick-stop shopping. In 1999, Chevron introduced its ExtraMile Market, a branded retail convenience store (C-store) that offers fresh foods along with other convenience goods. Eleven ExtraMile stores are currently in operation, with more planned.

The Chevron Retailer Alliance, an Internet-based support system for retailers, was successfully introduced in 1999. It is proving to be an effective new business model with potential applications elsewhere.

Alliances build brand image. The alliance with McDonald's continues, with some 120 co-branded sites now operating. This summer, Disneyland and co-sponsor Chevron will unveil the California theme park's new Autopia – an updated driving concourse for kid-size cars. Chevron's toy-car characters will be featured prominently, and Chevron will supply all of Disneyland's fuel and lubricant needs in California. More than 10 million Chevron toy cars have been sold since their introduction in 1996.

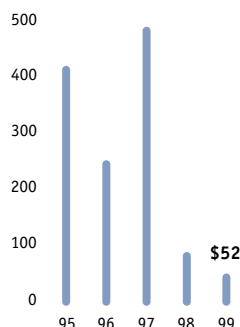
Aviation fuels, lubes set for growth. In the West, Chevron maintains its position as the No.1 marketer of aviation fuels and sees further opportunities in the growing business-jet market.

In 1999, the company began making "unconventional" base oils – high-value products for niche markets – at its Richmond, California, plant. Having integrated Amoco's lubricants unit acquired last year, Chevron Products plans to expand the North American finished lubes business, particularly in the Midwest. It also sees continued growth in Latin America, and the Caspian and Black Sea regions.

Refining stresses operational excellence. Having conducted safety audits at each facility in 1999, Refining remains committed to incident-free operations. A key strategy is to update process-control systems throughout the refinery network. Several important projects to improve reliability are under way, including a major revamping of the Richmond, California, refinery's instrumentation.

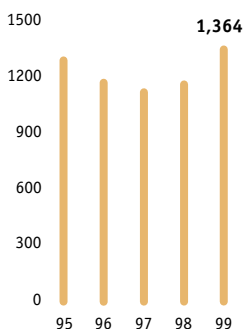
Canadian subsidiary cuts costs, increases sales. Faced with low retail margins combined with a sluggish British Columbia economy, Chevron Canada Limited focused on cutting costs and building on its strength as British Columbia's No.1 gasoline and jet fuel marketer.

In 1999, gasoline sales increased 3 percent from 1998, and jet fuel sales were up 13 percent. Town Pantry C-stores also experienced a healthy growth in sales, due to a new image program and the addition of deli and pastry offerings from Bread Garden, a Vancouver-based restaurant chain. Chevron's Burnaby Refinery is the only western Canadian refiner able to produce 100 percent British Columbia reformulated gasoline.

CALTEX EARNINGS**Millions of dollars*

Caltex earnings continued to suffer from low margins, a result of excess industry capacity.

*Excluding special items – 100 percent basis

CALTEX SALES OF REFINED PRODUCTS**Thousands of barrels per day*

Caltex sales of refined products increased 14 percent due primarily to higher trading sales.

*100 percent basis

CALTEX HIGHLIGHTS

- REFINED PRODUCTS SALES VOLUMES, INCLUDING TRADING ACTIVITIES, INCREASED 14 PERCENT TO 1,364,000 BARRELS A DAY.
- EXPANSION OF CONVENIENCE STORE NETWORK ACCELERATED.
- HEADQUARTERS MOVED FROM DALLAS TO SINGAPORE.

In 1999, demand for refined products began to improve in virtually all of the countries affected by the Asian economic slowdown. However, surplus Asia-Pacific refining capacity continues to challenge Caltex, a refining and marketing affiliate. Caltex operates in more than 60 countries in the Asia-Pacific region, Africa and the Middle East.

Caltex net income was \$112 million in 1999, compared with a loss of \$72 million in 1998. Excluding special items, operating earnings were \$52 million, compared with \$92 million the previous year. Chevron's share of operating earnings was \$26 million, down from \$46 million in 1998.

Reorganization yields efficiencies. Caltex completed a major reorganization in 1999, reducing its work force by more than 10 percent and organizing its business along functional rather than geographic lines. The company also relocated its headquarters to Singapore and opened a shared service center in the Philippines to provide human resources and finance support for the new organization.

Company expands retail. Caltex plans to counter weak refining margins with increased emphasis on retail marketing. It aims to increase higher-margin nonfuel revenues by expanding the number of convenience stores (C-stores) from 500 to 700 by 2002. In New Zealand, for example, Caltex will open 30 new stand-alone High-Street C-stores, which target foot-traffic customers and have no gas pumps.

Refining business streamlined. The sale of Caltex's 50 percent stake in the Koa Oil Co. Ltd. marked a full withdrawal from Japan's refining industry.

Caltex completed the formation of a joint-venture company to operate its 64 percent-owned Star Petroleum Refinery in Thailand and a nearby Shell refinery. By integrating the two operations, Caltex reduced operating costs and enhanced efficiency. The company expects to realize annual savings of approximately \$20 million.

New growth market captured. The acquisition of Kukdong City Gas Company in Korea propelled affiliate LG-Caltex into the fast-growing local natural gas market and sets the stage for Caltex to enter the liquefied natural gas import, transportation, wholesale and retail business. Additionally, a \$140 million liquefied petroleum gas project in Shantou, China, began operations in the first quarter of 2000 and is expected to be a significant source of new income.

Asian economies set for recovery. From 2000 to 2005, Caltex expects growth rates in its operating area – including recently depressed Asian economies – to increase by about 4 percent a year.

CHEMICALS

HIGHLIGHTS

- SALES VOLUMES INCREASED 10 PERCENT TO SOME 14.4 BILLION POUNDS.
- OPERATING EXPENSES WERE DOWN 44 CENTS A BARREL, OR 9 PERCENT, FROM 1998.
- COMMERCIAL OPERATION BEGAN AT A \$213 MILLION FUEL AND LUBE-OIL ADDITIVES PLANT IN SINGAPORE.
- A \$6 BILLION JOINT VENTURE WITH PHILLIPS PETROLEUM WAS ANNOUNCED IN FEBRUARY 2000.

Operating earnings from the chemicals business were \$205 million, up 36 percent from 1998 results. However, Chevron continues to be affected by the downturn in this cyclic industry. As overcapacity in commodity chemicals increased and Asian demand declined in recent years, Chevron Chemical Company curtailed capital spending, slowed international growth and re-emphasized its focus on safety, reliability and efficiency.

Cost cuts and capital projects on track. The company is making gains through cost-cutting efforts that include the relocation of headquarters from San Ramon, California, to Houston, as well as related consolidations. It's also benefiting from corporatwide savings in procurement, human resources, finance and information technology.

Major capital projects moved ahead, positioning the company for renewed growth as the industry heads toward expected full recovery by 2003. A world-class petrochemicals complex, using Chevron's proprietary Aromax technology, began operating in Saudi Arabia in late 1999. A 50 percent-owned joint venture, the facility is the world's largest manufacturer of cyclohexane and a major low-cost producer of benzene. Two other key projects are due to start up by midyear: a polystyrene plant in Zhangjiagang, China, with a capacity of 220 million pounds per year, and a normal alpha olefins plant in Baytown, Texas, where annual capacity will nearly double to 1.5 billion pounds.

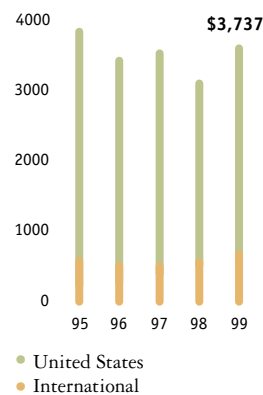
In addition, Chemical opened a Plexco polyethylene (PE) pipe plant in Queretaro, Mexico, and is evaluating plans to build another in Atyrau, Kazakhstan, expanding the scope of Chevron's business in the Caspian region. Growth in the PE pipe business has averaged more than 10 percent a year over the last decade.

Polyethylene strategy favors new product mix. Chemical is improving its mix of higher-value products using licensed technologies at the company's Orange, Texas, and Baytown plants. It also shut down outdated units at Orange and sold the technology for some specialty products to Eastman Chemical.

New capacity to aid rebound. Chemical's capital expenditures will decline as major projects bring new capacity on stream. Earnings are expected to rebound strongly over the next few years, aided by the economic recovery in Asia and a continued robust U.S. economy.

Chevron plans to combine operations with Phillips. Chevron's 50-50 joint venture with Phillips Petroleum, to be formed by midyear, will be one of the world's top five producers of olefins and aromatics. The combined operations, which exclude Chevron's additives business, are expected to yield savings of \$150 million a year.

CHEMICALS REVENUES*
Millions of dollars



Revenues increased 16 percent due to higher prices and sales volumes.

*Includes sales to other Chevron companies

Chevron's joint-venture petrochemicals complex in Jubail, Saudi Arabia, began operations in late 1999. The world-class facility produces benzene and cyclohexane.





NORM SZYDLOWSKI

Manager of the Pascagoula, Mississippi, refinery, Szydowski previously served as corporate manager of health, environment and safety. He has both a macro- and microview of safety and its importance to operational excellence.

“It doesn’t matter whether your job’s at a chemical plant, refinery, on a ship or in an office. Safety has to be as integral to the workplace as a common language; you don’t do anything without it. Safety’s not a slogan. It’s a value.”

SPECIAL REPORT:

TECHNOLOGIES FOR A NEW CENTURY

Drawing on its traditional strength in research and development, Chevron is harnessing the transformative power of new technologies.



KAY NEUMAYER

Among the growing number of employees creating business value with new technology is Kay Neumayer, manager of e-business for lubricants and specialty products.

Even before 2000 began, it was clear that a technology-driven “new economy,” led by the Internet, was profoundly changing the nature of business. Fearsomely volatile but rich in potential profits, this latest industrial revolution puts the Web at the center of knowledge management and the efficient use of resources.

Not content to merely observe this historic trend, Chevron signaled it would aggressively participate in it. “We’re looking for places where our traditional oil and gas business and the new economy intersect,” says

Don Paul, Chevron’s vice president of technology. “At that nexus, we see opportunities for leadership in creating new value.”

To take advantage of these opportunities, the company formed Chevron Technology Ventures and Chevron eBusiness Development Company (CeDC). Essentially mirror images of one another, one looks out and one looks in, mining that seam between old and new. “It’s exciting,” says Dave Clementz, president of CeDC. “We’re a 120-year-old, asset-based firm that’s turning part of itself into a ‘click-and-mortar’ company.”

Technology Ventures invests in emerging technology companies in the fields of materials sciences, information technology and biotechnology. CeDC incubates new e-businesses to improve Chevron’s performance and with the intent to spin them off. “We pair our business knowledge with the technology and culture of a new-economy company,” says Paul. “The result is a company with a ‘genetic code’ distinct from either parent’s.”

Chevron’s more traditional businesses also have embraced technologies for a new century. In 1999, Chevron Products Company launched the Chevron Retailer Alliance, leveraging Web power to link thousands of investor-owned service stations. Through its electronic-support Web site, the Global Lubricants group posts billing reports, brochures and product specs for its 500 marketers and distributors. Internationally, Chevron is staking out a leadership position in superclean fuels with plans to create a global joint venture based on a process that converts natural gas to liquids.

“We’ve always been technologically intensive,” says Paul, citing patents and breakthroughs by company scientists in refinery catalysts, deepwater drilling and seismology. “We’re continuing to capitalize on each new wave of opportunity. The Internet economy, for example, is expanding its business-to-business marketplace on top

of the burgeoning business-to-consumer trade. Just down the road is the device-to-device phase. As computer chips and sensors become more sophisticated, virtually all elements of our operating facilities will be able to communicate with each other.”

Early this year, C&DC announced its role in founding Petrocosm, an Internet marketplace for the oil and gas industry. Chevron is joined by Silicon Valley partners – software maker Ariba, Inc.; hardware giant Hewlett-Packard Company; and venture capitalist Crosspoint Ventures. Petrocosm’s procurement system is built on a model Chevron piloted in its California oil operations. The Web application links buyers and suppliers of all types, automatically aggregating purchases to achieve economies of scale.

“We’re the first ‘anchor tenant,’” explains Clementz, “but management is independent of Chevron – we’ll pay a transaction fee like anybody else. We fully expect other oil companies to be Petrocosm customers.”

Over the next five years, C&DC plans to launch several e-business companies following a three-step formula: test the concept internally; spin off the successful ventures; sell shares to the public.

Tech Ventures looks outside to participate in venture-capital limited partnerships and, directly, in start-ups. Representative of its investment strategy, San Diego-based Illumina makes miniscule sensors that “sniff out” certain molecules. The microsensors, implanted on the tips of fiber-optic strands, are based on biosensing research at the California Institute of Technology and currently are used in the food and perfume industry. “We envision a big market for this technology in industrial processing,” says Cliff Detz, a Tech Ventures coordinator for venture capital. “Our refineries and chemicals plants have to detect organic molecules all the time.”

Chevron enjoys one advantage over its oil industry rivals: proximity to Silicon Valley. “This is the world’s biggest emporium of emerging technology and venture capital, and we’re right in the middle of it,” says Paul. “Chevron is unique in having a foot firmly planted in both the technology and energy sectors.”

Half a world away, other Chevron employees are making a move that *The Wall Street Journal* said could make Chevron “one of the oil industry’s most aggressive players” in gas-to-liquids technology. In 1999, the company announced an exclusive global alliance with Johannesburg-based Sasol Synfuels International, the world’s largest producer of synthetic fuels. A 30,000-barrel-a-day plant at Chevron’s Escravos Terminal in Nigeria is the joint venture’s first planned project. Slated for completion in 2004, the \$1 billion facility will produce superclean, high-performance diesel fuel.

Sasol’s process harvests methane – the principal component of natural gas – to create clean, powerful fuels. Diesel made at Escravos, for example, will boast a cetane rating (a performance indicator like gasoline’s octane) nearly 60 percent higher than conventional diesel. Moreover, the Chevron-Sasol fuel will exceed air-quality standards in the United States and Europe, the plant’s principal markets.

Besides these advantages, the Chevron-Sasol plant holds powerful environmental importance in West Africa, where it would end the flaring of 350 million cubic feet of natural gas per day. “This turns what had been wasted gas into an easily transportable, commercial product that will benefit Nigerians through local jobs and a cleaner environment,” says Mark Koelmel, the joint venture’s chief operating officer.

Don Paul sums up: “Chevron has always been a technology leader. Now we want to create additional business value by connecting to the new technology economy.” ■

BOARD OF DIRECTORS



David J. O'Reilly, 53, has been Chairman of the Board and Chief Executive Officer since January 2000. He joined the corporation in 1968. He was elected a Vice President in 1991, President of Chevron Products Company in 1994, and a Director and Vice Chairman in 1998. (2)



Richard H. Matzke, 63, is Vice Chairman responsible for worldwide oil and gas exploration and production. He joined Chevron in 1961. He was elected a Corporate Vice President in 1990, a Director in 1997 and Vice Chairman in January 2000. He also is a Director of Dynegy Inc.



James N. Sullivan, 62, is Vice Chairman responsible for worldwide refining, marketing, chemicals and coal mining operations. He joined the corporation in 1961. He was elected a Vice President in 1983, a Director in 1988 and Vice Chairman in 1989. He also is a Director of Weyerhaeuser Company.



Samuel H. Armacost, 60, has been a Director since 1982. He is Chairman of SRI International. Previously he was a Managing Director of Weiss, Peck & Greer LLC, an investment firm. He also is a Director of Scios, Inc. and Exponent, Inc. (2, 4)



Sam Ginn, 62, was elected a Director in 1989. He is Chairman of the Board of Vodafone AirTouch PLC. Previously he was Chairman of the Board and Chief Executive Officer of AirTouch Communications, Inc. He also is a Director of Hewlett-Packard Company. (1, 2)



Carla A. Hills, 66, was elected a Director in 1993. She is Chairman and Chief Executive Officer of Hills & Company International Consultants. She served as U.S. Trade Representative from 1989 to 1993. She is a Director of American International Group, Inc.; Lucent Technologies Inc.; Time Warner Inc.; and TCW Group, Inc. (3, 4)



J. Bennett Johnston, 67, was elected a Director in 1997. He is Chief Executive Officer of Johnston & Associates, a consulting firm. He served as a Senator from Louisiana for 24 years. He is President of the U.S. Pacific Economic Cooperation Council and a Director of Columbia Energy Group Inc. and Freeport-McMoRan Copper & Gold Inc. (1, 3)



Charles M. Pigott, 70, has been a Director since 1973. He is Chairman Emeritus and a Director of PACCAR Inc, manufacturer of transportation equipment. He also is a Director of The Boeing Company and Seattle Times Company. (3, 4)



Condoleezza Rice, 45, was elected a Director in 1991. From 1993 to July 1999, she was Provost and Vice President of Stanford University and is now on academic leave. Previously she was Senior Director, Soviet Affairs, National Security Council. She is a Director of The Charles Schwab Corporation. (1, 2)



Frank A. Shrontz, 68, was elected a Director in 1996. Previously he was Chairman of the Board of The Boeing Company. He served as Assistant Secretary of Defense and Assistant Secretary of the Air Force. He also is a Director of Boise Cascade Corporation and Minnesota Mining and Manufacturing Company. (1, 2)



Chang-Lin Tien, 64, was elected a Director in 1997. He was Chancellor of the University of California, Berkeley, from 1990 to 1997. He is Chairman of the Board of Trustees of The Asia Foundation. He also is a Director of Wells Fargo & Company, Kaiser Permanente and Shanghai Commercial Bank (Hong Kong). (3, 4)



John A. Young, 67, has been a Director since 1985. He is Vice Chairman of the Board of Novell, Inc. and SmithKline Beecham PLC. Previously he was President, Director and Chief Executive Officer of Hewlett-Packard Company. He also is a Director of Lucent Technologies Inc.; Wells Fargo & Company; and Affymetrix, Inc. (2, 4)



Retiring Director

Kenneth T. Derr, 63, elected to retire December 31, 1999. He had been Chairman of the Board and Chief Executive Officer since 1989 and a Director since 1981. Derr graduated from Cornell University with degrees in mechanical engineering and business administration.

He joined the corporation in 1960. He was elected a Vice President in 1972 and Vice Chairman in 1985. He was responsible for implementing the 1984 merger of Gulf Oil Corporation and Chevron. He is a Director of AT&T Corp., Citigroup and Potlatch Corporation.

Committees of the Board:

- (1) Audit:
Sam Ginn, Chairman
- (2) Public Policy:
Condoleezza Rice, Chairman
- (3) Board Nominating and Governance:
Charles M. Pigott, Chairman
- (4) Management Compensation:
Samuel H. Armacost, Chairman

OFFICERS



Lydia I. Beebe, 47, Corporate Secretary since 1995. Previously Senior Manager, Chevron Tax Department; Manager, Federal Tax Legislation; Staff Attorney; and Chevron Legal Representative in Washington, D.C. Joined Chevron in 1977.



Aldo M. Caccamo, 62, Vice President, Public Affairs, since 1996. Previously President, Chevron International Oil Company; General Manager, Marketing, and General Manager, Supply and Distribution, Chevron Products Company. Joined Chevron in 1964.



Darry W. Callahan, 57, Corporate Vice President and President, Chevron Chemical Company, since 1999. Director of Dynegy Inc. Previously Senior Vice President, Chevron Chemical Company; President, Warren Petroleum Company; and President, Chevron Oil Bahamas Ltd. Joined Chevron in 1964.



George K. Carter, 64, Vice President and Treasurer since 1989. Previously Vice President, Finance, Chevron U.S.A., and Comptroller, Chevron Corporation. Joined Chevron in 1961.



Stephen J. Crowe, 52, Comptroller since 1996. Previously Vice President, Finance, Chevron Products Company, and Assistant Comptroller, Chevron Corporation. Joined Chevron in 1972.



Lloyd E. Elkins, 56, Corporate Vice President since 1988 and President, Chevron Services Company, since 1993. Director of P.T. Caltex Pacific Indonesia and Amoseas. Previously Vice President, Production, Chevron U.S.A., and Vice President, Production, Chevron Overseas Petroleum. Joined Chevron in 1965.



Harvey D. Hinman, 59, Vice President and General Counsel since 1993. Previously partner and member of the Executive Committee at the law firm of Pillsbury Madison & Sutro.



George L. Kirkland, 49, Corporate Vice President and President, Chevron U.S.A. Production Company, responsible for North American exploration and production, since January 2000. Previously Chairman and Managing Director, Chevron Nigeria Ltd. Joined Chevron in 1974.



Martin R. Klitten, 55, Vice President and Chief Financial Officer since 1989. Previously President, Chevron Information Technology Company, and Comptroller, Chevron U.S.A. Joined Chevron in 1970.



R. Bruce Marsh, 57, General Tax Counsel since 1994. Previously Assistant General Tax Counsel, Chevron Corporation, and General Tax Counsel, Chevron U.S.A. Joined Chevron in 1971.



Gregory Matiuk, 54, Vice President, Human Resources and Quality, since 1998. Previously Vice President, Strategic Planning and Quality; Manager, Strategic Planning; and Vice President and General Manager, Western Business Unit, Chevron U.S.A. Production Company. Joined Chevron in 1967.



Donald L. Paul, 53, Vice President, Technology and Environmental Affairs, since 1996. Previously Director of Dynegy Inc.; President, Chevron Canada Resources; and President, Chevron Petroleum Technology Company. Joined Chevron in 1975.



Peter J. Robertson, 53, Corporate Vice President since 1994 and President, Chevron Overseas Petroleum Inc., since January 2000. Previously President, Chevron U.S.A. Production Company; Director of Dynegy Inc.; Vice President, Strategic Planning and Quality; and President, Warren Petroleum Company. Joined Chevron in 1973.



John S. Watson, 43, Vice President, Strategic Planning, since 1998. Director of Caltex Corporation. Previously President, Chevron Canada Limited; General Manager, Strategic Planning and Quality; Manager, Credit Card Enterprises, Chevron Products Company; and Manager, Investor Relations, Chevron Corporation. Joined Chevron in 1980.



Patricia A. Woertz, 47, Corporate Vice President and President, Chevron Products Company, since 1998. Director of Dynegy Inc. Previously President, Chevron International Oil Company; Vice President, Logistics and Trading, Chevron Products Company; and President, Chevron Canada Limited. Joined Chevron in 1977.

Executive Committee: David J. O'Reilly, Richard H. Matzke, James N. Sullivan, Darry W. Callahan, Harvey D. Hinman, George L. Kirkland, Martin R. Klitten, Peter J. Robertson and Patricia A. Woertz. Lydia I. Beebe, Secretary.

GLOSSARY OF ENERGY AND FINANCIAL TERMS

Energy Terms

- **Additives** Chemicals to control deposits and improve lubricating performance.
- **Condensates** Liquid hydrocarbons produced with natural gas, separated by cooling and other means.
- **Development** Following discovery, drilling and related activities necessary to begin production of oil or natural gas.
- **Enhanced recovery** Techniques used to increase or prolong production from oil and natural gas fields.
- **Exploration** Searching for oil and/or natural gas, including geologic studies; topographical, geophysical and seismic surveys; and well drilling.
- **Integrated petroleum company** A company engaged in all aspects of the industry – from exploration and production of crude oil and natural gas (*upstream*) to refining, marketing and transporting products (*downstream*).
- **Liquefied natural gas (LNG)** Gas that is liquefied under extremely cold temperatures and high pressure to facilitate storage or transportation in specially designed vessels.
- **Liquefied petroleum gas (LPG)** Light gases, such as butane and propane, that can be maintained as liquids while under pressure.
- **Natural gas liquids (NGL)** Separated from natural gas, these include ethane, propane, butanes and natural gasoline.
- **Oil equivalent gas (OEG)** The volume of natural gas that can be burned to give the same amount of heat as a barrel of oil (6,000 cubic feet of gas equals one barrel of oil).

- **Oxygenate** An oxygen blending component, such as ether or alcohol, that reduces exhaust emissions in winter.
- **Petrochemicals** Derived from petroleum, at Chevron they include: *aromatics*, used to make plastics, adhesives, synthetic fibers and household detergents; and *olefins*, used to make packaging, plastic pipes, tires, batteries, household detergents and synthetic motor oils.
- **Production** *Total production* refers to all the oil and gas produced from a property. *Gross production* is the company's share of total production before deducting royalties. *Net production* is the gross production minus royalties paid to landowners.
- **Reformulated gasoline** Gasoline changed in chemical makeup to reduce exhaust emissions, usually by reducing volatility and aromatics content and adding oxygenates. *California reformulated gasoline*, with stricter requirements mandated by the state's Air Resources Board, reduces emissions more than the federally mandated formula.
- **Reserves** Oil or natural gas contained in underground rock formations called *reservoirs*. *Proved reserves* are the estimated quantities that geologic and engineering data demonstrate can be produced with reasonable certainty from known reservoirs under existing economic and operating conditions. Estimates change as additional information becomes available. *Recoverable reserves* are those that can be produced using all known primary and enhanced recovery methods.

Financial Terms

- **Cash flow from operating activities** Cash earnings of the business, an indicator of a company's ability to pay dividends and fund capital programs.

- **Earnings** Total revenues, less total expenses (including taxes). Used interchangeably with *net income*.
- **Operating earnings** Net income generated by the ongoing operations of the company, excluding special items and/or adjustments caused by changes in accounting principles.
- **Margin** The difference between the cost of purchasing or producing a product and the sales price.
- **Adjusted operating expenses per barrel** A key Chevron performance measure calculated by taking operating, selling, general and administrative expenses; adding own-use fuel costs; subtracting special items and expenses of divested operations; and then dividing by production and sales volumes.
- **Return on capital employed, excluding special items (ROCE)** One of Chevron's key metrics, ROCE is calculated by dividing net income (adjusted for after-tax interest expense and special items) by the average of total debt, minority interest and stockholders' equity for the year.
- **Special items** Transactions not considered representative of the company's ongoing operations. These transactions, as defined by management, can obscure the underlying results of operations and affect comparability between years.
- **Stockholders' equity** The owners' share of the company, this is the difference between total assets and total liabilities.
- **Total stockholder return** A measurement of Chevron's primary goal, it is the return to stockholders from stock price appreciation and reinvested dividends for a period of time.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1999 KEY INDICATORS

- Net income increased 55 percent to \$2.070 billion
- Exploration and production operational earnings rose 80 percent
- Average U.S. crude oil realizations increased 41 percent to \$16.11 per barrel
- Average U.S. natural gas realizations were up 7 percent to \$2.16 per thousand cubic feet
- International liquids production increased for the 10th consecutive year – up 4 percent
- Refining, marketing and transportation operational earnings declined 44 percent on lower margins
- Worldwide net oil and gas reserves additions exceeded production for the seventh consecutive year
- Annual dividends increased for the 12th consecutive year

KEY FINANCIAL RESULTS

Millions of dollars,
except per-share amounts

	1999	1998	1997
Net Income	\$ 2,070	\$ 1,339	\$ 3,256
Special (Charges) Credits Included in Net Income	(216)	(606)	76
Earnings, Excluding Special Items	\$ 2,286	\$ 1,945	\$ 3,180
Per Share:			
Net Income – Basic	\$ 3.16	\$ 2.05	\$ 4.97
– Diluted	\$ 3.14	\$ 2.04	\$ 4.95
Dividends	\$ 2.48	\$ 2.44	\$ 2.28
Sales and Other Operating Revenues	\$35,448	\$29,943	\$40,596
Return on:			
Average Capital Employed	9.4%	6.7%	15.0%
Average Stockholders' Equity	11.9%	7.8%	19.7%

Chevron's net income for 1999 was \$2.070 billion, up 55 percent from 1998 net income of \$1.339 billion, but 36 percent lower than record earnings of \$3.256 billion in 1997. Net special charges of \$216 million in 1999 included losses from asset write-downs, environmental remediation provisions and restructuring charges, partially offset by benefits from the sale of assets, net favorable adjustments for prior years' taxes and litigation issues and net LIFO inventory gains. Net special charges in 1998 included a loss provision of \$637 million for litigation, substantially all of which pertained to a lawsuit against Gulf Oil by Cities Service filed in 1982 – prior to the Chevron-Gulf merger in 1984.

Included in net income were foreign currency losses of \$38 million in 1999 and \$47 million in 1998 and gains of \$246 million in 1997.

NET INCOME BY MAJOR OPERATING AREA

Millions of dollars

	1999	1998	1997
Exploration and Production			
United States	\$ 526	\$ 365	\$1,001
International	1,093	707	1,252
Total Exploration and Production	1,619	1,072	2,253
Refining, Marketing and Transportation			
United States	357	572	601
International	74	28	298
Total Refining, Marketing and Transportation	431	600	899
Chemicals	109	122	228
All Other	(89)	(455)	(124)
Net Income	\$2,070	\$1,339	\$3,256

Net income for the company's individual business segments is discussed in the Results of Operations section.

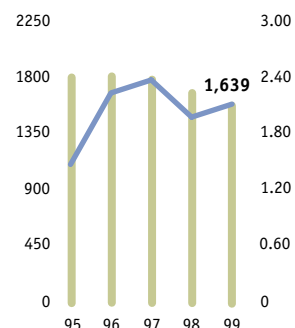
ENVIRONMENT AND OUTLOOK

Crude oil prices rose dramatically during most of 1999, after falling to 20-year lows in late 1998. The sharp rise in prices was largely driven by agreements among the Organization of the Petroleum Exporting Countries (OPEC) and several larger non-OPEC producers to curtail production. The spot price of West Texas Intermediate (WTI) benchmark crude oil averaged \$19.30 per barrel for 1999, compared with \$14.38 for 1998 and \$20.60 for 1997.

The 1999 year-end WTI spot price was \$25.60. Fluctuations in natural gas prices, on the other hand, were not as dramatic as crude oil. The average 1999 Henry Hub spot natural gas price was \$2.27 per thousand cubic feet, up 9 percent from 1998 and down 12 percent from the 1997 average.

Crude oil prices remained strong in early 2000, but it is uncertain how long the high price levels will continue. Some factors that may affect future price changes include OPEC's actions to maintain or change its crude oil production quotas, unforeseen supply disruptions, worldwide inventory levels, demand for heating oil and natural gas as a result of winter weather conditions in the Northern Hemisphere, and the demand for refined products reflecting the overall strength of the world economies. High crude oil prices increase the company's revenues and earnings in exploration and production operations. However, higher crude oil prices could adversely affect financial results in the refining, marketing and chemicals businesses if higher feedstock costs cannot be recovered in the prices of finished products.

U.S. NATURAL GAS PRICES & PRODUCTION

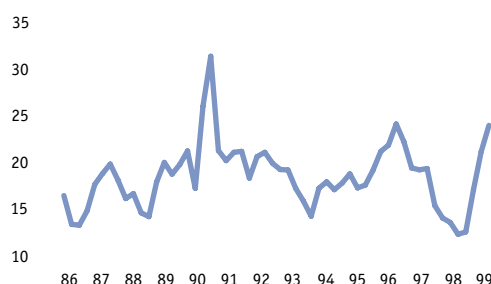


• Prices in Dollars per Thousand Cubic Feet (right scale)
• Production in Millions of Cubic Feet per Day (left scale)

Average prices rose 7 percent; production was down due to normal field declines as well as asset sales.

CRUDE OIL PRICES 1986 THROUGH 1999

Dollars per barrel



After two years of sharp decline, the price of crude oil increased dramatically in 1999.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

The company continues to focus on cost control in all of its businesses to help sustain Chevron's competitiveness worldwide – regardless of commodity price levels. In 1999, Chevron's initiatives to eliminate \$500 million from its cost structure were very successful. Operating companies and corporate departments were streamlined, and by mid-2000 staff reductions of approximately 10 percent from year-end 1998 levels will have been achieved. Successful containment of costs and improved operating cash flows during 1999 enabled the company to maintain a robust capital spending program during the recent period of price volatility. Maintaining a consistent level of capital spending – while other competitors were cutting back because of low commodity prices – gave the company an advantage with the rebound in crude oil prices.

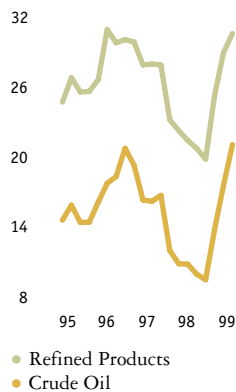
SIGNIFICANT DEVELOPMENTS Chevron's worldwide oil and equivalent-gas (OEG) production was up 3 percent in 1999, with international net OEG production increasing 7 percent. Chevron's 1999 worldwide oil-equivalent barrels of net proved reserves additions exceeded production for the seventh consecutive year. The company's reserves replacement was 108 percent of production for 1999, including sales and acquisitions.

Key events during 1999 and early 2000 to capture profitable growth opportunities follow.

Upstream Acquisitions Chevron made two acquisitions in 1999 that will help sustain the company's growth in international exploration and production. The September acquisition of Petrolera Argentina San Jorge S.A., coupled with the award in early 2000 of rights to partner with Petrobras in a 50-50 exploration venture in two promising deepwater blocks offshore Brazil, were significant steps in the company's Latin America growth strategy. The March purchase of Rutherford-Moran Oil Corporation and the assumption of the operatorship of Block B8/32 offshore Thailand provided an entry into the natural gas market in Southeast Asia. The company began new production from the Benchamas Field offshore Thailand and announced new discoveries in prospects from both of these acquisitions.

Angola In December, oil production started at the Chevron-operated, 31 percent-owned Kuito Field, Angola's first deepwater production from Block 14. After the recent successful completion of appraisal wells in the Benguela and Belize Fields in Block 14, options for the development of these areas are under study. The company also began production from the Banzala Field, in the Block 0 concession adjacent to Block 14. These developments help move Chevron closer to meeting its objective of boosting production from its Angolan operations to 600,000 barrels per day by 2002 from a 1999 year-end level of 460,000 barrels per day.

QUARTERLY U.S. CRUDE OIL PRICES VS. U.S. REFINED PRODUCTS SALES PRICES
Dollars per barrel



Over time, the price of crude oil is the major factor in determining refined products prices.

Nigeria The company added 85 million barrels of proved oil-equivalent reserves in Nigeria during 1999. Operationally, Chevron is taking an active role to eliminate flaring of natural gas from production facilities in Nigeria, mitigating the environmental effects and monetizing the extracted resource. Chevron was named Managing Sponsor of the West African Gas Pipeline, a joint venture among six energy companies to develop a 600-mile pipeline that runs from gas producing and processing facilities in Nigeria to Ghana, Benin and Togo. Also, an agreement was signed with Sasol Synfuels International to create a new global joint venture for gas-to-liquids (GTL) technology. Preliminary design and engineering continue for a GTL facility in Nigeria that will convert natural gas into synthetic liquid fuels for further processing into commercial products.

Deepwater Gulf of Mexico Chevron began producing from its first two deepwater projects in the Gulf of Mexico – Genesis and Gemini. Gross oil-equivalent production from Genesis, operated and 57 percent-owned by Chevron, reached 47,000 barrels per day by year-end. Gross oil-equivalent production from the 40 percent-owned Gemini project reached 35,000 barrels per day. Evaluation of options is under way to develop a third Gulf of Mexico deepwater project, Typhoon. Chevron is the operator and 50 percent owner of Typhoon.

Caspian Sea Region Gross liquids production by Tengizchevroil (TCO), 45 percent-owned by Chevron, averaged 214,000 barrels per day in 1999, an increase of 14 percent over 1998 average production. While expanding production, TCO's employees surpassed 6 million work hours without a lost-time injury. Chevron's approximate share of proved oil-equivalent reserves added in 1999 for the Tengiz and Korolev fields was 230 million barrels. Construction of a pipeline by the Caspian Pipeline Consortium (CPC) continues on schedule. CPC shareholders approved a \$1.3 billion budget and work plan for 2000 and began awarding construction contracts. The pipeline, 15 percent owned by Chevron, will deliver crude oil from the Tengiz Field in Kazakhstan to the Black Sea port of Novorossiysk and is scheduled for start-up in mid-2001. The additional export capacity provided by this pipeline is important for planned future expansions at TCO to permit production to reach a production goal of 700,000 barrels per day by 2010.

Canada During 1999, a significant natural gas discovery was made northwest of Fort Liard, Northwest Territories, Canada. Plans are being developed for the construction of production and transportation facilities and additional wells to permit first production by May 2000. A second successful well was completed in January 2000 and is expected to begin producing in the fourth quarter 2000. Chevron is the operator and has a 43 percent interest in both discoveries. In Alberta, Canada, Chevron acquired a 20 percent interest in the Athabasca Oil Sands Project. Completion of construction and start-up of the project is planned for late 2002 and represents a long-term earnings growth opportunity with expected gross production of 155,000 barrels per day. Production from the Hibernia Field, in which Chevron holds a 27 percent interest, averaged approximately 100,000 barrels per day in 1999, up from 65,000 barrels per day in 1998. Rates up to 150,000 barrels per day were achieved during the latter part of the year. Development drilling in the Hibernia reservoir continued in 1999.

Chemicals In February 2000, Chevron and Phillips Petroleum Company signed a letter of intent and exclusivity agreement to combine most of their chemicals businesses in a joint venture. Chevron will retain its Oronite Additives business. Each company will own 50 percent of the joint venture, which would have had 1999 sales of about \$6 billion and will have assets of more than \$6 billion. The combination is subject to final approval by the companies' boards of directors, signing of definitive agreements and regulatory review, which are expected to be completed by mid-2000.

Dynegy On February 1, 2000, Chevron's affiliate, Dynegy Inc., merged with Illinova Corporation, an energy services holding company in Illinois. Chevron invested an additional \$200 million to maintain its approximately 28 percent ownership in the merged company. The merger will accelerate Dynegy's growth in the power generation and marketing business.

e-Business During 1999, the company implemented a new growth initiative aimed at developing business opportunities capitalizing on Internet technology. In February 2000, Chevron and Ariba Inc. formed Petrocosm Marketplace, a global, independent Internet business-to-business marketplace to be owned by buyers and suppliers across the energy industry. Also in February, Chevron entered into a joint venture – Upstreaminfo.com – with Electronic Data Systems and others that will allow the sale of information such as seismic data between companies and help these energy businesses to recapture their costs in data collection and storage.

New Technology Ventures Chevron established a technology ventures unit during 1999. The company plans to make equity investments in a broad portfolio of emerging technology companies with expertise in information technology, materials sciences and biotechnology. These investments will be directed toward areas where the company could potentially be a customer of the new ventures.

YEAR 2000 ISSUE The Year 2000 issue was the result of computer systems and equipment with embedded chips potentially being unable to process certain data accurately before, during or after 2000. Chevron established a corporate-level Year 2000 project team in 1998 to coordinate the company's efforts to address the issue. To date, the company and its major affiliates have experienced no significant disruptions in their operations as a result of this matter. The company used both internal and external resources in its Year 2000 efforts. The cumulative cost for the company and its affiliates to achieve Year 2000 compliance is estimated at \$170 million, substantially all of which had been spent by year-end 1999. While the company believes that it has addressed all material issues that could arise as a result of the Year 2000 issue, other factors, such as the effect of Year 2000 problems on third-party partners and suppliers could cause the actual effects of Year 2000 problems to be different from the company's current assessment. Such factors could arise in 2000 or later. Year 2000 contingency plans have been incorporated into the company's existing contingency plans to respond to equipment failures, emergencies and business interruptions.

ENVIRONMENTAL MATTERS Virtually all aspects of the businesses in which the company engages are subject to various federal, state and local environmental, health and safety laws

and regulations. These regulatory requirements continue to increase in both number and complexity and govern not only the manner in which the company conducts its operations, but also the products it sells. Most of the costs of complying with myriad laws and regulations pertaining to company operations and products are embedded in the normal costs of doing business.

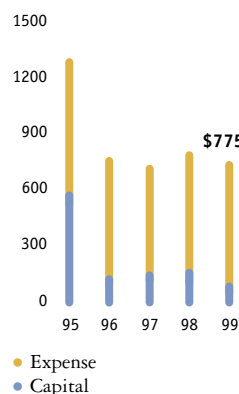
Using definitions and guidelines established by the American Petroleum Institute, Chevron estimates its worldwide environmental spending in 1999 at \$882 million for its consolidated companies. Included in these expenditures were \$183 million of environmental capital expenditures and \$699 million of costs associated with the control and abatement of hazardous substances and pollutants from ongoing operations. For 2000, total worldwide environmental capital expenditures are estimated at \$253 million. These capital costs are in addition to the ongoing costs of complying with environmental regulations and the costs to remediate previously contaminated sites.

Accidental leaks and spills requiring cleanup may occur in the ordinary course of business. In addition to the costs for environmental protection associated with its ongoing operations and products, the company may incur expenses for corrective actions at various owned and previously owned facilities and at third-party waste disposal sites used by the company. An obligation may arise when operations are closed or sold, or at non-Chevron sites where company products have been handled or disposed of. The most significant of the company's previously owned sites is the Port Arthur, Texas, refinery, where the company retained certain environmental cleanup obligations when it sold the refinery in 1995. Anticipated costs were accrued at the time of sale, and those reserves remain adequate. Most of the expenditures to fulfill these obligations relate to facilities and sites where past operations followed practices and procedures that were considered acceptable at the time but now require investigative and/or remedial work to meet current standards.

The following table displays the year-end balances and yearly changes to the company's before-tax environmental remediation reserves, including those for Superfund sites. For 1999, the company recorded additional provisions for estimated remediation costs at refined products marketing sites, refineries, chemical manufacturing facilities and previously sold oil and gas producing properties.

**U.S. ENVIRONMENTAL
CAPITAL EXPENDITURES
& EXPENSES**

Millions of dollars



With completion of major refinery clean-air projects in 1995, capital spending has stabilized at about \$800 million per year.

Millions of dollars	1999	1998	1997
Balance at January 1	\$ 826	\$ 987	\$1,135
Expense Provisions	219	73	57
Expenditures	(231)	(234)	(205)
Balance at December 31	\$ 814	\$ 826	\$ 987

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — Continued

Under provisions of the Superfund law, the Environmental Protection Agency (EPA) has designated Chevron a potentially responsible party, or has otherwise involved it, in the remediation of 307 hazardous waste sites. The company has made expense provisions or payments in 1999 and prior years for 229 of these sites. No single site is currently expected to result in a material liability for the company. For the remaining sites, investigations are not yet at a stage where the company is able to quantify a probable liability or determine

a range of reasonably possible exposures. The Superfund law provides for joint and several liability. Any future actions by the EPA and other regulatory agencies to require Chevron Corporation to assume other responsible parties' costs at designated hazardous waste sites are not expected to have a material effect on the company's consolidated financial position or liquidity. Remediation reserves at year-end 1999, 1998 and 1997 for Superfund sites were \$33 million, \$44 million and \$52 million, respectively.

It is likely that the company will continue to incur additional liabilities, beyond those recorded, for environmental remediation relating to past operations. Future

costs of these liabilities are indeterminable due to such factors as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions that may be required, the determination of the company's liability in proportion to other responsible parties and the extent to which such costs are recoverable from third parties. While the amount of future costs may be material to the company's results of operations in the period in which they are recognized, the company does not expect these costs to have a material effect on its consolidated financial position or liquidity. Also, the company does not believe its obligations to make such expenditures have had, or will have, any significant impact on the company's competitive position relative to other domestic or international petroleum or chemicals concerns.

In addition to the reserves for environmental remediation discussed previously, the company maintains reserves for dismantlement, abandonment and restoration of its worldwide oil and gas and coal properties at the end of their productive lives. Many of these costs are related to environmental issues. Expense provisions are recognized on a unit-of-production basis as the properties are produced. The amount of these reserves at year-end 1999 was \$1.5 billion and is included in accumulated depreciation, depletion and amortization on the company's consolidated balance sheet.

For the company's other operating assets, such as refineries and chemical facilities, no provisions are made for exit or cleanup costs that may be required when such assets reach the end of their useful lives, unless a decision to sell or otherwise abandon the facility has been made.

LITIGATION AND OTHER UNCERTAINTIES Chevron and five other oil companies continue to contest the validity of a patent granted to Unocal Corporation for reformulated gasoline, which Chevron sells in California in certain months of the year. Chevron believes that a trial court ruling, which declared Unocal's patent to be valid, will be reversed upon appeal. Unocal has filed for additional patents for alternate formulations. If Unocal's patent ultimately is upheld, the company's financial exposure includes royalties, plus interest, for past production of gasoline that is ruled to have infringed the applicable patent as well as royalty payments for any future production of gasoline that infringes this patent. The effect of any future unfavorable rulings by the court sustaining Unocal's patents with respect to reformulated gasoline production would depend on the availability of alternate formulations and the industry's ability to recover additional costs of production through prices charged to its customers. The company believes that its ultimate exposure in this matter will not materially affect its financial position or liquidity, although the costs of resolution from any unfavorable ruling could be material to earnings in the period recognized.

In December 1999, Chevron paid OXY U.S.A. Inc. \$775 million to settle the long-standing lawsuit brought in 1982 by Cities Service Co. (later acquired by OXY) against Gulf Oil Corporation (later acquired by Chevron). At year-end 1998, Chevron had accrued a loss provision of \$924 million. The provision exceeded the settlement amount, and as a result, the company recognized \$104 million in additional net income (\$149 million before tax) in 1999.

Along with other oil companies, the company is a party to numerous lawsuits and claims — including actions challenging oil and gas royalty and severance tax payments based on posted prices, and actions related to the use of the chemical MTBE in certain oxygenated gasolines. In some of these matters, plaintiffs may seek to recover large and sometimes unspecified amounts. In others, the plaintiffs may seek to have the company perform specific activities, including remediation of alleged damages. These matters may remain unresolved for several years, and it is not practical to estimate a range of possible loss. Although losses could be material to earnings in any given period, management believes that resolution of these matters will not materially affect the company's consolidated financial position or its liquidity.

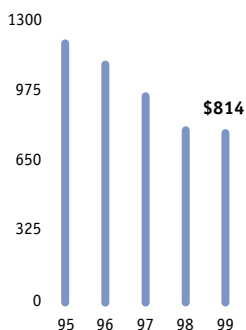
Higher-than-expected investment returns on pension plan trust assets over the past few years have moderated U.S. pension expense and have extended the fully funded status of the company's main U.S. pension plan. These effects may not occur on a sustained basis in the future if investment returns on pension plan assets decline.

In June 1997, Caltex Corporation received a claim from the U.S. Internal Revenue Service (IRS) for \$292 million in excise taxes, \$140 million in penalties and \$1.6 billion in interest. The IRS claim related to crude oil sales to Japanese customers beginning in 1980. To settle this claim, in December 1999, Caltex paid tax and interest of \$65 million less a payment of \$12 million previously made to the IRS.

The company's operations, particularly oil and gas exploration and production, can be affected by changing economic, regulatory and political environments in the various countries, including the United States, in which it operates. In certain

YEAR-END ENVIRONMENTAL REMEDIATION RESERVES

Millions of dollars



Reserves have been falling since 1995 as expenditures for environmental remediation outpaced accruals.

locations, host governments have imposed restrictions, controls and taxes, and, in others, political conditions have existed that may threaten the safety of employees and the company's continued presence in those countries. Internal unrest or strained relations between a host government and the company or other governments may affect the company's operations. Those developments have, at times, significantly affected the company's related operations and results, and are carefully considered by management when evaluating the level of current and future activity in such countries.

Chevron and its affiliates continue to review and analyze their operations and may close, sell, exchange, purchase or restructure assets to achieve operational or strategic benefits to improve competitiveness and profitability. For oil and gas producing operations, ownership agreements may provide for periodic reassessments of equity interests in estimated oil and gas reserves. These activities may result in significant losses or gains in future periods.

FINANCIAL INSTRUMENTS The company utilizes various derivative instruments to manage its exposure to price risk stemming from its integrated petroleum activities. All these instruments are commonly used in oil and gas trading activities and are relatively straightforward, involve little complexity and generally, are of a short-term duration. Most of the activity in these instruments is intended to hedge a physical transaction; hence, gains and losses arising from these instruments offset and are recognized in income concurrently with the recognition of the underlying physical transactions in income. The company believes it has no material market or credit risks to its operations, financial position or liquidity as a result of its commodities and other derivatives activities, including forward exchange contracts and interest rate swaps. Its control systems are designed to monitor and manage its financial exposures in accordance with company policies and procedures. The results of operations and financial position of certain equity affiliates may, however, be affected by their business activities involving the use of derivative instruments.

NEW ACCOUNTING STANDARDS In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which, as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133," is to be implemented on or before January 1, 2001. The basic rules of the new standard require that all derivative instruments be recognized on the balance sheet at their fair values. For hedging activities, changes in fair value are accounted for in accordance with the underlying hedged item. Thus, some hedging gains or losses appear in income, offsetting gains or losses stemming from the underlying exposure. In other instances, hedging gains or losses are reported in other comprehensive income (a component of stockholders' equity) until the underlying exposure is recognized in net income. These rules may be applied on a transaction-by-transaction basis. For all nonhedging derivative activity, gains or losses are recognized currently in income. The company will implement SFAS No. 133 on January 1, 2001. As Chevron's activity in this area is minor and the

derivative instruments used are relatively straightforward involving little complexity, the company does not expect the new standard to have a significant effect on its earnings in any given period.

EMPLOYEE STAFF REDUCTIONS AND RESTRUCTURINGS During the second quarter of 1999, Chevron began implementing a staff reduction program and other restructuring activities across the company. While the programs affect the activities of all the company's business segments, most of the net costs and future savings relate to the termination and relocation of U.S.-based employees.

Restructuring costs of \$183 million were reflected in 1999 net income, including estimated termination benefits for 3,472 employees. These restructuring costs included accrued employee termination benefits, restructuring-related pension settlement gains and other items. Also included is \$25 million for Chevron's share of restructuring charges recorded by its Caltex affiliate. The net-income effect of these costs and the estimated number of employees (excluding Caltex employees) to be separated are presented by business segment in the following table.

Millions of dollars	Net Expense After Tax	Number of Employees
United States Exploration and Production	\$ 42	772
International Exploration and Production	21	489
United States Refining, Marketing and Transportation	35	855
International Refining, Marketing and Transportation	31	127
Worldwide Chemicals	22	390
All Other	32	839
Total	\$183	3,472

The staff reductions will be completed by mid-2000. At December 31, 1999, termination payments had been made to 2,157 employees.

RESULTS OF OPERATIONS Sales and other operating revenues were \$35.4 billion in 1999, compared with \$29.9 billion in 1998 and \$40.6 billion in 1997. Revenues for 1999 increased primarily on sharply higher prices for crude oil and refined products. In 1998, revenues were down from 1997 levels, primarily due to lower crude oil, natural gas and refined products prices; lower U.S. natural gas production; and the company's 1997 exit from the U.K. refining and marketing business.

Purchased crude oil and products costs in 1999 were 28 percent higher than in 1998 because of higher prices for crude oil, natural gas, refined products and chemicals feedstock. However, such costs were 11 percent lower than in 1997 because prices fell precipitously in 1998 and did not begin to recover until the second quarter of 1999.

Other income totaled \$612 million in 1999, \$386 million in 1998 and \$679 million in 1997. Changes in net gains from the disposition of assets and changes in interest income caused the fluctuations between years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — Continued

Operating, selling, general and administrative expenses, excluding the effects of special items, declined to \$6,170 million, from \$6,251 million in 1998 and \$6,549 million in 1997. Approximately \$200 million of the 1998 decline resulted from the company's exit from the U.K. downstream business.

Millions of dollars	1999	1998	1997
Operating Expenses	\$5,090	\$4,834	\$5,280
Selling, General and Administrative Expenses	1,404	2,239	1,533
Total Operating Expenses	6,494	7,073	6,813
Less: Special Charges, Before Tax	324	822	264
Adjusted Total Operating Expenses	\$6,170	\$6,251	\$6,549

Depreciation, depletion and amortization expenses increased to \$2,866 million from \$2,320 million in 1998 and \$2,300 million in 1997 due in part to asset impairments. Depreciation expense associated with asset impairments in 1999 was \$394 million, compared with about \$100 million in 1998 and 1997. Increased production of crude oil and natural gas in 1999 resulted in higher depreciation expense of about \$150 million in the company's worldwide upstream operations.

Income tax expenses were \$1,578 million in 1999, \$495 million in 1998 and \$2,246 million in 1997, reflecting effective income tax rates of 43 percent, 27 percent and 41 percent for each of the three years, respectively. The increase in the 1999 effective tax rate reflects a higher proportion of earnings from international operations that are taxed at higher rates; a lower beneficial impact from prior-period tax adjustments, settlement of outstanding issues, and permanent differences in 1999; and lower tax credits as a proportion of before-tax income. These factors were slightly offset by the effect of lower taxes on taxable income received from equity affiliates in 1999.

Cost savings and higher production and sales levels reduced operating expenses 16 cents per barrel.

*Excluding special items; prior years restated to eliminate divested operations



The lower effective tax rate in 1998, compared with 1997, primarily reflects favorable prior-period tax adjustments; favorable adjustments associated with the finalization of the company's 1997

tax returns, higher tax-related credits connected with the utilization of capital loss benefits and a shift in the international earnings mix to lower-tax-rate countries.

Foreign currency losses decreased net income \$38 million in 1999 and \$47 million in 1998, while gains increased net income \$246 million in 1997. These amounts include the company's share of affiliates' foreign currency gains or losses. In 1999, the company's foreign currency losses occurred primarily in the company's operations in Canada and Australia and in the Australian operations of Caltex. The most significant losses in 1998 were in Caltex's operations in Korea, Thai-

land and Japan. The foreign currency gains for 1997 occurred in Australia and in the Asian operating areas of Caltex, where, generally, the currencies weakened against the U.S. dollar.

SELECTED OPERATING DATA	1999	1998	1997
U.S. EXPLORATION AND PRODUCTION			
Net Crude Oil and Natural Gas Liquids Production (MBPD)	316	325	343
Net Natural Gas Production (MMCFPD)	1,639	1,739	1,849
Natural Gas Sales (MMCFPD) ¹	3,162	3,303	3,400
Natural Gas Liquids Sales (MBPD) ¹	133	130	133
Revenues from Net Production			
Crude Oil (\$/Bbl)	\$16.11	\$11.42	\$17.68
Natural Gas (\$/MCF)	\$ 2.16	\$ 2.02	\$ 2.42
INTERNATIONAL EXPLORATION AND PRODUCTION¹			
Net Crude Oil and Natural Gas Liquids Production (MBPD)	811	782	731
Net Natural Gas Production (MMCFPD)	874	654	576
Natural Gas Sales (MMCFPD)	1,774	1,504	1,209
Natural Gas Liquids Sales (MBPD)	57	53	69
Revenues from Liftings			
Liquids (\$/Bbl)	\$17.31	\$11.77	\$17.97
Natural Gas (\$/MCF)	\$ 1.87	\$ 1.94	\$ 2.10
Other Produced Volumes (MBPD) ²	96	95	82
U.S. REFINING AND MARKETING			
Gasoline Sales (MBPD)	667	653	591
Other Refined Products Sales (MBPD)	635	590	602
Refinery Input (MBPD)	955	869	933
Average Refined Products Sales Price (\$/Bbl)	\$26.86	\$22.37	\$28.93
INTERNATIONAL REFINING AND MARKETING¹			
Refined Products Sales (MBPD) ³	892	798	886
Refinery Input (MBPD)	469	475	565
CHEMICALS SALES AND OTHER OPERATING REVENUES⁴			
United States	\$2,958	\$2,591	\$3,046
International	779	625	600
Worldwide	\$3,737	\$3,216	\$3,646

MBPD = Thousands of barrels per day; MMCFPD = Millions of cubic feet per day;

Bbl = Barrel; MCF = Thousands of cubic feet.

¹Includes equity in affiliates.

²Represents total field production under the Boscan operating service agreement in Venezuela.

³1998 restated to conform to 1999 presentation.

⁴Millions of dollars. Includes sales to other Chevron companies.

U.S. exploration and production earnings in 1999, excluding special items, more than doubled 1998 earnings, but declined 16 percent from 1997 levels. These changes largely tracked changes in crude oil prices. Higher gains from assets sales and lower exploration expenses each year helped offset declines in production of liquids and natural gas. The effect on net income from special items for the years 1997 through 1999 is shown in the following table.

U.S. Exploration and Production

Millions of dollars	1999	1998	1997
Earnings, Excluding Special Items	\$ 818	\$ 381	\$ 972
Asset Write-Offs and Revaluations	(204)	(44)	(68)
Asset Dispositions	3	47	190
Environmental Remediation Provisions	(23)	26	(6)
Restructurings and Reorganizations	(42)	—	(60)
Other	(26)	(45)	(27)
Total Special Items	(292)	(16)	29
Net Income	\$ 526	\$ 365	\$1,001

The company's average 1999 U.S. crude oil realizations of \$16.11 per barrel were \$4.69 higher than 1998 but \$1.57 lower than 1997. Average 1999 U.S. natural gas prices were \$2.16 per thousand cubic feet, 14 cents higher than 1998 but 26 cents lower than 1997.

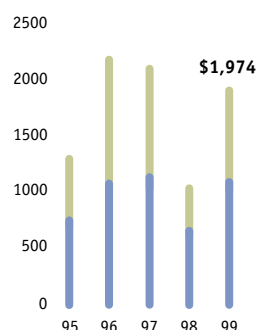
Net liquids production for the year averaged 316,000 barrels per day, down 3 percent from 1998 and down 8 percent

from 1997. Net natural gas production in 1999 averaged 1.639 billion cubic feet per day, down 6 percent from 1998 and 11 percent from 1997. The decline in oil-equivalent production reflects normal field declines and asset sales, partially offset by new production in the Gulf of Mexico. Production in 1998 was also adversely affected by a number of storms in the Gulf of Mexico, including Hurricane Georges.

International exploration and production earnings, excluding special items, in 1999 increased 61 percent from 1998 earnings, but were down 3 percent from 1997 levels. As in the U.S. upstream segment, these changes in earnings largely reflected the swings in crude oil prices. While 1999 average

WORLDWIDE EXPLORATION & PRODUCTION EARNINGS*

Millions of dollars



- United States
- International

U.S. earnings more than doubled in 1999; earnings outside the United States were up 61 percent.

*Excluding special items

crude oil prices did not return to 1997 levels, production has grown each year.

The effect on net income from special items for the years 1997 through 1999 is shown in the following table.

International Exploration and Production

Millions of dollars	1999	1998	1997
Earnings, Excluding Special Items	\$1,156	\$ 717	\$1,197
Asset Write-Offs and Revaluations	(37)	(6)	—
Asset Dispositions	17	(56)	50
Prior-Year Tax Adjustments	(23)	56	10
Restructurings and Reorganizations	(21)	—	—
Other	1	(4)	(5)
Total Special Items	(63)	(10)	55
Net Income	\$1,093	\$ 707	\$1,252

Chevron's average liquids realizations, including equity affiliates, were \$17.31 per barrel in 1999, compared with \$11.77 per barrel in 1998 and \$17.97 per barrel in 1997. Average natural gas realizations fell to \$1.87 per thousand cubic feet in 1999, compared with \$1.94 in 1998 and \$2.10 in 1997.

In 1999, net liquids production of 811,000 barrels per day increased 4 percent from 1998 and 11 percent from 1997. In 1999, production increases in Angola and Kazakhstan, combined with production from properties acquired during the year in Argentina and Thailand, offset declines in Australia, Indonesia and Nigeria. In 1998, operations in Kazakhstan, offshore eastern Canada, Indonesia, Angola and Congo were the principal sources of production increases from 1997.

Net natural gas production of 874 million cubic feet in 1999 was up 34 percent and 52 percent from 1998 and 1997, respectively. Increases in 1999 were from the United Kingdom, as well as from production from the properties acquired in Thailand and Argentina. In 1998, production rose in Indonesia and Nigeria as well as in the United Kingdom upon the start-up of the Britannia Field.

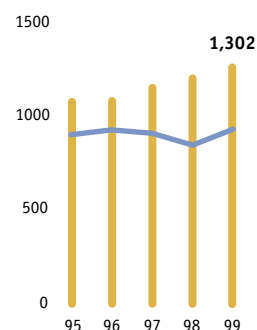
For 10 consecutive years, international production and proved reserves increased, reflecting the company's strategy of expanding its international upstream operations. In 1999, OEG production increased by 7 percent, and at year-end 1999 OEG proved reserves were higher than year-end 1998 by 6 percent. The company replaced 169 percent of 1999 OEG production during the year, including sales and acquisitions.

U.S. refining, marketing and transportation earnings, excluding special items, declined in 1999 to \$375 million after strong earnings in 1998 and 1997 of \$633 million and \$662 million, respectively. Earnings for 1999 suffered from compressed margins, as higher raw materials costs outpaced increases in refined products sales realizations. Operating incidents at the Richmond, California, refinery also contributed to the lower results. These effects were offset partially by increases in refined products sales volumes and proceeds from business interruption insurance.

For 1998, declines in refined products margins and the adverse effects of storms in the Gulf of Mexico were offset primarily by decreases in operating expenses and increases in refined products sales volumes. Also included in 1998 results were proceeds from a partial payment of business interruption insurance as well as adjustments to prior years' taxes.

U.S. REFINED PRODUCTS SALES VS. REFINERY RUNS

Thousands of barrels per day



- Refined Products Sales
- Refinery Runs

Refined products sales rose 5 percent in 1999; refinery runs recovered from 1998 storm-related outages in the Southeast.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

The effect on net income from special items for the years 1997 through 1999 is shown in the following table.

U.S. Refining and Marketing

Millions of dollars	1999	1998	1997
Earnings, Excluding Special Items	\$375	\$633	\$662
Asset Write-Offs and Revaluations	–	(22)	–
Asset Dispositions	75	–	(18)
Environmental Remediation	(71)	(39)	(12)
Restructuring and Reorganizations	(35)	–	–
LIFO Inventory Gains	13	–	–
Other	–	–	(31)
Total Special Items	(18)	(61)	(61)
Net Income	\$357	\$572	\$601

Refined products sales volumes of 1.302 million barrels per day in 1999 increased 5 percent over 1998 and 9 percent from 1997. The sales increases in 1999 reflected higher gasoline sales volumes, including branded gasoline sales of 545,000 BPD, which increased 5 percent from the 1998 level and 10 percent from 1997.

For 1999, U.S. refined products sales realizations were \$26.86 per barrel, up 20 percent from 1998 but 7 percent lower than in 1997.

International refining, marketing and transportation earnings include results of the consolidated refining and marketing subsidiaries, international marine operations and equity earnings of Caltex. Excluding special items, 1999 earnings of \$49 million were down from \$123 million in 1998 and \$367 million in 1997. Foreign currency losses were \$21 million in 1999, compared with losses of \$69 million in 1998 and gains of

\$169 million in 1997. The effect on net income from special items for the years 1997 through 1999 is shown in the following table.

International Refining, Marketing and Transportation

Millions of dollars	1999	1998	1997
Earnings, Excluding Special Items	\$ 49	\$123	\$367
Asset Dispositions	(31)	–	(72)
Prior-Year Tax Adjustments	60	–	–
Environmental Remediation Provisions	–	(11)	–
Restructurings and Reorganizations	(31)	(43)	–
LIFO Inventory Gains (Losses)	27	(16)	6
Other	–	(25)	(3)
Total Special Items	25	(95)	(69)
Net Income	\$ 74	\$ 28	\$298

The Caltex contribution to segment results for the years 1997 through 1999 is shown in the table below.

Caltex

Millions of dollars	1999	1998	1997
Net Income (Loss)	\$ 56	\$ (36)	\$252
Less:			
Special Items	30	(82)	5
Foreign Currency (Losses) Gains	(15)	(68)	177
LCM* Inventory Adjustments and Other	76	(43)	(50)
Adjusted (Loss) Earnings	\$(35)	\$157	\$120

*Lower of cost or market

On an adjusted basis, Caltex earnings declined in 1999 due to weak sales margins in most of its areas of operations, as competitive pressures prevented refined products sales realizations from rising sufficiently to recover higher crude oil costs. Sales realizations in 1998 did not decline as fast as raw material costs, resulting in higher sales margins and adjusted earnings when compared with 1997.

Total international refined products sales volumes in 1999 were 892,000 barrels per day, increasing from 798,000 in 1998 and 886,000 in 1997.

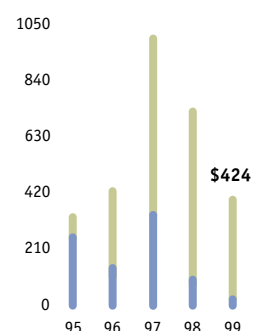
Higher Caltex sales volumes were primarily responsible for the increase. Sales volumes in 1998 were lower than 1997 as a result of Chevron's withdrawal from the refining and marketing business in the United Kingdom in late 1997. Excluding the 1997 volumes from the discontinued U.K. business, refined products sales volumes were essentially flat between 1998 and 1997.

Chemicals earnings, excluding special items, rose 36 percent in 1999 to \$205 million but did not reach the \$224 million recorded in 1997. Earnings in 1999 benefited from improved sales margins for major products, higher sales volumes and lower operating expenses. The 1998 results were affected adversely by plant shutdowns for expansions and storm damage repairs.

Earnings in 2000 remain under pressure from industry overcapacity. However, the company's sales volumes grew in 1999, increasing 10 percent over 1998 and 20 percent from 1997 levels.

WORLDWIDE REFINING & MARKETING EARNINGS*

Millions of dollars



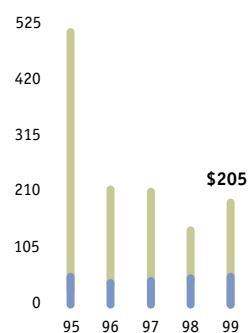
● United States
● International

Earnings worldwide suffered as raw material costs outpaced price increases for refined products.

*Excluding special items

WORLDWIDE CHEMICALS EARNINGS*

Millions of dollars



● United States
● International

Chemicals earnings increased 36 percent due to improved sales margins, higher sales volumes and fewer plant shutdowns.

*Excluding special items

The effect on net income from special items for the years 1997 through 1999 is shown in the following table.

Chemicals

Millions of dollars	1999	1998	1997
Earnings, Excluding Special Items	\$205	\$151	\$224
Asset Write-Offs and Revaluations	(43)	(19)	(10)
Asset Dispositions	—	—	33
Environmental Remediation Provisions	(28)	(5)	(9)
Restructurings and Reorganizations	(22)	—	—
LIFO Inventory Losses	(3)	(5)	(1)
Other	—	—	(9)
Total Special Items	(96)	(29)	4
Net Income	\$109	\$122	\$228

All Other activities include coal operations, interest expense, interest income on cash and marketable securities, real estate and insurance activities, and corporate center costs. All Other net charges, excluding special items, were \$317 million in 1999, compared with \$60 million and \$242 million in 1998 and 1997, respectively.

The effect on net charges from special items for the years 1997 through 1999 is shown in the following table.

All Other

Millions of dollars	1999	1998	1997
Net Charges, Excluding Special Items	\$(317)	\$(60)	\$(242)
Asset Write-Offs and Revaluations	(62)	(68)	(8)
Asset Dispositions	147	—	—
Environmental Remediation Provisions	(1)	(10)	(8)
Prior-Year Tax Adjustments	72	215	142
Restructurings and Reorganizations	(32)	—	—
Cities Service Litigation	104	(629)	—
Other	—	97	(8)
Total Special Items	228	(395)	118
Net Charges	\$(89)	\$(455)	\$(124)

Net income, excluding special items, for the company's coal operations was \$34 million in 1999, compared with \$77 million in 1998 and \$41 million in 1997. Net income for 1999 included net special benefits of \$26 million. Lower 1999 results were due primarily to the absence of earnings from an affiliate sold in the first quarter, lower sales tonnage and sales prices for the remaining coal business, and adjustments during the year to the carrying value of these remaining operations that were under active negotiation for sale. Late in 1999, as a result of unsuccessful negotiations to sell the company's coal operations, final adjustments were made to reduce the net carrying value of the assets, which are no longer held for sale. Earnings in 1998, in contrast with 1999 and 1997, benefited from the suspension of depreciation expense for part of the year while the held-for-sale assets were actively being marketed to prospective buyers.

Net charges, excluding special items, for the balance of the All Other segment were \$351 million in 1999, \$137 million in 1998 and \$283 million in 1997. Higher interest expense, lower interest income, and fewer favorable state and federal income tax adjustments were the primary causes of the higher level of charges in 1999 compared with 1998. Included in the 1998 earnings were net incremental benefits totaling approximately \$80 million, consisting primarily of tax-related

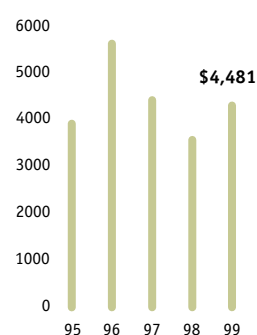
credits, which were connected with the utilization of capital loss benefits, and the receipt of proceeds from favorable insurance settlements. Net charges for 1998 also included more favorable tax-related adjustments than in 1997. Partially offsetting these 1998 items were higher interest expenses on increased debt levels and lower interest income.

LIQUIDITY AND CAPITAL RESOURCES Cash, cash equivalents and marketable securities totaled \$2.032 billion at year-end 1999, up 44 percent from \$1.413 billion at year-end 1998. Cash provided by operating activities in 1999 was \$4.481 billion, compared with \$3.731 billion in 1998 and \$4.880 billion in 1997. Cash provided by operating activities in 1999 benefited from the environment of rising crude oil prices and the resulting impact on the company's earnings, but was not totally sufficient to fund the company's total cash needs. As a result, the company increased its borrowings in 1999 by about \$1.4 billion to supplement cash received from operating activities and proceeds from the sales of assets to provide the funds for acquisitions, its capital expenditure program, dividend payments to stockholders, and the December 1999 payment of \$775 million to Occidental Petroleum in settlement of the Cities Service lawsuit. In 1998, cash provided by operating activities was not sufficient to fund the company's investing activities and also resulted in increased borrowings that year. In 1997, cash provided by operating activities and asset sales exceeded the company's investment and dividend requirements, and debt was reduced.

In October 1999, the company increased its quarterly dividend from 61 cents to 65 cents per share. For the full year, Chevron paid dividends of \$2.48 per share, compared with \$2.44 per share in 1998 – the 12th consecutive year of dividend increases. In January 2000, the company declared a quarterly dividend of 65 cents a share on its common stock.

The company's total debt and capital lease obligations were \$8.919 billion at December 31, 1999, an increase of 18 percent from \$7.558 billion at year-end 1998. In 1999, the company's Employee Stock Ownership Plan (ESOP) borrowed a total of \$645 million at an average interest rate of 7.4 percent, guaranteed by Chevron Corporation. Debt proceeds of \$620 million were paid to Chevron Corporation in exchange for Chevron's assumption of the existing 8.11 percent ESOP debt of \$620 million. In October 1999, the company issued \$500 million of new 6.625 percent notes. Chevron used the proceeds from the new debt to reduce short-term debt, primarily commercial paper. Other additions to long-term debt and capital lease obligations in 1999, excluding debt assumed in acquisitions and guarantees of ESOP debt, totaled about \$200 million. The additions to long-term debt in 1999 were partially offset by repayments of existing long-term debt and

**CASH PROVIDED BY
OPERATING ACTIVITIES**
Millions of dollars



Higher operating earnings contributed to increased cash flow in 1999.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

capital lease obligations of \$163 million, repayments of debt assumed in acquisitions of \$386 million and a scheduled \$70 million noncash retirement of 8.11 percent ESOP debt. There were also net additions of \$219 million in short-term debt, primarily commercial paper, excluding debt assumed in acquisitions and new guaranties of ESOP debt.

On December 31, 1999, Chevron had \$4.750 billion in committed credit facilities with various major banks, \$2.725 billion of which had termination dates beyond one year. These facilities support commercial paper borrowing and also can be used for general credit requirements. No borrowings were outstanding under these facilities during the year or at year-end 1999. In addition, Chevron has three existing "shelf" registrations on file with the Securities and Exchange Commission that together would permit registered offerings of up to \$2.8 billion of debt securities. This is an increase of \$1.5 billion from 1998 following a new \$2 billion shelf registration in 1999 and the 1999 issuance of \$500 million in new long-term debt under an existing shelf registration.

The company's short-term debt, consisting primarily of commercial paper and the current portion of long-term debt, totaled \$6.159 billion at December 31, 1999. Of the total short-term debt, \$2.725 billion was reclassified to long-term debt at year-end 1999 because settlement of these obligations is not expected to require the use of working capital in

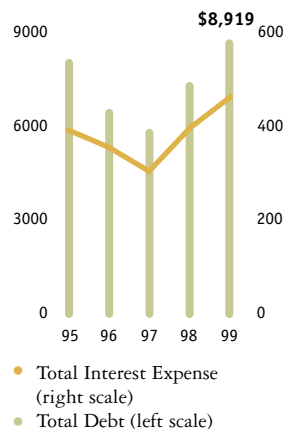
2000, as the company has the intent and the ability, as evidenced by committed credit arrangements, to refinance them on a long-term basis. The company's practice has been to continually refinance its commercial paper, maintaining levels it believes to be appropriate.

The company's future debt level is dependent primarily on cash provided by operations and its capital spending program. The company believes it has substantial borrowing capacity to meet unanticipated cash requirements. The company's senior debt is rated AA by Standard & Poor's Corporation and Aa2 by Moody's Investors Service. Chevron's U.S. commercial paper is

rated A-1+ by Standard & Poor's and Prime-1 by Moody's. Chevron's Canadian commercial paper is rated R-1 (middle) by Dominion Bond Rating Service. Moody's counterparty rating for Chevron is also Aa2. All of these ratings denote high-quality, investment-grade securities.

In December 1997, Chevron's Board of Directors approved the repurchase of up to \$2 billion of the company's outstanding common stock for use in its employee stock option programs. Through February 23, 1999, the company had purchased 7.4 million shares at a cost of \$564 million under the program.

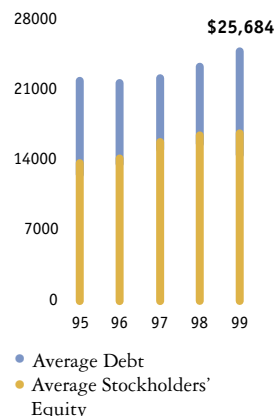
TOTAL INTEREST EXPENSE & TOTAL DEBT AT YEAR-END
Millions of dollars



Funds required for two acquisitions and the Cities Service settlement boosted Chevron's total debt and interest expense.

FINANCIAL RATIOS The **current ratio** is the ratio of current assets to current liabilities at year-end. Two items negatively affected Chevron's current ratio but in the company's opinion do not affect its liquidity. Current assets in all years included inventories valued on a LIFO basis, that at year-end 1999 were lower than current costs, based on average acquisition costs for the year, by \$871 million. Also, the company continually refinances its commercial paper. At year-end 1999, approximately \$2.066 billion of commercial paper, after excluding \$2.725 billion reclassified to long-term debt, was classified as a current liability, although it is likely to remain outstanding indefinitely. The company benefits from lower interest rates available on short-term debt; however, Chevron's proportionately large amount of short-term debt keeps its ratio of current assets to current liabilities at a relatively low level.

CAPITAL EMPLOYED
Millions of dollars



Chevron's ratio of debt to debt-plus-equity increased to 33.4 percent in 1999 from 30.7 percent in 1998.

Financial Ratios

	1999	1998	1997
Current Ratio	0.9	0.9	1.0
Interest Coverage Ratio	8.2	5.1	14.3
Total Debt/Total Debt Plus Equity	33.4%	30.7%	25.8%

The **interest coverage ratio** is defined as income before income tax expense, plus interest and debt expense and amortization of capitalized interest, divided by before-tax interest costs. Chevron's interest coverage ratio improved significantly in 1999 due to higher before-tax income, despite higher interest expense. The company's **debt ratio** (total debt/total debt plus equity) increased in 1999, as the increase in total debt was proportionately higher than the increase in stockholders' equity.

CAPITAL AND EXPLORATORY EXPENDITURES Worldwide capital and exploratory expenditures for 1999 totaled \$6.133 billion, including the company's equity share of affiliates' expenditures. Capital and exploratory expenditures were \$5.314 billion in 1998 and \$5.541 billion in 1997. Expenditures for exploration and production, including those associated with the company's Dynegy affiliate, accounted for 75 percent of total outlays in 1999, compared with 61 percent in 1998 and 65 percent in 1997. International exploration and production spending was 78 percent of worldwide exploration and production expenditures in 1999, compared with 60 percent in 1998 and 54 percent in 1997, reflecting the company's continuing focus on international exploration and production activities. Additionally, 1999 expenditures included two significant acquisitions in international exploration and production areas – the Rutherford-Moran Oil Corporation

and Petrolera Argentina San Jorge S.A. The company's other segments had lower expenditures in 1999 than in 1998, as the company reduced spending to fund its international exploration and production activities.

The company estimates **capital and exploratory expenditures for 2000** at \$5.2 billion, including Chevron's share of spending by affiliates. This is down about 15 percent from 1999 spending levels, reflecting the absence of the two significant 1999 acquisitions. The 2000 program provides \$3.6 billion for exploration and production investments, of which about 64 percent is for international projects. Major areas of emphasis for exploration and production are Kazakhstan, West Africa, Thailand, Canada and the deep waters of the Gulf of Mexico. U.S. exploration and production estimates include \$390 million for the company's increased investment in Dynegy and Dynegy's expenditures for the year. Successful implementation of the planned expenditure program for 2000 will

depend upon many factors, including the ability of our partners in many of these projects, some of which are national petroleum companies of producing countries, to fund their shares of project expenditures.

Transportation expenditures are estimated at about \$420 million. Most of this will be in the Caspian Sea region, where the Caspian Pipeline Consortium is constructing a pipeline. Refining and marketing expenditures are estimated at about \$830 million, with \$530 million of that planned for projects in the United States, most of which will be spent for marketing projects. Most of the international downstream capital program will be invested by the company's Caltex affiliate. The company has tentative plans to invest about \$200 million in the worldwide chemicals business, down about 57 percent from 1999 spending levels. This amount may change depending on the timing of a successful formation of the proposed chemicals joint venture with Phillips Petroleum Company.

Capital and Exploratory Expenditures

Millions of dollars	1999			1998			1997		
	U.S.	Inter-national	Total	U.S.	Inter-national	Total	U.S.	Inter-national	Total
Exploration and Production	\$1,029	\$3,591	\$4,620	\$1,320	\$1,942	\$3,262	\$1,659	\$1,956	\$3,615
Refining, Marketing and Transportation	522	412	934	654	431	1,085	520	602	1,122
Chemicals	326	136	462	385	359	744	470	194	664
All Other	117	—	117	223	—	223	140	—	140
Total	\$1,994	\$4,139	\$6,133	\$2,582	\$2,732	\$5,314	\$2,789	\$2,752	\$5,541
Total, Excluding Equity in Affiliates	\$1,859	\$3,492	\$5,351	\$2,460	\$1,860	\$4,320	\$2,487	\$1,880	\$4,367

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements relating to Chevron's operations that are based on management's current expectations, estimates and projections about the petroleum and chemicals industries. Words such as "expects," "intends," "plans," "projects," "believes," "estimates" and similar expressions are used to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements.

Among the factors that could cause actual results to differ materially are crude oil and natural gas prices; refining and marketing margins; chemicals prices and competitive conditions affecting supply and demand for the company's aromatics, olefins and additives products; inability of the company's joint-venture partners to fund their share of operations and development activities; potential failure to achieve expected production from existing and future oil and gas development projects; potential delays in the development, construction or start-up of planned projects; potential disruption or interruption of the company's production or manufacturing facilities due to accidents or political events; potential liability for remedial actions under existing or future environmental regulations that may result in higher costs; significant investment or product changes under existing or future environmental and litigation regulations (including, particularly, regulations and litigation dealing with gasoline composition and characteristics); and potential liability resulting from other pending or future litigation. In addition, such statements could be affected by general domestic and international economic and political conditions. Unpredictable or unknown factors not discussed herein also could have material adverse effects on forward-looking statements. Chevron undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

QUARTERLY RESULTS AND STOCK MARKET DATA

Unaudited

Millions of dollars, except per-share amounts	1999				1998			
	4TH Q	3RD Q	2ND Q	1ST Q	4TH Q	3RD Q	2ND Q	1ST Q
REVENUES								
Sales and other operating revenues ¹	\$10,611	\$ 9,965	\$8,473	\$6,399	\$7,164	\$7,561	\$7,754	\$7,464
Income (loss) from equity affiliates	122	127	133	144	(66)	13	155	126
Other income	246	85	135	146	184	104	60	38
TOTAL REVENUES	10,979	10,177	8,741	6,689	7,282	7,678	7,969	7,628
COSTS AND OTHER DEDUCTIONS								
Purchased crude oil and products, operating and other expenses	7,307	7,006	6,275	4,426	5,978	5,100	5,314	5,195
Depreciation, depletion and amortization	900	767	633	566	646	563	557	554
Taxes other than on income ¹	1,184	1,181	1,143	1,078	1,115	1,145	1,140	1,011
Interest and debt expense	138	116	113	105	109	103	99	94
TOTAL COSTS AND OTHER DEDUCTIONS	9,529	9,070	8,164	6,175	7,848	6,911	7,110	6,854
INCOME BEFORE INCOME TAX	1,450	1,107	577	514	(566)	767	859	774
INCOME TAX (CREDIT) EXPENSE	641	525	227	185	(360)	306	282	267
NET INCOME (LOSS)²	\$ 809	\$ 582	\$ 350	\$ 329	\$ (206)	\$ 461	\$ 577	\$ 507
NET (LOSS) INCOME PER SHARE – BASIC	\$ 1.24	\$ 0.88	\$ 0.54	\$ 0.50	\$(0.31)	\$ 0.70	\$ 0.88	\$ 0.78
– DILUTED	\$ 1.23	\$ 0.88	\$ 0.53	\$ 0.50	\$(0.31)	\$ 0.70	\$ 0.88	\$ 0.77
DIVIDENDS PAID PER SHARE	\$ 0.65	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.61
COMMON STOCK PRICE RANGE – HIGH	\$96¹⁵/₁₆	\$100¹³/₁₆	\$104¹⁵/₁₆	\$90⁵/₁₆	\$89⁷/₁₆	\$89	\$86¹³/₁₆	\$90³/₁₆
– LOW	\$83³/₈	\$85⁹/₁₆	\$86³/₈	\$73¹/₈	\$78³/₈	\$73	\$77³/₈	\$67³/₄

¹Includes consumer excise taxes:

\$ 989	\$ 1,023	\$ 986	\$ 912	\$ 943	\$ 973	\$ 988	\$ 852
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²Special (charges) credits included in Net Income (Loss):

\$ (10)	\$ (120)	\$ (134)	\$ 48	\$(709)	\$ 75	\$ (43)	\$ 71
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The company's common stock is listed on the New York Stock Exchange (trading symbol: CHV), as well as on the Chicago, Pacific, London and Swiss stock exchanges. It also is traded on the Boston, Cincinnati, Detroit and Philadelphia stock exchanges. As of February 23, 2000, stockholders of record numbered approximately 116,000.

There are no restrictions on the company's ability to pay dividends. Chevron has made dividend payments to stockholders for 88 consecutive years.

REPORT OF MANAGEMENT

TO THE STOCKHOLDERS OF CHEVRON CORPORATION

Management of Chevron is responsible for preparing the accompanying financial statements and for ensuring their integrity and objectivity. The statements were prepared in accordance with accounting principles generally accepted in the United States and fairly represent the transactions and financial position of the company. The financial statements include amounts that are based on management's best estimates and judgments.

The company's statements have been audited by PricewaterhouseCoopers LLP, independent accountants, selected by the Audit Committee and approved by the stockholders. Management has made available to PricewaterhouseCoopers LLP all the company's financial records and related data, as well as the minutes of stockholders' and directors' meetings.

Management of the company has established and maintains a system of internal accounting controls that is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, and the books and records accurately reflect the disposition of assets. The system of internal controls includes appropriate division of responsibility. The company maintains an internal audit department that conducts an extensive program of internal audits and independently assesses the effectiveness of the internal controls.

The Audit Committee is composed of directors who are not officers or employees of the company. It meets regularly with members of management, the internal auditors and the independent accountants to discuss the adequacy of the company's internal controls, its financial statements, and the nature, extent and results of the audit effort. Both the internal auditors and the independent accountants have free and direct access to the Audit Committee without the presence of management.



David J. O'Reilly
Chairman of the Board
and Chief Executive Officer



Martin R. Klitten
Vice President
and Chief Financial Officer



Stephen J. Crowe
Comptroller

February 23, 2000

CONSOLIDATED STATEMENT OF INCOME

Millions of dollars, except per-share amounts	Year ended December 31		
	1999	1998	1997
REVENUES			
Sales and other operating revenues*	\$35,448	\$29,943	\$40,596
Income from equity affiliates	526	228	688
Other income	612	386	679
TOTAL REVENUES	36,586	30,557	41,963
COSTS AND OTHER DEDUCTIONS			
Purchased crude oil and products	17,982	14,036	20,223
Operating expenses	5,090	4,834	5,280
Selling, general and administrative expenses	1,404	2,239	1,533
Exploration expenses	538	478	493
Depreciation, depletion and amortization	2,866	2,320	2,300
Taxes other than on income*	4,586	4,411	6,320
Interest and debt expense	472	405	312
TOTAL COSTS AND OTHER DEDUCTIONS	32,938	28,723	36,461
INCOME BEFORE INCOME TAX EXPENSE	3,648	1,834	5,502
INCOME TAX EXPENSE	1,578	495	2,246
NET INCOME	\$ 2,070	\$ 1,339	\$ 3,256
NET INCOME PER SHARE OF COMMON STOCK – BASIC	\$3.16	\$2.05	\$4.97
– DILUTED	\$3.14	\$2.04	\$4.95

*Includes consumer excise taxes:

See accompanying notes to consolidated financial statements.

\$3,910

\$3,756

\$5,587

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Millions of dollars	Year ended December 31		
	1999	1998	1997
NET INCOME	\$2,070	\$1,339	\$3,256
Currency translation adjustment	(43)	(1)	(173)
Unrealized holding gain (loss) on securities	29	3	(4)
Minimum pension liability adjustment	(11)	(15)	4
OTHER COMPREHENSIVE INCOME, NET OF TAX	(25)	(13)	(173)
COMPREHENSIVE INCOME	\$2,045	\$1,326	\$3,083

See accompanying notes to consolidated financial statements.

REPORT OF INDEPENDENT ACCOUNTANTS

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, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Chevron Corporation and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audits provide a reasonable basis for the opinion expressed above.



San Francisco, California
February 23, 2000

CONSOLIDATED BALANCE SHEET

Millions of dollars	At December 31	
	1999	1998
ASSETS		
Cash and cash equivalents	\$ 1,345	\$ 569
Marketable securities	687	844
Accounts and notes receivable (less allowance: 1999 – \$36; 1998 – \$27)	3,688	2,813
Inventories:		
Crude oil and petroleum products	585	600
Chemicals	526	559
Materials, supplies and other	291	296
	1,402	1,455
Prepaid expenses and other current assets	1,175	616
TOTAL CURRENT ASSETS	8,297	6,297
Long-term receivables	815	872
Investments and advances	5,231	4,604
Properties, plant and equipment, at cost	54,212	51,337
Less: accumulated depreciation, depletion and amortization	28,895	27,608
	25,317	23,729
Deferred charges and other assets	1,008	1,038
TOTAL ASSETS	\$ 40,668	\$ 36,540
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt	\$ 3,434	\$ 3,165
Accounts payable	3,103	2,170
Accrued liabilities	1,210	1,202
Federal and other taxes on income	718	226
Other taxes payable	424	403
TOTAL CURRENT LIABILITIES	8,889	7,166
Long-term debt	5,174	4,128
Capital lease obligations	311	265
Deferred credits and other noncurrent obligations	1,739	2,560
Noncurrent deferred income taxes	5,010	3,645
Reserves for employee benefit plans	1,796	1,742
TOTAL LIABILITIES	22,919	19,506
Preferred stock (authorized 100,000,000 shares, \$1.00 par value, none issued)	–	–
Common stock (authorized 1,000,000,000 shares, \$1.50 par value, 712,487,068 shares issued)	1,069	1,069
Capital in excess of par value	2,215	2,097
Deferred compensation	(646)	(691)
Accumulated other comprehensive income	(115)	(90)
Retained earnings	17,400	16,942
Treasury stock, at cost (1999 – 56,140,994 shares; 1998 – 59,460,666 shares)	(2,174)	(2,293)
TOTAL STOCKHOLDERS' EQUITY	17,749	17,034
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 40,668	\$ 36,540

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Millions of dollars	Year ended December 31		
	1999	1998	1997
OPERATING ACTIVITIES			
Net income	\$ 2,070	\$ 1,339	\$ 3,256
Adjustments			
Depreciation, depletion and amortization	2,866	2,320	2,300
Dry hole expense related to prior years' expenditures	126	40	31
Distributions (less than) greater than income from equity affiliates	(258)	25	(353)
Net before-tax gains on asset retirements and sales	(471)	(45)	(344)
Net foreign currency losses (gains)	23	(20)	(69)
Deferred income tax provision	226	266	622
Net decrease (increase) in operating working capital ¹	636	(809)	(253)
(Decrease) increase in Cities Service provision	(149)	924	—
Cash settlement of Cities Service litigation	(775)	—	—
Other, net	187	(309)	(310)
NET CASH PROVIDED BY OPERATING ACTIVITIES²	4,481	3,731	4,880
INVESTING ACTIVITIES			
Capital expenditures	(4,366)	(3,880)	(3,899)
Proceeds from asset sales	992	434	1,235
Net sales (purchases) of marketable securities ³	262	(183)	101
Other, net	32	(230)	(297)
NET CASH USED FOR INVESTING ACTIVITIES	(3,080)	(3,859)	(2,860)
FINANCING ACTIVITIES			
Net borrowings (repayments) of short-term obligations	219	1,713	(163)
Proceeds from issuances of long-term debt	1,221	224	26
Repayments of long-term debt and other financing obligations	(549)	(388)	(421)
Cash dividends paid	(1,625)	(1,596)	(1,493)
Net sales (purchases) of treasury shares	108	(261)	173
NET CASH USED FOR FINANCING ACTIVITIES	(626)	(308)	(1,878)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1	(10)	(19)
NET CHANGE IN CASH AND CASH EQUIVALENTS	776	(446)	123
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	569	1,015	892
CASH AND CASH EQUIVALENTS AT YEAR-END	\$ 1,345	\$ 569	\$ 1,015

See accompanying notes to consolidated financial statements.

¹ “Net decrease (increase) in operating working capital” is composed of the following:			
(Increase) decrease in accounts and notes receivable	\$ (810)	\$ 552	\$ 474
Decrease (increase) in inventories	72	(116)	(11)
(Increase) decrease in prepaid expenses and other current assets	(43)	(23)	59
Increase (decrease) in accounts payable and accrued liabilities	915	(807)	(685)
Increase (decrease) in income and other taxes payable	502	(415)	(90)
Net decrease (increase) in operating working capital	\$ 636	\$ (809)	\$ (253)
² “Net cash provided by operating activities” includes the following cash payments for interest and income taxes:			
Interest paid on debt (net of capitalized interest)	\$ 438	\$ 407	\$ 318
Income taxes paid	\$ 864	\$ 654	\$ 1,706
³ “Net sales (purchases) of marketable securities” consists of the following gross amounts:			
Marketable securities purchased	\$ (2,812)	\$ (2,679)	\$ (2,724)
Marketable securities sold	3,074	2,496	2,825
Net sales (purchases) of marketable securities	\$ 262	\$ (183)	\$ 101

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Amounts in millions of dollars	1999		1998		1997	
	Shares	Amount	Shares	Amount	Shares	Amount
COMMON STOCK						
Balance at January 1	712,487,068	\$ 1,069	712,487,068	\$ 1,069	712,487,068	\$ 1,069
Change during year	—	—	—	—	—	—
Balance at December 31	712,487,068	\$ 1,069	712,487,068	\$ 1,069	712,487,068	\$ 1,069
TREASURY STOCK AT COST						
Balance at January 1	59,460,666	\$ (2,293)	56,555,871	\$ (1,977)	59,401,015	\$ (2,024)
Purchases	56,052	(5)	5,246,100	(398)	1,255,022	(95)
Reissuances	(3,375,724)	124	(2,341,305)	82	(4,100,166)	142
Balance at December 31	56,140,994	\$ (2,174)	59,460,666	\$ (2,293)	56,555,871	\$ (1,977)
CAPITAL IN EXCESS OF PAR						
Balance at January 1		\$ 2,097		\$ 2,022		\$ 1,874
Treasury stock transactions		118		75		148
Balance at December 31		\$ 2,215		\$ 2,097		\$ 2,022
DEFERRED COMPENSATION						
Balance at January 1		\$ (691)		\$ (750)		\$ (800)
Net Reduction of ESOP debt and other		45		59		50
Balance at December 31		\$ (646)		\$ (691)		\$ (750)
ACCUMULATED OTHER COMPREHENSIVE INCOME¹						
Balance at January 1		\$ (90)		\$ (77)		\$ 96
Change during year		(25)		(13)		(173)
Balance at December 31		\$ (115)		\$ (90)		\$ (77)
RETAINED EARNINGS						
Balance at January 1		\$16,942		\$17,185		\$15,408
Net Income		2,070		1,339		3,256
Cash dividends (per-share amounts 1999: \$2.48; 1998: \$2.44; 1997: \$2.28)		(1,625)		(1,596)		(1,493)
Tax benefit from dividends paid on unallocated ESOP shares		13		14		14
Balance at December 31		\$17,400		\$16,942		\$17,185
TOTAL STOCKHOLDERS' EQUITY AT DECEMBER 31		\$17,749		\$17,034		\$17,472

See accompanying notes to consolidated financial statements.

¹ACCUMULATED OTHER COMPREHENSIVE INCOME:

	Currency Translation Adjustment	Unrealized Holding Gain on Securities	Minimum Pension Liability Adjustment	Total
Balance at January 1, 1997	\$ 118	\$ 14	\$ (36)	\$ 96
Change during year	(173)	(4)	4	(173)
Balance at December 31, 1997	\$ (55)	\$ 10	\$ (32)	\$ (77)
Change during year	(1)	3	(15)	(13)
Balance at December 31, 1998	\$ (56)	\$ 13	\$ (47)	\$ (90)
Change during year	(43)	29	(11)	(25)
Balance at December 31, 1999	\$ (99)	\$ 42	\$ (58)	\$ (115)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chevron Corporation is an international company that, through its subsidiaries and affiliates, engages in fully integrated petroleum operations, chemicals operations and coal mining in the United States and more than 100 other countries. Petroleum operations consist of exploring for, developing and producing crude oil and natural gas; transporting crude oil, natural gas and products by pipelines, marine vessels and motor equipment; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and refined petroleum products. Chemicals operations include the manufacture and marketing of a wide range of chemicals for industrial uses.

In preparing its consolidated financial statements, the company follows accounting policies that are in accordance with accounting principles generally accepted in the United States. This requires the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. While the company uses its best estimates and judgments, actual results could differ from these estimates as future confirming events occur.

The nature of the company's operations and the many countries in which it operates subject it to changing economic, regulatory and political conditions. Also, the company imports crude oil for its U.S. refining operations. The company does not believe it is vulnerable to the risk of a near-term severe impact as a result of any concentration of its activities.

Subsidiary and Affiliated Companies The consolidated financial statements include the accounts of subsidiary companies more than 50 percent owned. Investments in and advances to affiliates in which the company has a substantial ownership interest of approximately 20 percent to 50 percent, or for which the company exercises significant influence but not control over policy decisions, are accounted for by the equity method. Under this accounting, remaining unamortized cost is increased or decreased by the company's share of earnings or losses after dividends.

Oil and Gas Accounting The successful efforts method is used for oil and gas exploration and production activities.

Derivatives Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses related to qualifying hedges of firm commitments or anticipated transactions also are deferred and are recognized in income or as adjustments of carrying amounts when the underlying hedged transaction occurs. Cash flows associated with these derivatives are reported with the underlying hedged transaction's cash flows. If, subsequent to being hedged, underlying transactions are no longer likely to occur, the related derivatives gains and losses are recognized currently in income. Gains and losses on derivatives contracts that do not qualify as hedges are recognized currently in "Other income."

Short-Term Investments All short-term investments are classified as available for sale and are in highly liquid debt or equity securities. Those investments that are part of the company's cash management portfolio with original maturities of three months or less are reported as cash equivalents. The balance of the short-term investments is reported as "Marketable securities." Short-term investments are marked-to-market with any unrealized gains or losses included in other comprehensive income.

Inventories Crude oil, petroleum products and chemicals are stated at cost, using a Last-In, First-Out (LIFO) method. In the aggregate, these costs are below market. Materials, supplies and other inventories generally are stated at average cost.

Properties, Plant and Equipment All costs for development wells, related plant and equipment, and proved mineral interests in oil and gas properties are capitalized. Costs of exploratory wells are capitalized pending determination of whether the wells found proved reserves. Costs of wells that are assigned proved reserves remain capitalized. All other exploratory wells and costs are expensed.

Long-lived assets, including proved oil and gas properties, are assessed for possible impairment by comparing their carrying values to the undiscounted future net before-tax cash flows. Impaired assets are written down to their estimated fair values, generally their discounted cash flows. For proved oil and gas properties in the United States, the company generally performs the impairment review on an individual field basis. Outside the United States, reviews are performed on a country or concession basis. Impairment amounts are recorded as incremental depreciation expense in the period in which the event occurs.

Depreciation and depletion (including provisions for future abandonment and restoration costs) of all capitalized costs of proved oil and gas producing properties, except mineral interests, are expensed using the unit-of-production method by individual fields as the proved developed reserves are produced. Depletion expenses for capitalized costs of proved mineral interests are recognized using the unit-of-production method by individual fields as the related proved reserves are produced. Periodic valuation provisions for impairment of capitalized costs of unproved mineral interests are expensed.

Depreciation and depletion expenses for coal are determined using the unit-of-production method as the proved reserves are produced. The capitalized costs of all other plant and equipment are depreciated or amortized over estimated useful lives. In general, the declining-balance method is used to depreciate plant and equipment in the United States; the straight-line method generally is used to depreciate international plant and equipment and to amortize all capitalized leased assets.

Gains or losses are not recognized for normal retirements of properties, plant and equipment subject to composite group amortization or depreciation. Gains or losses from abnormal retirements or sales are included in income.

Expenditures for maintenance, repairs and minor renewals to maintain facilities in operating condition are expensed. Major replacements and renewals are capitalized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

– Continued

Environmental Expenditures Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed. Expenditures that create future benefits or contribute to future revenue generation are capitalized.

Liabilities related to future remediation costs are recorded when environmental assessments and/or cleanups are probable and the costs can be reasonably estimated. Other than for assessments, the timing and magnitude of these accruals are generally based on the company's commitment to a formal plan of action, such as an approved remediation plan or the sale or disposal of an asset. For the company's U.S. and Canadian marketing facilities, the accrual is based on the probability that a future remediation commitment will be required. For oil and gas and coal producing properties, a provision is made through depreciation expense for anticipated abandonment and restoration costs at the end of the property's useful life.

For Superfund sites, the company records a liability for its share of costs when it has been named as a Potentially Responsible Party (PRP) and when an assessment or cleanup plan has been developed. This liability includes the company's own portion of the costs and also the company's portion of amounts for other PRPs when it is probable that they will not be able to pay their share of the cleanup obligation.

The company records the gross amount of its liability based on its best estimate of future costs using currently available technology and applying current regulations as well as the company's own internal environmental policies. Future amounts are not discounted. Recoveries or reimbursements are recorded as an asset when receipt is reasonably ensured.

Currency Translation The U.S. dollar is the functional currency for the company's consolidated operations as well as for substantially all operations of its equity method companies. For those operations, all gains or losses from currency transactions are currently included in income. The cumulative translation effects for the few equity affiliates using functional currencies other than the U.S. dollar are included in the currency translation adjustment in stockholders' equity.

Taxes Income taxes are accrued for retained earnings of international subsidiaries and corporate joint ventures intended to be remitted. Income taxes are not accrued for unremitted earnings of international operations that have been, or are intended to be, reinvested indefinitely.

Revenue Recognition Revenues associated with sales of crude oil, natural gas, coal, petroleum and chemicals products, and all other sources are recorded when title passes to the customer, net of royalties, discounts and allowances, as applicable. Revenues from natural gas production from properties in which Chevron has an interest with other producers are recognized on the basis of the company's net working interest (entitlement method).

Stock Compensation The company applies Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for stock options and presents in Note 19 pro forma net income and earnings per share data as if the accounting prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," had been applied.

Note 2. SPECIAL ITEMS AND OTHER FINANCIAL INFORMATION

Net income is affected by transactions that are unrelated to or are not necessarily representative of the company's ongoing operations for the periods presented. These transactions, defined by management and designated "special items," can obscure the underlying results of operations for a year as well as affect comparability of results between years.

Listed below are categories of special items and their net increase (decrease) to net income, after related tax effects.

	Year ended December 31		
	1999	1998	1997
Asset write-offs and revaluations			
Asset impairments			
– Oil and gas properties	\$(204)	\$ (50)	\$ (68)
– Coal assets	(34)	–	–
U.S. refining, marketing and transportation assets	–	(22)	–
Chemicals assets	(43)	(19)	(10)
Real estate assets	–	(9)	–
Other	(65)	(59)	(8)
	(346)	(159)	(86)
Asset dispositions, net			
Pipeline interests	75	–	–
Real estate	60	–	–
Coal assets	60	–	–
Marketable securities	30	–	–
Oil and gas assets	17	(9)	240
Caltex interest in equity affiliate	(31)	–	–
Chemicals affiliate	–	–	33
U.K. refining and marketing exit	–	–	(72)
Domestic shipping assets	–	–	(18)
	211	(9)	183
Prior-year tax adjustments	109	271	152
Environmental remediation provisions, net	(123)	(39)	(35)
Restructurings and reorganizations			
Corporate	(158)	–	–
Caltex affiliate	(25)	(43)	(6)
Dynegy affiliate	–	–	(54)
	(183)	(43)	(60)
LIFO inventory gains (losses)	38	(25)	5
Other, net			
Litigation and regulatory issues*	78	(682)	(24)
Settlement of insurance claims	–	105	7
Caltex write-off of start-up costs (SOP 98-5)	–	(25)	–
Performance stock options	–	–	(66)
	78	(602)	(83)
Total special items, after tax	\$(216)	\$(606)	\$ 76

*1999 and 1998 include effects related to Cities Service litigation.

Note 2. SPECIAL ITEMS AND OTHER FINANCIAL INFORMATION

– Continued

Other financial information is as follows.

	Year ended December 31		
	1999	1998	1997
Total financing interest and debt costs	\$481	\$444	\$411
Less: capitalized interest	9	39	99
Interest and debt expense	472	405	312
Research and development expenses	182	187	179
Foreign currency (losses) gains*	\$ (38)	\$ (47)	\$246

*Includes \$(15), \$(68) and \$177 in 1999, 1998 and 1997, respectively, for the company's share of affiliates' foreign currency (losses) gains.

The excess of current cost (based on average acquisition costs for the year) over the carrying value of inventories for which the LIFO method is used was \$871, \$584 and \$1,089 at December 31, 1999, 1998 and 1997, respectively.

Note 3. CUMULATIVE EFFECT ON NET INCOME FROM ACCOUNTING CHANGES In April 1998, the AICPA released Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" (SOP 98-5), which introduced a broad definition of items to expense as incurred for start-up activities, including new products/services, entering new territories, initiating new processes or commencing new operations. Chevron was substantially in compliance with the pronouncement. However, Caltex capitalized these types of costs for certain projects. Chevron recorded its \$25 share of the charge associated with Caltex's 1998 implementation of SOP 98-5, effective January 1, 1998.

In 1998, Chevron changed its method of calculating certain Canadian deferred income taxes, effective January 1, 1998. The benefit from this change was \$32.

The net benefit to Chevron's 1998 net income from the cumulative effect of adopting SOP 98-5 by Caltex and the change in Chevron's method of calculating Canadian deferred taxes was immaterial.

Note 4. INFORMATION RELATING TO THE CONSOLIDATED STATEMENT OF CASH FLOWS The Consolidated Statement of Cash Flows excludes the following significant noncash transactions.

During 1999, the company acquired the Rutherford-Moran Oil Corporation and Petrolera Argentina San Jorge S.A. Only the net cash component of these transactions is included as "Capital expenditures." Consideration for the Rutherford-Moran transaction included 1.1 million shares of the company's treasury stock valued at \$91.

During 1997, the company's Venice, Louisiana, natural gas facility was contributed to a partnership with Dynegey Inc. (Dynegey). An increase in "Investments and advances" resulted primarily from the contribution of properties, plant and equipment.

The major components of "Capital expenditures" and the reconciliation of this amount to the capital and exploratory expenditures, excluding equity in affiliates, presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" are presented in the following table.

	Year ended December 31		
	1999	1998	1997
Additions to properties, plant and equipment	\$5,018	\$3,678	\$3,840
Additions to investments	449	306	153
Payments for other liabilities and assets, net ¹	(1,101)	(104)	(94)
Capital expenditures	4,366	3,880	3,899
Expensed exploration expenditures	413	438	462
Payments of long-term debt and other financing obligations ²	572	2	6
Capital and exploratory expenditures, excluding equity affiliates	\$5,351	\$4,320	\$4,367

¹1999 includes liabilities assumed in acquisitions of Rutherford-Moran Oil Corporation and Petrolera Argentina San Jorge S.A.

²1999 includes obligations assumed in acquisition of Rutherford-Moran Oil Corporation and other capital lease additions.

Note 5. STOCKHOLDERS' EQUITY Retained earnings at December 31, 1999 and 1998, include \$2,048 and \$2,121, respectively, for the company's share of undistributed earnings of equity affiliates.

In 1998, the company declared a dividend distribution of one Right to purchase Chevron Participating Preferred Stock. The Rights will be exercisable, unless redeemed earlier by the company, if a person or group acquires, or obtains the right to acquire, 10 percent or more of the outstanding shares of common stock or commences a tender or exchange offer that would result in acquiring 10 percent or more of the outstanding shares of common stock, either event occurring without the prior consent of the company. The amount of Chevron Series A Participating Preferred Stock that the holder of a Right is entitled to receive and the purchase price payable upon exercise of the Chevron Right are both subject to adjustment. The person or group who had acquired 10 percent or more of the outstanding shares of common stock without the prior consent of the company would not be entitled to this purchase.

The Rights will expire in November 2008, or they may be redeemed by the company at 1 cent per Right prior to that date. The Rights do not have voting or dividend rights and, until they become exercisable, have no dilutive effect on the earnings per share of the company. Five million shares of the company's preferred stock have been designated Series A Participating Preferred Stock and reserved for issuance upon exercise of the Rights. No event during 1999 made the Rights exercisable. Rights associated with a 1988 dividend distribution expired in 1998.

Note 6. FINANCIAL AND DERIVATIVE INSTRUMENTS

Off-Balance-Sheet Risk The company utilizes a variety of derivative instruments, both financial and commodity-based, as hedges to manage a small portion of its exposure to price volatility stemming from its integrated petroleum activities. Relatively straightforward and involving little complexity, the derivative instruments consist mainly of futures contracts traded on the New York Mercantile Exchange and the International Petroleum Exchange and of both crude and natural gas swap contracts entered into principally with major financial institutions. The futures contracts hedge anticipated

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 6. FINANCIAL AND DERIVATIVE INSTRUMENTS – Continued

crude oil purchases and sales and product sales, generally forecast to occur within a 60- to 90-day period. Crude oil swaps are used to hedge sales forecasted to occur within the next four years. The terms of the swap contracts have maturities of the same period. Natural gas swaps are used primarily to hedge firmly committed sales, and the terms of the swap contracts held at year-end 1999 had an average remaining maturity of 58 months. Gains and losses on these derivative instruments offset and are recognized in income concurrently with the recognition of the underlying physical transactions.

In addition, the company in 1998 entered into managed programs using swaps and options to take advantage of perceived opportunities for favorable price movements in natural gas. The results of these programs were reflected in income and were not material in 1998.

The company enters into forward exchange contracts, generally with terms of 90 days or less, as a hedge against some of its foreign currency exposures, primarily anticipated purchase transactions forecast to occur within 90 days.

The company enters into interest rate swaps as part of its overall strategy to manage the interest rate risk on its debt. Under the terms of the swaps, net cash settlements, based on the difference between fixed-rate and floating-rate interest amounts calculated by reference to agreed notional principal amounts, are made semiannually and are recorded monthly as "Interest and debt expense." At December 31, 1999, there was one outstanding contract, with a remaining term of five years and six months.

Concentrations of Credit Risk The company's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash equivalents, marketable securities, derivative financial instruments and trade receivables.

The company's short-term investments are placed with a wide array of financial institutions with high credit ratings. This diversified investment policy limits the company's exposure both to credit risk and to concentrations of credit risk. Similar standards of diversity and creditworthiness are applied to the company's counterparties in derivative instruments.

The trade receivable balances, reflecting the company's diversified sources of revenue, are dispersed among the company's broad customer base worldwide. As a consequence, concentrations of credit risk are limited. The company routinely assesses the financial strength of its customers. Letters of credit, or negotiated contracts when the financial strength of a customer is not considered sufficient, are the principal securities obtained to support lines of credit.

Fair Value Fair values are derived either from quoted market prices where available or, in their absence, the present value of the expected cash flows. The fair values reflect the cash that would have been received or paid if the instruments were settled at year-end. At December 31, 1999 and 1998, the fair values of the financial and derivative instruments were:

Long-term debt of \$2,449 and \$1,403 had estimated fair values of \$2,430 and \$1,485.

The notional principal amounts of the interest rate swaps totaled \$350 and \$700, with approximate fair values totaling \$11 and \$(21). The notional amounts of these and other

derivative instruments do not represent assets or liabilities of the company but, rather, are the basis for the settlements under the contract terms.

The company holds cash equivalents and U.S. dollar marketable securities in domestic and offshore portfolios. Eurodollar bonds, floating-rate notes, time deposits and commercial paper are the primary instruments held. Cash equivalents and marketable securities had fair values of \$1,762 and \$1,206. Of these balances, \$1,075 and \$362 classified as cash equivalents had average maturities under 90 days, while the remainder, classified as marketable securities, had average maturities of approximately three years and two years.

For other derivatives the contract or notional values were as follows: Crude oil and products futures had net contract values of \$143 and \$33. Forward exchange contracts had contract values of \$123 and \$180. Gas swap contracts are based on notional gas volumes of approximately 44 and 67 billion cubic feet. Crude oil swap contracts are based on notional crude volumes of approximately 9 million barrels. Fair values for all of these derivatives were not material in 1999 and 1998. Deferred gains and losses that were accrued on the Consolidated Balance Sheet were not material.

Note 7. SUMMARIZED FINANCIAL DATA – CHEVRON U.S.A. INC.

At December 31, 1999, Chevron U.S.A. Inc. was Chevron's principal operating company, consisting primarily of its U.S. integrated petroleum operations (excluding most of the domestic pipeline operations) and, effective February 1, 1998, the majority of its worldwide petrochemicals operations. In 1999, these operations were conducted primarily by three divisions: Chevron U.S.A. Production Company, Chevron Products Company and Chevron Chemical Company LLC. Summarized financial information for Chevron U.S.A. Inc. and its consolidated subsidiaries is presented below.

	Year ended December 31		
	1999	1998	1997
Sales and other operating revenues	\$28,957	\$24,440	\$28,130
Total costs and other deductions	28,329	24,338	26,354
Net income	885	346	1,484

	At December 31	
	1999	1998*
Current assets	\$ 3,889	\$ 3,227
Other assets	19,403	18,330
Current liabilities	4,676	3,809
Other liabilities	8,455	6,541
Net equity	10,161	11,207

Memo: Total Debt \$7,462 \$3,546

*Certain amounts have been reclassified to conform to current presentation.

The primary cause of the reduction in net equity from 1998 to 1999 was a return of \$2,000 of capital to Chevron Corporation in exchange for a loan.

Note 8. SUMMARIZED FINANCIAL DATA – CHEVRON TRANSPORT

CORPORATION LIMITED Effective July 1999, Chevron Transport Corporation, a Liberian corporation, was merged into Chevron Transport Corporation Limited (CTC), a Bermuda corporation, which assumed all of the assets and liabilities of

Note 8. SUMMARIZED FINANCIAL DATA – CHEVRON TRANSPORT CORPORATION LIMITED – Continued

Chevron Transport Corporation. CTC is an indirect, wholly owned subsidiary of Chevron Corporation. CTC is the principal operator of Chevron's international tanker fleet and is engaged in the marine transportation of oil and refined petroleum products. Most of CTC's shipping revenue is derived by providing transportation services to other Chevron companies. Chevron Corporation has guaranteed this subsidiary's obligations in connection with certain debt securities where CTC is deemed to be an issuer. In accordance with the Securities and Exchange Commission's disclosure requirements, summarized financial information for CTC and its consolidated subsidiaries is presented below. This information was derived from the financial statements prepared on a stand-alone basis in conformity with generally accepted accounting principles.

During 1999, CTC's parent contributed an additional \$62 of paid-in capital. Separate CTC financial statements and other disclosures are omitted, as such information is not material to investors in the debt securities deemed issued by CTC. There were no restrictions on CTC's ability to pay dividends or make loans or advances at December 31, 1999.

	Year ended December 31		
	1999	1998	1997
Sales and other operating revenues	\$504	\$573	\$544
Total costs and other deductions	572	580	557
Net (loss) income	(50)	17	28

	At December 31	
	1999	1998
Current assets	\$ 184	\$270
Other assets	742	982
Current liabilities	580	898
Other liabilities	264	284
Net equity	82	70

Note 9. OPERATING SEGMENTS AND GEOGRAPHIC DATA Chevron manages its exploration and production; refining, marketing and transportation; and chemicals businesses separately. The company's primary country of operation is the United States, its country of domicile. The remainder of the company's operations is reported as International (outside the United States), since its activities in no other country meet the requirements for separate disclosure.

In February 2000, Chevron and Phillips Petroleum Company signed a letter of intent and exclusivity agreement to combine most of their chemicals businesses in a joint venture. Each company will own 50 percent of the joint venture, which would have had 1999 sales of \$6,000 and is expected to have total assets of about \$6,000. The combination is subject to final approval of the companies' boards of directors, signing of definitive agreements and regulatory review, all of which are expected to be completed by mid-2000.

Segment Earnings The company evaluates the performance of its operating segments on an after-tax basis, without considering the effects of debt financing interest expense or investment interest income, both of which are managed by the corporation on a worldwide basis. Corporate administrative costs and assets are not allocated to the operating segments;

instead, operating segments are billed only for direct corporate services. Nonbillable costs remain as corporate center expenses. After-tax segment operating earnings for the years 1999, 1998 and 1997 are presented in the following table.

	Year ended December 31		
	1999	1998	1997
EXPLORATION AND PRODUCTION			
United States	\$ 526	\$ 365	\$ 1,001
International	1,093	707	1,252
TOTAL EXPLORATION AND PRODUCTION	1,619	1,072	2,253
REFINING, MARKETING AND TRANSPORTATION			
United States	357	572	601
International	74	28	298
TOTAL REFINING, MARKETING AND TRANSPORTATION	431	600	899
CHEMICALS			
United States	44	79	138
International	65	43	90
TOTAL CHEMICALS	109	122	228
TOTAL SEGMENT INCOME	2,159	1,794	3,380
Interest Expense	(333)	(270)	(189)
Interest Income	21	63	75
Other	223	(248)	(10)
NET INCOME	\$ 2,070	\$ 1,339	\$ 3,256
NET INCOME – UNITED STATES	\$ 976	\$ 642	\$ 1,622
NET INCOME – INTERNATIONAL	\$ 1,094	\$ 697	\$ 1,634
TOTAL NET INCOME	\$ 2,070	\$ 1,339	\$ 3,256

Segment Assets Segment assets do not include intercompany investments or intercompany receivables. "All Other" assets consist primarily of worldwide cash and marketable securities, company real estate, information systems, and coal mining assets. Segment assets at year-end 1999 and 1998 are as follows.

	At December 31	
	1999	1998
EXPLORATION AND PRODUCTION		
United States	\$ 5,566	\$ 6,026
International	13,748	10,794
TOTAL EXPLORATION AND PRODUCTION	19,314	16,820
REFINING, MARKETING AND TRANSPORTATION		
United States	8,178	8,084
International	3,609	3,559
TOTAL REFINING, MARKETING AND TRANSPORTATION	11,787	11,643
CHEMICALS		
United States	3,303	3,045
International	923	828
TOTAL CHEMICALS	4,226	3,873
TOTAL SEGMENT ASSETS	35,327	32,336
ALL OTHER		
United States	3,474	2,467
International	1,867	1,737
TOTAL ALL OTHER	5,541	4,204
TOTAL ASSETS – UNITED STATES	20,521	19,622
TOTAL ASSETS – INTERNATIONAL	20,147	16,918
TOTAL ASSETS	\$ 40,668	\$ 36,540

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 9. OPERATING SEGMENTS AND GEOGRAPHIC DATA

– Continued

Segment Income Taxes Segment income tax expenses for the years 1999, 1998 and 1997 are as follows.

	Year ended December 31		
	1999	1998	1997
EXPLORATION AND PRODUCTION			
United States	\$ 266	\$ 164	\$ 559
International	1,341	595	1,488
TOTAL EXPLORATION AND PRODUCTION	1,607	759	2,047
REFINING, MARKETING AND TRANSPORTATION			
United States	135	309	346
International	41	54	6
TOTAL REFINING, MARKETING AND TRANSPORTATION	176	363	352
CHEMICALS			
United States	(13)	25	77
International	45	14	57
TOTAL CHEMICALS	32	39	134
All Other	(237)	(666)	(287)
TOTAL INCOME TAX EXPENSE	\$ 1,578	\$ 495	\$2,246

Segment Sales and Other Operating Revenues Revenues for the exploration and production segments are derived primarily from the production of crude oil and natural gas. Revenues for the refining, marketing and transportation segments are derived from the refining and marketing of petroleum products such as gasoline, jet fuel, gas oils, kerosene, residual fuel oils and other products derived from crude oil. This segment also generates revenues from the transportation and trading of crude oil and refined products. Chemicals segment revenues are derived from the manufacture and sale of petrochemicals, plastic resins, and lube oil and fuel additives.

“All Other” activities include corporate administrative costs, worldwide cash management and debt financing activities, coal mining operations, insurance operations, and real estate activities.

Reportable operating segment sales and other operating revenues, including internal transfers, for the years 1999, 1998 and 1997 are presented in the table at right. Sales from the transfer of products between segments are at estimated market prices.

Other Segment Information Investments in and earnings from affiliated companies are included in the segments in which the affiliates operate. Dynegy Inc. is included in U.S. exploration and production; P.T. Caltex Pacific Indonesia (CPI) and Tengizchevroil (TCO) are included in International exploration and production; and Caltex Corporation is included in International refining, marketing and transportation. The company’s other affiliates are not material to any segment’s assets or results of operations. Information on equity affiliates, including carrying value and equity earnings, is included in Note 12.

Additions to long-lived assets and depreciation expense, by operating segment, are included in Note 13.

	Year ended December 31		
	1999	1998 ¹	1997 ¹
EXPLORATION AND PRODUCTION			
United States			
Crude oil	\$ –	\$ –	\$ (3)
Natural gas	1,578	1,599	1,978
Natural gas liquids	159	128	185
Other	8	12	20
Intersegment	1,985	1,453	4,362
Total United States	3,730	3,192	6,542
International			
Refined products	2	1	2
Crude oil	2,586	1,761	2,790
Natural gas	678	505	590
Natural gas liquids	116	89	170
Other	205	130	116
Intersegment	2,876	1,984	2,810
Total International	6,463	4,470	6,478
TOTAL EXPLORATION AND PRODUCTION	10,193	7,662	13,020
REFINING, MARKETING AND TRANSPORTATION			
United States			
Refined products	12,765	10,148	12,586
Crude oil	3,618	2,971	4,531
Natural gas liquids	133	100	158
Other	654	622	592
Excise taxes	3,702	3,503	3,386
Intersegment	366	216	313
Total United States	21,238	17,560	21,566
International			
Refined products	975	1,312	2,998
Crude oil	3,874	3,049	3,978
Natural gas liquids	24	5	40
Other	248	299	390
Excise taxes	178	213	2,188
Intersegment	16	20	15
Total International	5,315	4,898	9,609
TOTAL REFINING, MARKETING AND TRANSPORTATION	26,553	22,458	31,175
CHEMICALS			
United States			
Products	2,794	2,468	2,933
Excise taxes	2	2	–
Intersegment	162	121	112
Total United States	2,958	2,591	3,045
International			
Products	715	568	559
Other	35	18	28
Excise taxes	28	38	13
Intersegment	1	1	2
Total International	779	625	602
TOTAL CHEMICALS	3,737	3,216	3,647
ALL OTHER			
United States – Coal	360	399	359
United States – Other	8	(1)	8
International	3	4	1
Intersegment – United States	55	52	47
Intersegment – International	4	2	–
TOTAL ALL OTHER	430	456	415
Sales and Other Operating Revenues			
– United States	28,349	23,793	31,567
– International	12,564	9,999	16,690
Total Segment Sales and Other Operating Revenues	40,913	33,792	48,257
Elimination of Intersegment Sales	(5,465)	(3,849)	(7,661)
TOTAL SALES AND OTHER OPERATING REVENUES	\$35,448	\$29,943	\$40,596

¹Certain amounts have been restated to conform to the 1999 presentation.

Note 10. LITIGATION The company is a party, along with other oil companies, to numerous lawsuits and claims, including actions challenging oil and gas royalty and severance tax payments based on posted prices, and actions related to the use of the chemical MTBE in certain oxygenated gasolines. In some of these actions, plaintiffs may seek to recover large and sometimes unspecified amounts. In others, the plaintiffs may seek to have the company perform specific actions, including remediation of alleged damages. These matters may remain unresolved for several years, and it is not practical to estimate a range of possible loss. Although losses could be material with respect to earnings in any given period, management believes that resolution of these matters will not result in any significant liability to the company in relation to its consolidated financial position or have a significant effect on its liquidity.

In a lawsuit in Los Angeles, Calif., brought in 1995, the company and five other oil companies are contesting the validity of a patent granted to Unocal Corporation (Unocal) for certain types of reformulated gasoline, which the company sells in California during certain months of the year. The first two phases of the trial were concluded in 1997, with the jury upholding the validity of the patent and assessing damages at the rate of 5.75 cents per gallon of gasoline produced in infringement of the patent between March 1 and July 1, 1996. In the third phase of the trial, the judge heard evidence to determine if the patent was enforceable. In 1998, the judge ruled the patent was enforceable. The defendants filed an appeal in January 1999 and oral arguments were made before the court in July 1999. While the ultimate outcome of this matter cannot be determined with certainty, the company believes Unocal's patent is invalid and any unfavorable rulings should be reversed upon appeal. Unocal also has filed for additional patents for alternate formulations. Should the jury's finding and Unocal's patent ultimately be upheld, the company's financial exposure includes royalties, plus interest, for past production of gasoline that is ruled to have infringed the applicable patent and royalty payments for any future production of gasoline that infringes this patent. The effect of unfavorable rulings with respect to future reformulated gasoline production would depend on the availability of alternate formulations and the industry's ability to recover additional costs of production through prices charged to its customers. The company believes that its ultimate exposure in this matter will not materially affect its financial position or liquidity, although the costs of resolution of any unfavorable ruling could be material with respect to earnings in any given period.

Note 11. LEASE COMMITMENTS Certain noncancelable leases are classified as capital leases, and the leased assets are included as part of "Properties, plant and equipment." Other leases are classified as operating leases and are not capitalized. Details of the capitalized leased assets are as follows.

	At December 31	
	1999	1998
Exploration and Production	\$ 86	\$ 5
Refining, Marketing and Transportation	779	757
Total	865	762
Less: accumulated amortization	425	398
Net capitalized leased assets	\$ 440	\$ 364

Rental expenses incurred for operating leases during 1999, 1998 and 1997 were as follows.

	Year ended December 31		
	1999	1998	1997
Minimum rentals	\$465	\$503	\$443
Contingent rentals	3	5	5
Total	468	508	448
Less: sublease rental income	3	3	5
Net rental expense	\$465	\$505	\$443

At December 31, 1999, the future minimum lease payments under operating and capital leases are as follows.

	At December 31	
	Operating Leases	Capital Leases
Year		
2000	\$ 157	\$ 81
2001	180	77
2002	180	72
2003	178	103
2004	177	46
Thereafter	312	889
Total	\$1,184	1,268
Less: amounts representing interest and executory costs		625
Net present values		643
Less: capital lease obligations included in short-term debt		332
Long-term capital lease obligations		\$ 311
Future sublease rental income	\$ 1	\$ -

Contingent rentals are based on factors other than the passage of time, principally sales volumes at leased service stations. Certain leases include escalation clauses for adjusting rentals to reflect changes in price indices, renewal options ranging from one to 25 years, and/or options to purchase the leased property during or at the end of the initial lease period for the fair market value at that time.

Note 12. INVESTMENTS AND ADVANCES Chevron owns 50 percent each of P.T. Caltex Pacific Indonesia, an exploration and production company operating in Indonesia; Caltex Corporation, which, through its subsidiaries and affiliates, conducts refining and marketing activities in Asia, Africa, the Middle East, Australia and New Zealand; and American Overseas Petroleum Limited, which, through its subsidiary, manages certain of the company's operations in Indonesia. These companies and their subsidiaries and affiliates are collectively called the Caltex Group.

Tengizchevroil (TCO) is a joint venture formed in 1993 to develop the Tengiz and Korolev oil fields in Kazakhstan over a 40-year period. Chevron's ownership was reduced from 50 percent to 45 percent in April 1997 through a sale of a portion of its interest. The company has an obligation of \$420, payable to the Republic of Kazakhstan upon the attainment of a dedicated export system with the capability of the greater of 260,000 barrels of oil per day or TCO's production capacity. This amount was included in the value of the investment, as the company believed at the time, and continues to believe, that its payment is beyond a reasonable doubt given the original intent and continuing commitment

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 12. INVESTMENTS AND ADVANCES – Continued

of both parties to realizing the full potential of the venture over its 40-year life.

Chevron owns 28 percent of Dynegy Inc., a gatherer, processor, transporter and marketer of energy products in North America and the United Kingdom. These products include natural gas, natural gas liquids, crude oil and electricity. The market value of Chevron's shares of Dynegy common stock at December 31, 1999, was \$1,133 based on quoted closing market prices. In February 2000, Dynegy completed a merger with Illinova Corporation, an energy services holding company in Illinois. Chevron increased its investment by \$200 to maintain a 28 percent ownership in the merged company.

The company received dividends and distributions of \$268, \$254 and \$335 in 1999, 1998 and 1997, respectively, including \$212, \$167 and \$207 from the Caltex Group. During 1998, Dynegy repaid a \$155 loan from Chevron, which is reflected as a decrease in the company's investment in the affiliate.

The company's transactions with affiliated companies are summarized in the table that follows. These are primarily for the purchase of Indonesian crude oil from CPI, the sale of crude oil and products to Caltex Corporation's refining and marketing companies, the sale of natural gas to Dynegy, and the purchase of natural gas and natural gas liquids from Dynegy.

"Accounts and notes receivable" in the Consolidated Balance Sheet include \$277 and \$156 at December 31, 1999 and 1998, respectively, of amounts due from affiliated companies. "Accounts payable" include \$53 and \$41 at December 31, 1999 and 1998, respectively, of amounts due to affiliated companies.

	Year ended December 31		
	1999	1998	1997
Sales to Caltex Group	\$ 687	\$ 772	\$1,335
Sales to Dynegy Inc.	1,407	1,307	1,822
Sales to Fuel & Marine Marketing LLC*	234	22	–
Sales to other affiliates	12	4	8
Total sales to affiliates	\$2,340	\$2,105	\$3,165
Purchases from Caltex Group	\$ 867	\$ 681	\$ 932
Purchases from Dynegy Inc.	785	642	854
Purchases from other affiliates	6	2	16
Total purchases from affiliates	\$1,658	\$1,325	\$1,802

*Affiliate formed in November 1998 owned 31 percent by Chevron.

The following tables summarize the combined financial information for the Caltex Group and all of the other equity-method companies, together with Chevron's share. Amounts shown for the affiliates are 100 percent.

Year ended December 31	Caltex Group			Other Affiliates			Chevron's Share		
	1999	1998*	1997*	1999	1998	1997	1999	1998*	1997*
Total revenues	\$14,915	\$11,506	\$15,699	\$20,645	\$16,842	\$16,574	\$13,660	\$11,194	\$12,717
Total costs and other deductions	14,134	10,986	14,489	19,805	16,430	15,770	12,863	10,672	11,789
Net income	390	143	846	610	295	556	526	228	688

At December 31	Caltex Group			Other Affiliates			Chevron's Share		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Current assets	\$ 4,928	\$ 1,974	\$ 2,521	\$ 4,640	\$ 3,326	\$ 3,232	\$ 3,962	\$ 2,015	\$ 2,289
Other assets	5,381	7,683	7,193	10,255	8,868	6,713	6,009	6,663	5,971
Current liabilities	3,395	2,840	2,991	3,709	2,723	2,565	2,665	2,162	2,232
Other liabilities	2,638	2,420	2,131	8,362	7,147	5,448	2,342	2,126	1,740
Net equity	4,276	4,397	4,592	2,824	2,324	1,932	4,964	4,390	4,288

*Caltex "Total revenues" and "Total costs and other deductions" have been reclassified to net certain offsetting trading sale and purchase contracts. The reclassifications conform to the 1999 presentation and have no impact on net income.

Equity in earnings, together with investments in and advances to companies accounted for using the equity method, and other investments accounted for at or below cost, are as follows.

	Investments and Advances		Equity in Earnings		
	At December 31		Year ended December 31		
	1999	1998	1999	1998	1997*
Exploration and Production					
Tengizchevroil	\$1,722	\$1,455	\$177	\$ 60	\$169
Caltex Group	455	452	139	107	171
Dynegy Inc.	351	265	51	49	(17)
Other	198	134	32	4	13
Total Exploration and Production	2,726	2,306	399	220	336
Refining, Marketing and Transportation					
Caltex Group	1,683	1,751	56	(36)	252
Other	379	124	70	24	57
Total Refining, Marketing and Transportation	2,062	1,875	126	(12)	309
Chemicals	145	135	1	–	25
All Other	31	74	–	20	18
Total Equity Method	\$4,964	\$4,390	\$526	\$228	\$688
Other at or Below Cost	267	214			
Total Investments and Advances	\$5,231	\$4,604			

*Reclassified to conform to the 1998 presentation.

Note 13. PROPERTIES, PLANT AND EQUIPMENT

	At December 31						Year ended December 31					
	Gross Investment at Cost			Net Investment			Additions at Cost ¹			Depreciation Expense		
	1999	1998	1997	1999	1998	1997	1999	1998	1997	1999	1998	1997
Exploration and Production												
United States	\$17,947	\$18,372	\$18,104	\$ 4,709	\$ 5,237	\$ 5,052	\$ 710	\$1,000	\$1,166	\$1,130	\$ 818	\$ 887
International	15,876	12,755	11,752	9,465	7,148	6,691	3,251	1,221	1,310	851	730	634
Total Exploration and Production	33,823	31,127	29,856	14,174	12,385	11,743	3,961	2,221	2,476	1,981	1,548	1,521
Refining, Marketing and Transportation												
United States	12,025	11,793	11,378	6,196	6,268	6,186	515	665	538	478	483	464
International	1,838	2,005	2,063	1,030	1,139	1,210	30	50	57	79	81	111
Total Refining, Marketing and Transportation	13,863	13,798	13,441	7,226	7,407	7,396	545	715	595	557	564	575
Chemicals												
United States	3,689	3,436	3,039	2,354	2,211	1,931	326	385	470	174	109	92
International	714	662	549	453	414	309	59	116	157	19	10	12
Total Chemicals	4,403	4,098	3,588	2,807	2,625	2,240	385	501	627	193	119	104
All Other ²	2,123	2,314	2,348	1,110	1,312	1,292	103	202	110	135	89	100
Total United States	35,783	35,915	34,867	14,369	15,028	14,461	1,654	2,252	2,284	1,917	1,499	1,543
Total International	18,429	15,422	14,366	10,948	8,701	8,210	3,340	1,387	1,524	949	821	757
Total	\$54,212	\$51,337	\$49,233	\$25,317	\$23,729	\$22,671	\$4,994	\$3,639	\$3,808	\$2,866	\$2,320	\$2,300

¹Net of dry hole expense related to prior years' expenditures of \$126, \$40 and \$31 in 1999, 1998 and 1997, respectively.

²Primarily coal and real estate assets and management information systems.

Note 14. TAXES

	Year ended December 31			Year ended December 31		
	1999	1998	1997	1999	1998	1997
Taxes other than on income						
United States						
Excise taxes on products and merchandise	\$3,704	\$3,505	\$3,386			
Property and other miscellaneous taxes	272	262	274			
Payroll taxes	119	129	123			
Taxes on production	94	92	118			
Total United States	4,189	3,988	3,901			
International						
Excise taxes on products and merchandise	206	251	2,201			
Property and other miscellaneous taxes	145	137	185			
Payroll taxes	32	26	23			
Taxes on production	14	9	10			
Total International	397	423	2,419			
Total taxes other than on income	\$4,586	\$4,411	\$6,320			
Taxes on income						
U.S. federal						
Current	\$ 135	\$ (176)	\$ 369			
Deferred	145	71	357			
State and local	(14)	20	81			
Total United States	266	(85)	807			
International						
Current	1,231	385	1,174			
Deferred	81	195	265			
Total International	1,312	580	1,439			
Total taxes on income	\$1,578	\$ 495	\$2,246			

The company's effective income tax rate varied from the U.S. statutory federal income tax rate because of the following.

	Year ended December 31		
	1999	1998	1997
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Effect of income taxes from international operations in excess of taxes at the U.S. statutory rate	15.6	7.6	9.6
State and local taxes on income, net of U.S. federal income tax benefit	(0.2)	0.2	1.3
Prior-year tax adjustments	-	(4.5)	(0.3)
Tax credits	(2.4)	(4.6)	(1.7)
Other	(2.2)	(6.4)	(1.7)
Consolidated companies	45.8	27.3	42.2
Effect of recording equity in income of certain affiliated companies on an after-tax basis	(2.5)	(0.3)	(1.4)
Effective tax rate	43.3%	27.0%	40.8%

U.S. federal income tax expense was reduced by \$89, \$84 and \$93 in 1999, 1998 and 1997, respectively, for low-income housing and other business tax credits.

In 1999, before-tax income, including related corporate and other charges, for U.S. operations was \$1,254, compared with \$728 in 1998 and \$2,054 in 1997. For international operations, before-tax income was \$2,394, \$1,106 and \$3,448 in 1999, 1998 and 1997, respectively.

The deferred income tax provisions included costs of \$788, \$470 and \$304 related to properties, plant and equipment in 1999, 1998 and 1997, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 14. TAXES – Continued

The increase in the 1999 effective tax rate from the prior year is primarily due to increased foreign taxes on higher foreign earnings in 1999 compared with 1998. Additional increases in the effective tax rate in 1999 were from tax credits as a smaller proportion of before-tax income in 1999 than 1998 and from less beneficial prior-period tax adjustments on the 1998 tax return compared with the 1997 tax return. The other effects on the 1999 effective tax rate include settlement of outstanding issues, utilization of additional capital loss benefits and permanent differences. These factors were slightly offset by the effect of lower taxable income received from equity affiliates in 1999.

The company records its deferred taxes on a tax-jurisdiction basis and classifies those net amounts as current or non-current based on the balance sheet classification of the related assets or liabilities.

At December 31, 1999 and 1998, deferred taxes were classified in the Consolidated Balance Sheet as follows.

	At December 31	
	1999	1998
Prepaid expenses and other current assets	\$ (546)	\$ (30)
Deferred charges and other assets	(195)	(264)
Federal and other taxes on income	1	–
Noncurrent deferred income taxes	5,010	3,645
Total deferred income taxes, net	\$ 4,270	\$ 3,351

The reported deferred tax balances are composed of the following deferred tax liabilities (assets).

	At December 31	
	1999	1998
Properties, plant and equipment	\$ 5,800	\$ 5,150
Inventory	149	144
Miscellaneous	190	184
Total deferred tax liabilities	6,139	5,478
Abandonment/environmental reserves	(611)	(774)
Employee benefits	(611)	(592)
AMT/other tax credits	(588)	(354)
Other accrued liabilities	(195)	(408)
Miscellaneous	(316)	(294)
Total deferred tax assets	(2,321)	(2,422)
Deferred tax assets valuation allowance	452	295
Total deferred taxes, net	\$ 4,270	\$ 3,351

It is the company's policy for subsidiaries included in the U.S. consolidated tax return to record income tax expense as though they filed separately, with the parent recording the adjustment to income tax expense for the effects of consolidation.

Undistributed earnings of international consolidated subsidiaries and affiliates for which no deferred income tax provision has been made for possible future remittances totaled approximately \$4,602 at December 31, 1999. Substantially all of this amount represents earnings reinvested as part of the company's ongoing business. It is not practical to estimate the amount of taxes that might be payable on the eventual remit-

tance of such earnings. On remittance, certain countries impose withholding taxes that, subject to certain limitations, are then available for use as tax credits against a U.S. tax liability, if any. The company estimates withholding taxes of approximately \$187 would be payable upon remittance of these earnings.

Note 15. SHORT-TERM DEBT Redeemable long-term obligations consist primarily of tax-exempt variable-rate put bonds that are included as current liabilities because they become redeemable at the option of the bondholders during the year following the balance sheet date.

The company has entered into interest rate swaps on a portion of its short-term debt. At December 31, 1999 and 1998, the company had swapped notional amounts of \$350 and \$700 of floating rate debt to fixed rates. The effect of these swaps on the company's interest expense was not material.

	At December 31	
	1999	1998
Commercial paper ¹	\$ 5,265	\$ 4,875
Current maturities of long-term debt	127	123
Current maturities of long-term capital leases	35	33
Redeemable long-term obligations		
Long-term debt	301	301
Capital leases	297	273
Notes payable ²	134	285
Subtotal ³	6,159	5,890
Reclassified to long-term debt	(2,725)	(2,725)
Total short-term debt	\$ 3,434	\$ 3,165

¹Weighted-average interest rates at December 31, 1999 and 1998, were 6 percent and 5.6 percent, respectively, including the effect of interest rate swaps.

²Includes \$10 guarantee of ESOP debt.

³Weighted-average interest rates at December 31, 1999 and 1998, were 5.8 percent for both years, including the effect of interest rate swaps.

Note 16. LONG-TERM DEBT Chevron has three "shelf" registrations on file with the Securities and Exchange Commission that together would permit the issuance of \$2,800 of debt securities pursuant to Rule 415 of the Securities Act of 1933.

At year-end 1999, the company had \$4,750 of committed credit facilities with banks worldwide, \$2,725 of which had termination dates beyond one year. The facilities support the company's commercial paper borrowings. Interest on borrowings under the terms of specific agreements may be based on the London Interbank Offered Rate, the Reserve Adjusted Domestic Certificate of Deposit Rate, or bank prime rate. No amounts were outstanding under these credit agreements during the year or at year-end.

At December 31, 1999 and 1998, the company classified \$2,725 of short-term debt as long-term. Settlement of these obligations is not expected to require the use of working capital in 2000 as the company has both the intent and ability to refinance this debt on a long-term basis.

Consolidated long-term debt maturing in each of the five years after December 31, 1999, is as follows: 2000—\$127, 2001—\$285, 2002—\$172, 2003—\$184 and 2004—\$1,134.

Note 16. LONG-TERM DEBT – Continued

	At December 31	
	1999	1998
8.11% amortizing notes due 2004 ¹	\$ 620	\$ 690
6.625% notes due 2004	495	–
7.327% amortizing notes due 2014 ²	430	–
7.45% notes due 2004	349	349
7.61% amortizing bank loans due 2003	143	172
LIBOR-based bank loan due 2001	134	100
7.677% notes due 2016 ²	90	–
7.627% notes due 2015 ²	80	–
6.92% bank loans due 2005	51	51
6.98% bank loans due 2004 ²	25	–
6.22% notes due 2001 ²	10	–
Other foreign currency obligations (6.0%) ³	75	94
Other long-term debt (6.6%) ³	74	70
Total including debt due within one year	2,576	1,526
Debt due within one year	(127)	(123)
Reclassified from short-term debt	2,725	2,725
Total long-term debt	\$5,174	\$4,128

¹Debt assumed from ESOP in 1999.²Guarantee of ESOP debt.³Less than \$50 individually; weighted-average interest rates at December 31, 1999.

Note 17. OTHER COMPREHENSIVE INCOME The components of changes in other comprehensive income and the related tax effects are shown below.

	Year ended December 31		
	1999	1998	1997
Currency translation adjustment			
Before-tax change	\$ (43)	\$ (1)	\$ (173)
Tax benefit (expense)	–	–	–
Change, net of tax	(43)	(1)	(173)
Unrealized holding gain (loss) on securities			
Before-tax change	60	3	(4)
Tax benefit (expense)	(31)	–	–
Change, net of tax	29	3	(4)
Minimum pension liability adjustment			
Before-tax change	(16)	(24)	6
Tax benefit (expense)	5	9	(2)
Change, net of tax	(11)	(15)	4
TOTAL OTHER COMPREHENSIVE INCOME			
Before-tax change	\$ 1	\$ (22)	\$ (171)
Tax benefit (expense)	(26)	9	(2)
Change, net of tax	\$ (25)	\$ (13)	\$ (173)

Note 18. EMPLOYEE BENEFIT PLANS

Pension Plans The company has defined benefit pension plans for most employees and provides for certain health care and life insurance plans for active and qualifying retired employees. The company's policy is to fund the minimum necessary to satisfy requirements of the Employee Retirement Income Security Act for the company's pension plans. The company's annual contributions for medical and dental benefits are lim-

ited to the lesser of actual medical claims or a defined fixed per-capita amount. Life insurance benefits are paid by the company, and annual contributions are based on actual plan experience. Nonfunded pension and postretirement benefits are paid directly when incurred; accordingly, these payments are not reflected as changes in Plan assets in the table below.

The status of the company's pension plans and other postretirement benefit plans for 1999 and 1998 is as follows.

	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
Change in benefit obligation				
Benefit obligation at January 1	\$4,278	\$4,069	\$ 1,468	\$ 1,362
Service cost	99	113	21	19
Interest cost	274	275	96	93
Plan participants' contributions	1	1	–	–
Plan amendments	60	–	–	–
Actuarial (gain) loss	(106)	248	(112)	72
Foreign currency exchange rate changes	(33)	(10)	–	–
Benefits paid	(801)	(418)	(81)	(78)
Special termination benefits	205	–	–	–
Benefit obligation at December 31	3,977	4,278	1,392	1,468
Change in plan assets				
Fair value of plan assets at January 1	4,741	4,454	–	–
Actual return on plan assets	720	675	–	–
Foreign currency exchange rate changes	(25)	(6)	–	–
Employer contribution	10	11	–	–
Plan participants' contribution	1	1	–	–
Benefits paid	(774)	(394)	–	–
Fair value of plan assets at December 31	4,673	4,741	–	–
Funded status	696	463	(1,392)	(1,468)
Unrecognized net actuarial gain	(480)	(155)	(160)	(46)
Unrecognized prior-service cost	124	88	–	–
Unrecognized net transitional assets	(44)	(85)	–	–
Total recognized at December 31	\$ 296	\$ 311	\$ (1,552)	\$ (1,514)
Amounts recognized in the Consolidated Balance Sheet at December 31				
Prepaid benefit cost	\$ 495	\$ 524	\$ –	\$ –
Accrued benefit liability	(298)	(298)	(1,552)	(1,514)
Intangible asset	10	12	–	–
Accumulated other comprehensive income ¹	89	73	–	–
Net amount recognized	\$ 296	\$ 311	\$ (1,552)	\$ (1,514)
Weighted-average assumptions as of December 31				
Discount rate	7.6%	6.7%	7.8%	6.8%
Expected return on plan assets	9.7%	9.1%	–	–
Rate of compensation increase	4.5%	4.6%	4.5%	4.5%

¹Accumulated other comprehensive income includes deferred income tax of \$31 and \$26 in 1999 and 1998, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 18. EMPLOYEE BENEFIT PLANS – Continued

For measurement purposes, separate health care cost-trend rates were used for pre-age 65 and post-age 65 retirees. The 2000 annual rates of change were assumed to be 5.2 percent and 9.7 percent, respectively, before gradually converging to the average ultimate rate of 5.0 percent in 2021 for both pre-age 65 and post-age 65. A one-percentage-point change in the assumed health care rates would have had the following effects.

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total service and interest cost components	\$ 17	\$ (19)
Effect on postretirement benefit obligation	\$ 129	\$(107)

The components of net periodic benefit cost for 1999, 1998 and 1997 were:

	Pension Benefits			Other Benefits		
	1999	1998	1997	1999	1998	1997
Service cost	\$ 99	\$ 113	\$ 106	\$ 21	\$ 19	\$ 17
Interest cost	274	275	274	96	93	90
Expected return on plan assets	(394)	(397)	(371)	–	–	–
Amortization of transitional assets	(35)	(38)	(40)	–	–	–
Amortization of prior-service costs	16	14	14	–	–	–
Recognized actuarial losses (gains)	1	4	4	2	(5)	(11)
Settlement gains	(104)	(11)	(29)	–	–	–
Curtailment losses	7	–	–	–	–	–
Special termination benefit recognition	205	–	13	–	–	–
Net periodic benefit cost	\$ 69	\$ (40)	\$ (29)	\$ 119	\$ 107	\$ 96

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$428, \$368 and \$80, respectively, at December 31, 1999, and \$408, \$364 and \$87, respectively at December 31, 1998.

Profit Sharing/Savings Plan Eligible employees of the company and certain of its subsidiaries who have completed one year of service may participate in the Profit Sharing/Savings Plan. Charges to expense for the profit sharing part of the Profit Sharing/Savings Plan were \$86, \$60 and \$79 in 1999, 1998 and 1997, respectively. Commencing in October 1997, the company's Savings Plus Plan contributions are being funded with leveraged ESOP shares.

Employee Stock Ownership Plan (ESOP) In December 1989, the company established a leveraged ESOP as part of the Profit Sharing/Savings Plan. The ESOP Trust Fund borrowed \$1,000 and purchased 28.2 million previously unissued shares of the company's common stock. In June 1999, the ESOP borrowed \$25 at 6.98 percent interest, using the proceeds to pay interest due on the existing ESOP debt. In July 1999, the

company's leveraged ESOP issued notes of \$620 at an average interest rate of 7.42 percent, guaranteed by Chevron Corporation. The debt proceeds were paid to Chevron Corporation in exchange for Chevron's assumption of the existing 8.11 percent ESOP long-term debt of \$620 million. The ESOP provides a partial prefunding of the company's future commitments to the Profit Sharing/Savings Plan, which will result in annual income tax savings for the company.

As permitted by AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans," the company has elected to continue its practices, which are based on Statement of Position 76-3, "Accounting Practices for Certain Employee Stock Ownership Plans" and subsequent consensus of the Emerging Issues Task Force of the Financial Accounting Standards Board. Accordingly, the debt of the ESOP is recorded as debt, and shares pledged as collateral are reported as deferred compensation in the Consolidated Balance Sheet and Statement of Stockholders' Equity. The company reports compensation expense equal to the ESOP debt principal repayments less dividends received by the ESOP. Interest incurred on the ESOP debt is recorded as interest expense. Dividends paid on ESOP shares are reflected as a reduction of retained earnings. All ESOP shares are considered outstanding for earnings-per-share computations.

The company recorded expense for the ESOP of \$84, \$58 and \$53 in 1999, 1998 and 1997, respectively, including \$49, \$56 and \$61 of interest expense related to the ESOP debt. All dividends paid on the shares held by the ESOP are used to service the ESOP debt. The dividends used were \$33, \$57 and \$57 in 1999, 1998 and 1997, respectively.

The company made contributions to the ESOP of \$64, \$60 and \$55 in 1999, 1998 and 1997, respectively, to satisfy ESOP debt service in excess of dividends received by the ESOP. The ESOP shares were pledged as collateral for its debt. Shares are released from a suspense account and allocated to the accounts of Plan participants, based on the debt service deemed to be paid in the year in proportion to the total of current year and remaining debt service. The charge (credit) to compensation expense was \$36, \$2 and \$(8) in 1999, 1998 and 1997, respectively. The ESOP shares as of December 31, 1999 and 1998, were as follows.

Thousands	1999	1998
Allocated shares	10,785	10,819
Unallocated shares	12,963	14,087
Total ESOP shares	23,748	24,906

Management Incentive Plans The company has two incentive plans, the Management Incentive Plan (MIP) and the Long-Term Incentive Plan (LTIP) for officers and other regular salaried employees of the company and its subsidiaries who hold positions of significant responsibility. The MIP is an annual cash incentive plan that links awards to performance results of the prior year. The cash awards may be deferred by conversion to stock units or, beginning with awards deferred in 1996, stock units or other investment fund alternatives. Awards under the LTIP may take the form of, but are not limited to, stock options, restricted stock, stock units and nonstock grants. Charges to expense for the combined man-

Note 18. EMPLOYEE BENEFIT PLANS – Continued

agement incentive plans, excluding expense related to LTIP stock options, which is discussed in Note 19, "Stock Options," were \$41, \$28 and \$55 in 1999, 1998 and 1997, respectively.

Chevron Success Sharing The company has a program that provides eligible employees with an annual cash bonus if the company achieves certain financial and safety goals. Until 2000, the total maximum payout under the program was 8 percent of the employee's annual salary. Charges for the program were \$47, \$51 and \$116 in 1999, 1998 and 1997, respectively. In 2000, the maximum payout under the program increases to 10 percent.

Note 19. STOCK OPTIONS The company applies APB Opinion No. 25 and related interpretations in accounting for stock options awarded under its Broad-Based Employee Stock Option Programs and its Long-Term Incentive Plan, which are described below.

Had compensation cost for the company's stock options been determined based on the fair market value at the grant dates of the awards consistent with the methodology prescribed by SFAS No. 123, the company's net income and earnings per share for 1999, 1998 and 1997 would have been the pro forma amounts shown below.

		1999	1998	1997
Net Income	As reported	\$2,070	\$1,339	\$3,256
	Pro forma	\$2,027	\$1,294	\$3,302
Earnings per share	As reported – basic	\$3.16	\$2.05	\$4.97
	– diluted	\$3.14	\$2.04	\$4.95
	Pro forma – basic	\$3.09	\$1.98	\$5.04
	– diluted	\$3.08	\$1.97	\$5.02

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. SFAS No. 123 does not apply to awards granted prior to 1995. In addition, certain options vest over several years, and awards in future years, whose terms and conditions may vary, are anticipated.

Long-Term Incentive Plan Stock options granted under the LTIP are generally awarded at market price on the date of grant and are exercisable not earlier than one year and not later than 10 years from the date of grant. However, a portion of the LTIP options granted in 1996 had terms similar to the broad-based employee stock options, which are described in the following table. The maximum number of shares of common stock that may be granted each year is 1 percent of the total outstanding shares of common stock as of January 1 of such year.

A summary of the status of stock options awarded under the company's LTIP, excluding awards granted with terms similar to the broad-based employee stock options, for 1999, 1998 and 1997 follows.

	Options (000s)	Weighted- Average Exercise Price
Outstanding at December 31, 1996	7,277	\$44.84
Granted	1,801	80.78
Exercised	(710)	38.65
Forfeited	(115)	72.18
Outstanding at December 31, 1997	8,253	\$52.83
Granted	1,872	79.13
Exercised	(796)	40.47
Forfeited	(106)	80.70
Outstanding at December 31, 1998	9,223	\$58.91
Granted	1,830	89.88
Exercised	(1,298)	44.29
Forfeited	(152)	83.12
Outstanding at December 31, 1999	9,603	\$66.41
Exercisable at December 31		
1997	6,502	\$45.31
1998	7,367	\$53.82
1999	7,839	\$61.13

The weighted-average fair market value of options granted in 1999, 1998 and 1997 was \$20.40, \$21.10 and \$17.64 per share, respectively. The fair market value of each option on the date of grant was estimated using the Black-Scholes option-pricing model with the following assumptions for 1999, 1998 and 1997, respectively: risk-free interest rate of 5.5, 4.5 and 6.1 percent; dividend yield of 3.0, 3.1 and 2.8 percent; volatility of 20.1, 28.6 and 15.2 percent and expected life of seven years in all years.

As of December 31, 1999, 9,602,900 shares were under option at exercise prices ranging from \$31.9375 to \$99.75 per share. The following table summarizes information about stock options outstanding under the LTIP, excluding awards granted with terms similar to the broad-based employee stock options, at December 31, 1999.

		Options Outstanding		Options Exercisable	
Range of Exercise Prices	Number Outstanding (000s)	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price	Number Exercisable (000s)	Weighted- Average Exercise Price
\$31 to \$41	614	2.12	\$34.55	614	\$34.55
41 to 51	3,128	4.72	45.18	3,128	45.18
51 to 61	15	6.31	56.49	15	56.49
61 to 71	766	6.83	66.25	766	66.25
71 to 81	3,299	8.34	79.91	3,297	79.91
81 to 91	1,758	9.80	89.80	19	82.80
91 to 101	23	9.55	92.14	–	–
\$31 to \$101	9,603	6.91	\$66.41	7,839	\$61.13

Broad-Based Employee Stock Options In 1996, the company granted to all eligible employees an option for 150 shares of stock or equivalents at an exercise price of \$51.875 per share. In addition, a portion of the awards granted under the LTIP had terms similar to the broad-based employee stock options. When the options were issued in February 1996, vesting was contingent upon one of two conditions being met: By Decem-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 19. STOCK OPTIONS – Continued

ber 31, 1998, the price of Chevron stock closed at or above \$75.00 per share for three consecutive business days or, alternatively, the company had the highest annual total stockholder return of its competitor group for the years 1994 through 1998. The options vested in June 1997 when the share price performance condition was met.

Options for 7,204,800 shares, including similar-termed LTIP awards, were granted in 1996. Forfeitures of options for 820,050 shares and exercises of 4,171,300 reduced the outstanding option shares to 2,213,450 at December 31, 1997. In 1998, exercises of 1,361,000 and forfeitures of 10,800 had reduced the outstanding option shares to 841,650 at year-end 1998. In 1999, exercises of 740,725, forfeitures of 61,850 and expirations of 39,075 had reduced the outstanding option shares to zero at March 31, 1999, the date of expiration. Under APB Opinion No. 25, the company recorded expenses of \$(2), \$0 and \$125 for these options in 1999, 1998 and 1997, respectively.

The fair market value of each option share on the date of grant under SFAS No. 123 was estimated at \$5.66 using a binomial option-pricing model with the following assumptions: risk-free interest rate of 5.1 percent, dividend yield of 4.2 percent, expected life of three years and a volatility of 20.9 percent.

In 1998, the company announced a new broad-based Employee Stock Option Program that granted to all eligible employees an option that varied from 100 to 300 shares of stock

or equivalents, dependent on the employee's salary or job grade. These options were to vest in two years or, if the company had the highest total stockholder return among its competitor group for the years 1994 through 1998, in one year. Since the stockholders' return performance condition was not met, the options vested in February 2000. Options for 4,820,800 shares were awarded at an exercise price of \$76.3125 per share. Forfeitures of options for 854,550 shares reduced the outstanding option shares to 3,966,250 at December 31, 1999, at which date none was exercisable. The options expire on February 11, 2008. Under APB Opinion No. 25, the company recorded expenses of \$4 and \$2 for these options in 1999 and 1998, respectively.

The fair value of each option share on the date of grant under SFAS No. 123 was estimated at \$19.08 using the average results of Black-Scholes models for the preceding 10 years. The 10-year averages of each assumption used by the Black-Scholes models were: risk-free interest rate of 7.0 percent, dividend yield of 4.2 percent, expected life of seven years and a volatility of 24.7 percent.

Note 20. EARNINGS PER SHARE (EPS) Basic EPS includes the effects of deferrals of salary and other compensation awards that are invested in Chevron stock units by certain officers and employees of the company. Diluted EPS includes the effects of these deferrals as well as the dilutive effects of outstanding stock options awarded under the LTIP and Broad-Based Employee Stock Option Program (see Note 19, "Stock Options"). The following table sets forth the computation of basic and diluted EPS.

	1999			1998			1997		
	Net Income	Shares (millions)	Per-Share Amount	Net Income	Shares (millions)	Per-Share Amount	Net Income	Shares (millions)	Per-Share Amount
Net income	\$2,070			\$1,339			\$3,256		
Weighted-average common shares outstanding		655.5			653.7			655.0	
Dividend equivalents paid on Chevron stock units	3			3			2		
Deferred awards held as Chevron stock units		1.0			1.2			1.3	
BASIC EPS COMPUTATION	\$2,073	656.5	\$3.16	\$1,342	654.9	\$2.05	\$3,258	656.3	\$4.97
Dilutive effects of stock options		3.0			2.2			2.1	
DILUTED EPS COMPUTATION	\$2,073	659.5	\$3.14	\$1,342	657.1	\$2.04	\$3,258	658.4	\$4.95

Note 21. OTHER CONTINGENCIES AND COMMITMENTS The U.S. federal income tax and California franchise tax liabilities of the company have been settled through 1990 and 1991, respectively.

Settlement of open tax years, as well as tax issues in other countries where the company conducts its businesses, is not expected to have a material effect on the consolidated financial position or liquidity of the company and, in the opinion of management, adequate provision has been made for income and franchise taxes for all years under examination or subject to future examination.

At December 31, 1999, the company and its subsidiaries, as direct or indirect guarantors, had contingent liabilities of \$25 for notes of affiliated companies and \$362 for notes of others.

The company and its subsidiaries have certain contingent liabilities relating to long-term unconditional purchase obligations and commitments, throughput agreements and take-or-pay agreements, some of which relate to suppliers' financing arrangements. The aggregate amounts of required payments under these various commitments are: 2000—\$228; 2001—\$297; 2002—\$270; 2003—\$253; 2004—\$225; 2005 and after—\$1,029. Total payments under the agreements were \$258 in 1999, \$201 in 1998 and \$243 in 1997.

The company is subject to loss contingencies pursuant to environmental laws and regulations that in the future may require the company to take action to correct or ameliorate the effects on the environment of prior disposal or release of chemical or petroleum substances, including MTBE, by the company or other parties. Such contingencies may exist for various sites including, but not limited to: Superfund sites and refineries, oil fields, service stations, terminals, and land development areas, whether operating, closed or sold. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions that may be required, the determination of the company's liability in proportion to other responsible parties, and the extent to which such costs are recoverable from third parties. While the company has provided for known environmental obligations that are probable and reasonably estimable, the amount of future costs may be material to results of operations in the period in which they are recognized. The company does not expect these costs to have a material effect on its consolidated financial position or liquidity. Also, the company does not believe its obligations to make such expenditures have had, or will have, any significant impact on the company's competitive position relative to other domestic or international petroleum or chemical concerns.

The company believes it has no material market or credit risks to its operations, financial position or liquidity as a result of its commodities and other derivatives activities. However, the results of operations and financial position of certain equity affiliates may be affected by their business activities involving the use of derivative instruments.

The company's operations, particularly oil and gas exploration and production, can be affected by changing economic, regulatory and political environments in the various countries, including the United States, in which it operates. In certain locations, host governments have imposed restrictions, con-

trols and taxes, and in others, political conditions have existed that may threaten the safety of employees and the company's continued presence in those countries. Internal unrest or strained relations between a host government and the company or other governments may affect the company's operations. Those developments have, at times, significantly affected the company's operations and related results and are carefully considered by management when evaluating the level of current and future activity in such countries.

Areas in which the company has significant operations include the United States, Canada, Australia, United Kingdom, Norway, Congo, Angola, Nigeria, Democratic Republic of Congo, Papua New Guinea, China, Indonesia, Venezuela, Thailand and Argentina. The company's Caltex affiliates have significant operations in Indonesia, Korea, Australia, Thailand, the Philippines, Singapore and South Africa. The company's Tengizchevroil affiliate operates in Kazakhstan.

Note 22. EMPLOYEE TERMINATION BENEFITS AND OTHER RESTRUCTURING COSTS The company recorded before-tax charges to income of \$235 in 1999 for employee termination benefits and other restructuring costs as part of a companywide staff reduction program. The charge includes severance and other termination benefits of \$220 for 3,472 employees and \$82 for employee and office relocation, lease termination penalties, and other items. These charges were offset partly by \$67 of restructuring-related net pension settlement/curtailment gains for payments made to terminated employees.

The staff reduction program affects primarily U.S.-based employees and is being implemented in all of the company's operating segments across several business functions. All identified employees will be separated by June 30, 2000. Termination benefits for 3,070 of the 3,472 employees — accrued in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Plans and for Termination Benefits" — are payable from the assets of the company's U.S. and Canadian pension plans. Payments to other employees are from company funds. Accrual and payment activity for the employee termination benefits is presented in the following table.

	Restructuring Liability	Number of Employees
Balance at December 31, 1998	\$ —	—
Accruals	220	3,472
Cash Payments	(135)	2,157
Balance at December 31, 1999	\$ 85	1,315

Of the \$82 for relocations, lease termination penalties and other costs, approximately 13 percent remained unpaid at the end of 1999. These charges and the restructuring-related pension gains were classified mainly as either "operating expense" or "selling, general and administrative expense." Items are either accrued or recognized as incurred under the guidelines of EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" or SFAS No. 88, as applicable.

The company's net income for 1999 also included its \$25 share of a restructuring charge recorded by Caltex.

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES

Unaudited

In accordance with Statement of Financial Accounting Standards No. 69, "Disclosures About Oil and Gas Producing Activities" (SFAS No. 69), this section provides supplemental information on oil and gas exploration and producing activities of the company in six separate tables. Tables I through III provide historical cost information pertaining to costs incurred in exploration, property acquisitions and development; capitalized costs; and results of operations. Tables IV through VI present information on the company's estimated net proved reserve quantities, standardized measure of estimated discounted future net cash flows related to proved reserves, and changes in estimated discounted future

net cash flows. The Africa geographic area includes activities principally in Nigeria, Angola, Congo and Democratic Republic of Congo. The "Other" geographic category includes activities in Australia, Argentina, the United Kingdom North Sea, Canada, Papua New Guinea, Venezuela, China, Thailand and other countries. Amounts shown for affiliated companies are Chevron's 50 percent equity share in P.T. Caltex Pacific Indonesia (CPI), an exploration and production company operating in Indonesia, and its 45 percent (50 percent prior to April 1997) equity share of Tengizchevroil (TCO), an exploration and production partnership operating in the Republic of Kazakhstan.

TABLE I – COSTS INCURRED IN EXPLORATION, PROPERTY ACQUISITIONS AND DEVELOPMENT¹

Millions of dollars	Consolidated Companies				Affiliated Companies		Worldwide
	U.S.	Africa	Other	Total	CPI	TCO	
YEAR ENDED DECEMBER 31, 1999							
Exploration							
Wells	\$ 258	\$ 40	\$ 120	\$ 418	\$ 3	\$ –	\$ 421
Geological and geophysical	37	25	85	147	17	–	164
Rentals and other	30	7	60	97	–	–	97
Total exploration	325	72	265	662	20	–	682
Property acquisitions ^{2, 3}							
Proved ⁴	9	–	1,070	1,079	–	–	1,079
Unproved	27	11	1,202	1,240	–	–	1,240
Total property acquisitions	36	11	2,272	2,319	–	–	2,319
Development	532	518	375	1,425	182	148	1,755
TOTAL COSTS INCURRED	\$ 893	\$601	\$2,912	\$4,406	\$202	\$148	\$4,756
YEAR ENDED DECEMBER 31, 1998							
Exploration							
Wells	\$ 350	\$108	\$ 101	\$ 559	\$ 3	\$ –	\$ 562
Geological and geophysical	49	31	112	192	16	–	208
Rentals and other	44	23	53	120	–	–	120
Total exploration	443	162	266	871	19	–	890
Property acquisitions ²							
Proved ⁴	12	–	–	12	–	–	12
Unproved	58	–	14	72	–	–	72
Total property acquisitions	70	–	14	84	–	–	84
Development	680	561	411	1,652	156	120	1,928
TOTAL COSTS INCURRED	\$1,193	\$723	\$ 691	\$2,607	\$175	\$120	\$2,902
YEAR ENDED DECEMBER 31, 1997							
Exploration							
Wells	\$ 278	\$ 99	\$ 149	\$ 526	\$ 2	\$ –	\$ 528
Geological and geophysical	39	31	59	129	16	–	145
Rentals and other	43	17	65	125	–	–	125
Total exploration	360	147	273	780	18	–	798
Property acquisitions ²							
Proved ⁴	3	6	75	84	–	–	84
Unproved	101	–	23	124	–	–	124
Total property acquisitions	104	6	98	208	–	–	208
Development	918	461	529	1,908	159	152	2,219
TOTAL COSTS INCURRED	\$1,382	\$614	\$ 900	\$2,896	\$177	\$152	\$3,225

¹Includes costs incurred whether capitalized or charged to earnings. Excludes support equipment expenditures.

²Proved amounts include wells, equipment and facilities associated with proved reserves.

³Includes acquisition costs and related deferred income taxes for purchases of Rutherford-Moran Oil Corporation and Petrolera Argentina San Jorge S.A.

⁴Does not include properties acquired through property exchanges.

TABLE II – CAPITALIZED COSTS RELATED TO OIL AND GAS PRODUCING ACTIVITIES

Millions of dollars	Consolidated Companies				Affiliated Companies		
	U.S.	Africa	Other	Total	CPI	TCO	Worldwide
AT DECEMBER 31, 1999							
Unproved properties	\$ 317	\$ 69	\$1,441	\$ 1,827	\$ –	\$ 378	\$ 2,205
Proved properties and related producing assets	16,662	4,034	7,318	28,014	1,158	689	29,861
Support equipment	478	268	321	1,067	902	243	2,212
Deferred exploratory wells	136	172	66	374	–	–	374
Other uncompleted projects	354	758	664	1,776	335	405	2,516
GROSS CAPITALIZED COSTS	17,947	5,301	9,810	33,058	2,395	1,715	37,168
Unproved properties valuation	133	53	157	343	–	–	343
Proved producing properties –							
Depreciation and depletion	11,953	1,993	3,071	17,017	681	99	17,797
Future abandonment and restoration	835	371	208	1,414	60	10	1,484
Support equipment depreciation	317	104	142	563	476	80	1,119
Accumulated provisions	13,238	2,521	3,578	19,337	1,217	189	20,743
NET CAPITALIZED COSTS	\$ 4,709	\$2,780	\$6,232	\$13,721	\$1,178	\$1,526	\$16,425
AT DECEMBER 31, 1998							
Unproved properties	\$ 390	\$ 58	\$ 235	\$ 683	\$ –	\$ 378	\$ 1,061
Proved properties and related producing assets	16,759	3,672	6,253	26,684	1,015	629	28,328
Support equipment	472	182	307	961	768	232	1,961
Deferred exploratory wells	51	51	91	193	–	–	193
Other uncompleted projects	700	893	383	1,976	408	245	2,629
GROSS CAPITALIZED COSTS	18,372	4,856	7,269	30,497	2,191	1,484	34,172
Unproved properties valuation	151	49	110	310	–	–	310
Proved producing properties –							
Depreciation and depletion	11,808	1,719	2,705	16,232	689	72	16,993
Future abandonment and restoration	861	337	187	1,385	57	8	1,450
Support equipment depreciation	315	90	127	532	373	67	972
Accumulated provisions	13,135	2,195	3,129	18,459	1,119	147	19,725
NET CAPITALIZED COSTS	\$ 5,237	\$ 2,661	\$ 4,140	\$ 12,038	\$ 1,072	\$ 1,337	\$ 14,447
AT DECEMBER 31, 1997							
Unproved properties	\$ 370	\$ 58	\$ 236	\$ 664	\$ –	\$ 378	\$ 1,042
Proved properties and related producing assets	16,284	3,303	5,644	25,231	1,112	491	26,834
Support equipment	503	209	310	1,022	578	209	1,809
Deferred exploratory wells	120	46	58	224	–	–	224
Other uncompleted projects	826	549	821	2,196	338	153	2,687
GROSS CAPITALIZED COSTS	18,103	4,165	7,069	29,337	2,028	1,231	32,596
Unproved properties valuation	153	42	98	293	–	–	293
Proved producing properties –							
Depreciation and depletion	11,657	1,459	2,521	15,637	626	51	16,314
Future abandonment and restoration	926	304	177	1,407	44	6	1,457
Support equipment depreciation	315	79	130	524	343	53	920
Accumulated provisions	13,051	1,884	2,926	17,861	1,013	110	18,984
NET CAPITALIZED COSTS	\$ 5,052	\$ 2,281	\$ 4,143	\$ 11,476	\$ 1,015	\$ 1,121	\$ 13,612

TABLE III – RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES¹

The company's results of operations from oil and gas producing activities for the years 1999, 1998 and 1997 are shown in the following table.

Net income from exploration and production activities as reported on page 27 reflects income taxes computed on an

effective rate basis. In accordance with SFAS No. 69, income taxes in Table III are based on statutory tax rates, reflecting allowable deductions and tax credits. Interest income and expense is excluded from the results reported in Table III and from the net income amounts on page 27.

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES – Continued

Unaudited

TABLE III – RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES¹ – Continued

Millions of dollars	Consolidated Companies				Affiliated Companies		Worldwide
	U.S.	Africa	Other	Total	CPI	TCO	
YEAR ENDED DECEMBER 31, 1999							
Revenues from net production							
Sales	\$ 1,449	\$ 1,756	\$ 1,415	\$ 4,620	\$ 24	\$ 356	\$ 5,000
Transfers	1,626	299	597	2,522	592	–	3,114
Total	3,075	2,055	2,012	7,142	616	356	8,114
Production expenses	(1,005)	(340)	(411)	(1,756)	(206)	(88)	(2,050)
Proved producing properties: depreciation, depletion and abandonment provision	(764)	(311)	(433)	(1,508)	(109)	(47)	(1,664)
Exploration expenses	(167)	(97)	(274)	(538)	(17)	–	(555)
Unproved properties valuation	(22)	(5)	(36)	(63)	–	–	(63)
Other income (expense) ²	(307)	(53)	5	(355)	(2)	(9)	(366)
Results before income taxes	810	1,249	863	2,922	282	212	3,416
Income tax expense	(275)	(848)	(416)	(1,539)	(143)	(63)	(1,745)
RESULTS OF PRODUCING OPERATIONS	\$ 535	\$ 401	\$ 447	\$ 1,383	\$ 139	\$ 149	\$ 1,671
YEAR ENDED DECEMBER 31, 1998							
Revenues from net production							
Sales	\$ 1,386	\$ 1,118	\$ 757	\$ 3,261	\$ 28	\$ 176	\$ 3,465
Transfers	1,185	212	458	1,855	454	–	2,309
Total	2,571	1,330	1,215	5,116	482	176	5,774
Production expenses	(1,172)	(346)	(304)	(1,822)	(153)	(76)	(2,051)
Proved producing properties: depreciation, depletion and abandonment provision	(714)	(301)	(316)	(1,331)	(106)	(40)	(1,477)
Exploration expenses	(213)	(53)	(212)	(478)	(16)	–	(494)
Unproved properties valuation	(20)	(8)	(16)	(44)	–	–	(44)
Other income (expense) ²	96	48	85	229	2	(7)	224
Results before income taxes	548	670	452	1,670	209	53	1,932
Income tax expense	(178)	(328)	(323)	(829)	(102)	(16)	(947)
RESULTS OF PRODUCING OPERATIONS	\$ 370	\$ 342	\$ 129	\$ 841	\$ 107	\$ 37	\$ 985
YEAR ENDED DECEMBER 31, 1997							
Revenues from net production							
Sales	\$ 1,931	\$ 1,782	\$ 899	\$ 4,612	\$ 43	\$ 283	\$ 4,938
Transfers	1,799	273	656	2,728	634	–	3,362
Total	3,730	2,055	1,555	7,340	677	283	8,300
Production expenses	(1,272)	(297)	(278)	(1,847)	(197)	(79)	(2,123)
Proved producing properties: depreciation, depletion and abandonment provision	(737)	(256)	(311)	(1,304)	(130)	(37)	(1,471)
Exploration expenses	(227)	(66)	(200)	(493)	(16)	–	(509)
Unproved properties valuation	(16)	(7)	(10)	(33)	–	–	(33)
Other income (expense) ²	87	(46)	196	237	10	(13)	234
Results before income taxes	1,565	1,383	952	3,900	344	154	4,398
Income tax expense	(555)	(939)	(365)	(1,859)	(173)	(46)	(2,078)
RESULTS OF PRODUCING OPERATIONS	\$ 1,010	\$ 444	\$ 587	\$ 2,041	\$ 171	\$ 108	\$ 2,320

¹The value of owned production consumed as fuel has been eliminated from revenues and production expenses, and the related volumes have been deducted from net production in calculating the unit average sales price and production cost; this has no effect on the results of producing operations.

²Includes gas processing fees, net sulfur income, natural gas contract settlements, currency transaction gains and losses, certain significant impairment write-downs, miscellaneous expenses, etc. Also includes net income from related oil and gas activities that do not have oil and gas reserves attributed to them (e.g., equity earnings of Dynegy Inc., net income from technical and operating service agreements) and items identified in the Management's Discussion and Analysis on page 27.

TABLE III – RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES^{1,2} – Continued

Per-unit average sales price and production cost ^{1,2}	Consolidated Companies				Affiliated Companies		Worldwide
	U.S.	Africa	Other	Total	CPI	TCO	
YEAR ENDED DECEMBER 31, 1999							
Average sales prices							
Liquids, per barrel	\$15.73	\$17.27	\$17.69	\$16.82	\$13.40	\$10.53	\$15.90
Natural gas, per thousand cubic feet	2.17	0.05	2.21	2.14	—	0.38	2.10
Average production costs, per barrel	4.73	2.81	3.32	3.84	4.47	2.39	3.79
YEAR ENDED DECEMBER 31, 1998							
Average sales prices							
Liquids, per barrel	\$ 11.27	\$ 11.49	\$ 11.21	\$ 11.34	\$ 9.73	\$ 5.53	\$ 10.68
Natural gas, per thousand cubic feet	2.02	.07	2.26	2.04	—	.57	2.01
Average production costs, per barrel	5.30	2.94	2.93	4.12	3.10	2.32	3.91
YEAR ENDED DECEMBER 31, 1997							
Average sales prices							
Liquids, per barrel	\$ 17.33	\$ 18.15	\$ 16.88	\$ 17.53	\$ 15.35	\$ 10.69	\$ 16.82
Natural gas, per thousand cubic feet	2.42	—	2.35	2.40	—	.51	2.35
Average production costs, per barrel	5.47	2.61	2.89	4.17	4.48	2.78	4.22
Average sales price for liquids (\$/Bbl)							
December 1999	\$22.25	\$24.88	\$24.06	\$23.68	\$23.68	\$11.55	\$22.65
December 1998	8.86	9.55	9.04	9.17	8.33	3.69	8.58
December 1997	15.63	15.60	15.09	15.48	14.16	9.40	14.91
Average sales price for natural gas (\$/MCF)							
December 1999	\$ 2.20	\$ 0.04	\$ 2.41	\$ 2.23	\$ —	\$ 0.38	\$ 2.18
December 1998	2.23	—	2.47	2.29	—	.57	2.26
December 1997	2.25	—	2.76	2.31	—	.63	2.26

¹The value of owned production consumed as fuel has been eliminated from revenues and production expenses, and the related volumes have been deducted from net production in calculating the unit average sales price and production cost; this has no effect on the results of producing operations.

²Natural gas converted to crude oil equivalent gas (OEG) barrels at a rate of 6 MCF=1 OEG barrel.

TABLE IV – RESERVE QUANTITY INFORMATION

The company's estimated net proved underground oil and gas reserves and changes thereto for the years 1999, 1998 and 1997 are shown in the following table. Proved reserves are estimated by company asset teams composed of earth scientists and reservoir engineers. These proved reserve estimates are reviewed annually by the corporation's Reserves Advisory Committee to ensure that rigorous professional standards and the reserves definitions prescribed by the U.S. Securities and Exchange Commission are consistently applied throughout the company.

Proved reserves are the estimated quantities that geologic and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change as additional information becomes available.

Proved reserves do not include additional quantities recoverable beyond the term of the lease or concession

agreement that may result from extensions of currently proved areas or from applying secondary or tertiary recovery processes not yet tested and determined to be economic.

Proved developed reserves are the quantities expected to be recovered through existing wells with existing equipment and operating methods.

"Net" reserves exclude royalties and interests owned by others and reflect contractual arrangements and royalty obligations in effect at the time of the estimate.

In June 1997, Chevron assumed operatorship under a risked service agreement for Venezuela's Block LL-652, located in the northeast section of Lake Maracaibo. Chevron is accounting for LL-652 as an oil and gas activity and, at December 31, 1999, had recorded 54 million barrels of proved crude oil reserves.

No reserve quantities have been recorded for the company's other service agreement in Venezuela, which began in 1996, involving the Boscan Field.

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES – Continued

Unaudited

TABLE IV – RESERVE QUANTITY INFORMATION – Continued

	NET PROVED RESERVES OF CRUDE OIL, CONDENSATE AND NATURAL GAS LIQUIDS							NET PROVED RESERVES OF NATURAL GAS						
	Millions of barrels							Billions of cubic feet						
	Consolidated Companies				Affiliates		World- wide	Consolidated Companies				Affiliates		World- wide
	U.S.	Africa	Other	Total	CPI	TCO		U.S.	Africa	Other	Total	CPI	TCO	
RESERVES AT JANUARY 1, 1997	1,149	1,032	482	2,663	566	1,135	4,364	5,275	293	3,135	8,703	152	1,462	10,317
Changes attributable to:														
Revisions	8	(16)	38	30	37	92	159	(98)	(67)	211	46	19	120	185
Improved recovery	139	72	7	218	27	–	245	111	–	1	112	5	–	117
Extensions														
and discoveries	57	156	14	227	4	–	231	470	–	12	482	2	–	484
Purchases ¹	–	–	51	51	–	–	51	3	–	1	4	–	–	4
Sales ²	(32)	–	(1)	(33)	–	(120)	(153)	(95)	–	(7)	(102)	–	(156)	(258)
Production	(125)	(113)	(72)	(310)	(56)	(25)	(391)	(675)	(3)	(166)	(844)	(17)	(25)	(886)
RESERVES AT DECEMBER 31, 1997	1,196	1,131	519	2,846	578	1,082	4,506	4,991	223	3,187	8,401	161	1,401	9,963
Changes attributable to:														
Revisions	(1)	106	28	133	110 ³	7	250	(151)	77	13	(61)	7	(17)	(71)
Improved recovery	36	88	36	160	25	–	185	7	–	–	7	12	–	19
Extensions														
and discoveries	43	92	7	142	2	16	160	372	–	3	375	1	21	397
Purchases ¹	5	–	30	35	–	–	35	32	–	5	37	–	–	37
Sales ²	(12)	–	(22)	(34)	–	–	(34)	(119)	–	(50)	(169)	–	–	(169)
Production	(119)	(117)	(77)	(313)	(62)	(30)	(405)	(635)	(12)	(175)	(822)	(30)	(21)	(873)
RESERVES AT DECEMBER 31, 1998	1,148	1,300	521	2,969	653	1,075	4,697	4,497	288	2,983	7,768	151	1,384	9,303
Changes attributable to:														
Revisions	(23)	3	(24)	(44)	(98) ³	115	(27)	(426)	49	30	(347)	2	126	(219)
Improved recovery	44	62	20	126	30	–	156	7	–	8	15	1	–	16
Extensions														
and discoveries	50	45	17	112	2	76	190	347	–	86	433	5	98	536
Purchases ¹	1	–	213	214	–	–	214	35	–	372	407	–	–	407
Sales ²	(33)	–	(2)	(35)	–	–	(35)	(74)	–	–	(74)	–	–	(74)
Production	(115)	(120)	(84)	(319)	(59)	(33)	(411)	(598)	(15)	(248)	(861)	(25)	(27)	(913)
RESERVES AT DECEMBER 31, 1999	1,072	1,290	661	3,023	528	1,233	4,784	3,788	322	3,231	7,341	134	1,581	9,056
Developed reserves														
At January 1, 1997	1,027	658	281	1,966	448	500	2,914	4,727	293	1,634	6,654	136	643	7,433
At December 31, 1997	1,025	721	293	2,039	435	532	3,006	4,391	223	1,695	6,309	145	688	7,142
At December 31, 1998	982	891	342	2,215	436	646	3,297	3,918	263	2,074	6,255	135	832	7,222
AT DECEMBER 31, 1999	905	940	489	2,334	340	790	3,464	3,345	272	2,243	5,860	131	1,011	7,002

¹Includes reserves acquired through property exchanges.²Includes reserves disposed of through property exchanges.³Mainly includes crude reserves revisions associated with CPI's cost-recovery formula.**TABLE V – STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATED TO PROVED OIL AND GAS RESERVES**

The standardized measure of discounted future net cash flows, related to the above proved oil and gas reserves, is calculated in accordance with the requirements of SFAS No. 69. Estimated future cash inflows from production are computed by applying year-end prices for oil and gas to year-end quantities of estimated net proved reserves. Future price changes are limited to those provided by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pretax net cash flows, less the tax basis of

related assets. Discounted future net cash flows are calculated using 10 percent midperiod discount factors. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced.

The information provided does not represent management's estimate of the company's expected future cash flows or value of proved oil and gas reserves. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The arbitrary valuation prescribed under SFAS No. 69 requires assumptions as to the timing and amount of future development and production costs. The calculations are made as of December 31 each year and should not be relied upon as an indication of the company's future cash flows or value of its oil and gas reserves.

TABLE V – STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATED TO PROVED OIL AND GAS RESERVES
– Continued

Millions of dollars	Consolidated Companies				Affiliated Companies		Worldwide
	U.S.	Africa	Other	Total	CPI	TCO	
AT DECEMBER 31, 1999							
Future cash inflows from production	\$ 31,650	\$31,830	\$23,690	\$ 87,170	\$ 11,950	\$24,380	\$123,500
Future production and development costs	(11,350)	(6,030)	(5,420)	(22,800)	(7,830)	(4,900)	(35,530)
Future income taxes	(7,050)	(16,490)	(6,200)	(29,740)	(1,820)	(4,980)	(36,540)
Undiscounted future net cash flows	13,250	9,310	12,070	34,630	2,300	14,500	51,430
10 percent midyear annual discount for timing of estimated cash flows	(5,480)	(2,920)	(4,590)	(12,990)	(900)	(10,400)	(24,290)
STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS							
	\$ 7,770	\$ 6,390	\$ 7,480	\$ 21,640	\$ 1,400	\$ 4,100	\$ 27,140
AT DECEMBER 31, 1998							
Future cash inflows from production	\$ 19,810	\$ 12,560	\$ 13,010	\$ 45,380	\$ 6,020	\$ 8,360	\$ 59,760
Future production and development costs	(12,940)	(6,980)	(4,930)	(24,850)	(4,470)	(5,860)	(35,180)
Future income taxes	(1,970)	(2,110)	(2,850)	(6,930)	(660)	(200)	(7,790)
Undiscounted future net cash flows	4,900	3,470	5,230	13,600	890	2,300	16,790
10 percent midyear annual discount for timing of estimated cash flows	(1,880)	(1,070)	(2,190)	(5,140)	(390)	(1,990)	(7,520)
Standardized Measure of Discounted Future Net Cash Flows							
	\$ 3,020	\$ 2,400	\$ 3,040	\$ 8,460	\$ 500	\$ 310	\$ 9,270
AT DECEMBER 31, 1997							
Future cash inflows from production	\$ 28,270	\$ 16,560	\$ 16,860	\$ 61,690	\$ 9,240	\$ 10,890	\$ 81,820
Future production and development costs	(14,030)	(4,810)	(5,090)	(23,930)	(6,340)	(6,550)	(36,820)
Future income taxes	(4,710)	(6,630)	(4,330)	(15,670)	(1,390)	(600)	(17,660)
Undiscounted future net cash flows	9,530	5,120	7,440	22,090	1,510	3,740	27,340
10 percent midyear annual discount for timing of estimated cash flows	(3,910)	(1,780)	(3,290)	(8,980)	(650)	(2,710)	(12,340)
Standardized Measure of Discounted Future Net Cash Flows							
	\$ 5,620	\$ 3,340	\$ 4,150	\$ 13,110	\$ 860	\$ 1,030	\$ 15,000

TABLE VI – CHANGES IN THE STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS FROM PROVED RESERVES

Millions of dollars	Consolidated Companies			Affiliated Companies			Worldwide		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
PRESENT VALUE AT JANUARY 1	\$ 8,460	\$ 13,110	\$ 22,270	\$ 810	\$ 1,890	\$ 2,850	\$ 9,270	\$ 15,000	\$ 25,120
Sales and transfers of oil and gas produced, net of production costs	(5,385)	(3,294)	(5,493)	(679)	(429)	(684)	(6,064)	(3,723)	(6,177)
Development costs incurred	1,425	1,652	1,908	330	276	311	1,755	1,928	2,219
Purchases of reserves	2,811	208	173	–	–	–	2,811	208	173
Sales of reserves	(344)	(347)	(238)	–	–	(140)	(344)	(347)	(378)
Extensions, discoveries and improved recovery, less related costs	2,886	813	2,161	385	49	104	3,271	862	2,265
Revisions of previous quantity estimates	(503)	262	535	84	280	980	(419)	542	1,515
Net changes in prices, development and production costs	25,457	(11,321)	(20,440)	6,938	(2,159)	(3,521)	32,395	(13,480)	(23,961)
Accretion of discount	1,165	2,096	3,673	135	289	516	1,300	2,385	4,189
Net change in income tax	(14,332)	5,281	8,561	(2,503)	614	1,474	(16,835)	5,895	10,035
Net change for the year	13,180	(4,650)	(9,160)	4,690	(1,080)	(960)	17,870	(5,730)	(10,120)
PRESENT VALUE AT DECEMBER 31	\$ 21,640	\$ 8,460	\$ 13,110	\$ 5,500	\$ 810	\$ 1,890	\$ 27,140	\$ 9,270	\$ 15,000

The changes in present values between years, which can be significant, reflect changes in estimated proved reserve quantities and prices and assumptions used in forecasting

production volumes and costs. Changes in the timing of production are included with “Revisions of previous quantity estimates.”

ELEVEN-YEAR FINANCIAL SUMMARY¹

Millions of dollars, except per-share amounts

	1999	1998	1997
CONSOLIDATED STATEMENT OF INCOME DATA			
REVENUES			
Sales and other operating revenues			
Refined products	\$ 13,742	\$ 11,461	\$ 15,586
Crude oil	10,078	7,781	11,296
Natural gas	2,256	2,104	2,568
Natural gas liquids	432	322	553
Other petroleum	1,115	1,063	1,118
Chemicals	3,544	3,054	3,520
Coal and other minerals	360	399	359
Excise taxes	3,910	3,756	5,587
Corporate and other	11	3	9
Total sales and other operating revenues	35,448	29,943	40,596
Income from equity affiliates	526	228	688
Other income	612	386	679
TOTAL REVENUES	36,586	30,557	41,963
COSTS, OTHER DEDUCTIONS AND INCOME TAXES			
	34,516	29,218	38,707
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ 2,070	\$ 1,339	\$ 3,256
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	—	—	—
NET INCOME	\$ 2,070	\$ 1,339	\$ 3,256
PER SHARE OF COMMON STOCK:			
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES – BASIC			
	\$3.16	\$2.05	\$4.97
– DILUTED			
	\$3.14	\$2.04	\$4.95
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES			
	—	—	—
NET INCOME PER SHARE OF COMMON STOCK – BASIC	\$3.16	\$2.05	\$4.97
– DILUTED	\$3.14	\$2.04	\$4.95
CASH DIVIDENDS PER SHARE	\$2.48	\$2.44	\$2.28
CONSOLIDATED BALANCE SHEET DATA (AT DECEMBER 31)			
Current assets	\$ 8,297	\$ 6,297	\$ 7,006
Properties, plant and equipment (net)	25,317	23,729	22,671
Total assets	40,668	36,540	35,473
Short-term debt	3,434	3,165	1,637
Other current liabilities	5,455	4,001	5,309
Long-term debt and capital lease obligations	5,485	4,393	4,431
Stockholders' equity	17,749	17,034	17,472
Per share	\$ 27.04	\$ 26.08	\$ 26.64
SELECTED DATA			
Return on average stockholders' equity	11.9%	7.8%	19.7%
Return on average capital employed	9.4%	6.7%	15.0%
Total debt/total debt plus equity	33.4%	30.7%	25.8%
Capital and exploratory expenditures ²	\$ 6,133	\$ 5,314	\$ 5,541
Common stock price – High	\$104 ^{15/16}	\$90 ^{3/16}	\$89 ^{3/16}
– Low	\$73 ^{1/8}	\$67 ^{3/4}	\$61 ^{3/4}
– Year-End	\$86 ^{5/8}	\$82 ^{15/16}	\$77
Common shares outstanding at year-end (in thousands)	656,345	653,026	655,931
Weighted-average shares outstanding for the year (in thousands)	655,468	653,667	654,991
Number of employees at year-end ³	36,490	39,191	39,362

¹Comparability between years is affected by changes in accounting methods: 1995 and subsequent years reflect adoption of Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of"; 1992 and subsequent years reflect adoption of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS No. 109, "Accounting for Income Taxes"; 1989 through 1991 reflect the adoption of SFAS No. 96, "Accounting for Income Taxes"; share and per-share amounts for all years reflect the two-for-one stock split in May 1994.

²Includes equity in affiliates' expenditures.

\$782

\$994

\$1,174

³Includes service station personnel.

1996	1995	1994	1993	1992	1991	1990	1989
\$ 15,785	\$ 13,471	\$ 14,328	\$ 16,089	\$ 16,821	\$ 16,794	\$ 19,385	\$ 15,682
12,397	9,376	8,249	8,501	10,031	10,276	11,303	6,791
3,299	2,019	2,138	2,156	1,995	1,869	2,056	1,693
1,167	1,285	1,180	1,235	1,190	1,165	1,305	937
1,184	1,144	944	967	927	812	769	719
3,422	3,758	3,065	2,708	2,872	3,098	3,325	3,048
340	358	416	447	397	427	443	470
5,202	4,988	4,790	4,068	3,964	3,659	2,933	2,473
(14)	(89)	20	20	15	18	21	103
42,782	36,310	35,130	36,191	38,212	38,118	41,540	31,916
767	553	440	440	406	491	371	350
344	219	284	451	1,059	334	655	519
43,893	37,082	35,854	37,082	39,677	38,943	42,566	32,785
41,286	36,152	34,161	35,817	37,467	37,650	40,409	32,534
\$ 2,607	\$ 930	\$ 1,693	\$ 1,265	\$ 2,210	\$ 1,293	\$ 2,157	\$ 251
—	—	—	—	(641)	—	—	—
\$ 2,607	\$ 930	\$ 1,693	\$ 1,265	\$ 1,569	\$ 1,293	\$ 2,157	\$ 251
\$3.99	\$1.43	\$2.60	\$1.94	\$3.26	\$1.85	\$3.05	\$0.37
\$3.98	\$1.43	\$2.59	\$1.94	\$3.26	\$1.85	\$3.05	\$0.37
—	—	—	—	(0.95)	—	—	—
\$3.99	\$1.43	\$2.60	\$1.94	\$2.31	\$1.85	\$3.05	\$0.37
\$3.98	\$1.43	\$2.59	\$1.94	\$2.31	\$1.85	\$3.05	\$0.37
\$2.08	\$1.925	\$1.85	\$1.75	\$1.65	\$1.625	\$1.475	\$1.40
\$ 7,942	\$ 7,867	\$ 7,591	\$ 8,682	\$ 8,722	\$ 9,031	\$ 10,089	\$ 8,620
21,496	21,696	22,173	21,865	22,188	22,850	22,726	23,040
34,854	34,330	34,407	34,736	33,970	34,636	35,089	33,884
2,706	3,806	4,014	3,456	2,888	1,706	59	126
6,201	5,639	5,378	7,150	6,947	7,774	8,958	7,457
3,988	4,521	4,128	4,082	4,953	5,991	6,710	7,390
15,623	14,355	14,596	13,997	13,728	14,739	14,836	13,980
\$ 23.92	\$ 22.01	\$ 22.40	\$ 21.49	\$ 21.11	\$ 21.25	\$ 21.15	\$ 19.69
17.4%	6.4%	11.8%	9.1%	11.0%	8.7%	15.0%	1.8%
12.7%	5.3%	8.7%	6.8%	8.5%	7.5%	11.9%	3.2%
30.0%	36.7%	35.8%	35.0%	36.4%	34.3%	31.3%	35.0%
\$ 4,840	\$ 4,800	\$ 4,819	\$ 4,440	\$ 4,423	\$ 4,787	\$ 4,269	\$ 3,982
\$68 ³ / ₈	\$53 ⁵ / ₈	\$49 ³ / ₁₆	\$49 ³ / ₈	\$37 ¹¹ / ₁₆	\$40 ¹ / ₁₆	\$40 ¹³ / ₁₆	\$36
\$51	\$43 ³ / ₈	\$39 ⁷ / ₈	\$33 ¹¹ / ₁₆	\$30 ¹ / ₁₆	\$31 ³ / ₄	\$31 ⁹ / ₁₆	\$22 ⁷ / ₈
\$65	\$52 ³ / ₈	\$44 ⁵ / ₈	\$43 ⁹ / ₁₆	\$34 ³ / ₄	\$34 ¹ / ₂	\$36 ⁵ / ₁₆	\$33 ⁷ / ₈
653,086	652,327	651,751	651,478	650,348	693,444	701,600	710,048
652,769	652,084	651,672	650,958	677,955	700,348	706,926	683,778
40,820	43,019	45,758	47,576	49,245	55,123	54,208	54,826
\$983	\$912	\$846	\$701	\$621	\$498	\$433	\$389

ELEVEN-YEAR OPERATING SUMMARY

WORLDWIDE – INCLUDES EQUITY IN AFFILIATES¹

Thousands of barrels per day,
except natural gas data, which
is millions of cubic feet per day

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
UNITED STATES											
Gross production of crude oil and natural gas liquids	354	366	388	385	397	418	447	488	516	524	552
Net production of crude oil and natural gas liquids	316	325	343	341	350	369	394	432	454	458	482
Refinery input	955	869	933	951	925	1,213	1,307	1,311	1,278	1,406	1,403
Sales of refined products	1,302	1,243	1,193	1,122	1,117	1,314	1,423	1,470	1,444	1,489	1,469
Sales of natural gas liquids	133	130	133	187	213	215	211	194	175	188	184
Total sales of petroleum products	1,435	1,373	1,326	1,309	1,330	1,529	1,634	1,664	1,619	1,677	1,653
Gross production of natural gas	1,935	2,061	2,192	2,216	2,207	2,441	2,407	2,720	2,779	3,131	2,841
Net production of natural gas	1,639	1,739	1,849	1,875	1,868	2,085	2,056	2,313	2,359	2,650	2,413
Sales of natural gas	3,162	3,303	3,400	3,588	2,815	2,598	2,334	2,539	2,592	2,845	2,657
INTERNATIONAL											
Gross production of crude oil and natural gas liquids	1,100	1,065	1,037	1,003	944	896	825	791	784	777	756
Net production of crude oil and natural gas liquids	811	782	731	702	651	624	556	512	504	477	467
Refinery input	469	475	565	537	598	623	598	543	517	494	490
Sales of refined products	892	798 ²	886	944	969	934	923	859	823	772	740
Sales of natural gas liquids	57	53	69	36	47	34	37	33	29	33	43
Total sales of petroleum products	949	851 ²	955	980	1,016	968	960	892	852	805	783
Gross production of natural gas	935	737	673	676	652	657	572	541	525	503	382
Net production of natural gas	874	654	576	584	565	546	469	463	447	417	330
Sales of natural gas	1,774	1,504	1,209	778	564	461	462	466	444	423	303
TOTAL WORLDWIDE											
Gross production of crude oil and natural gas liquids	1,454	1,431	1,425	1,388	1,341	1,314	1,272	1,279	1,300	1,301	1,308
Net production of crude oil and natural gas liquids	1,127	1,107	1,074	1,043	1,001	993	950	944	958	935	949
Refinery input	1,424	1,344	1,498	1,488	1,523	1,836	1,905	1,854	1,795	1,900	1,893
Sales of refined products	2,194	2,041 ²	2,079	2,066	2,086	2,248	2,346	2,329	2,267	2,261	2,209
Sales of natural gas liquids	190	183	202	223	260	249	248	227	204	221	227
Total sales of petroleum products	2,384	2,224 ²	2,281	2,289	2,346	2,497	2,594	2,556	2,471	2,482	2,436
Gross production of natural gas	2,870	2,798	2,865	2,892	2,859	3,098	2,979	3,261	3,304	3,634	3,223
Net production of natural gas	2,513	2,393	2,425	2,459	2,433	2,631	2,525	2,776	2,806	3,067	2,743
Sales of natural gas	4,936	4,807	4,609	4,366	3,379	3,059	2,796	3,005	3,036	3,268	2,960
WORLDWIDE – EXCLUDES EQUITY IN AFFILIATES											
Number of wells completed (net) ³											
Oil and gas	551	456	779	710	455	364	422	342	607	543	306
Dry	48	30	45	62	64	70	76	33	69	79	71
Producing oil and gas wells (net) ³	12,275	12,516	12,724	13,114	11,707	12,111	10,996	10,773	15,502	17,890	21,695

¹Gross production represents the company's share of total production before deducting lessors' royalties. Net production is gross production minus royalties paid to lessors.

²Restated to conform to 1999 presentation.

³Net wells include all those wholly owned and the sum of fractional interests in those that are joint ventures, unit operations or similar wells. Wells shut in are excluded. Beginning in 1994, producing wells include injection wells temporarily functioning as producing wells.

STOCKHOLDER AND INVESTOR INFORMATION

Stock Exchange Listing

Chevron common stock is listed on the New York, Chicago, Pacific, London and Swiss stock exchanges. On U.S. exchanges, the symbol "CHV" is used.

Stockholder Information

Questions about stock ownership, changes of address, dividend payments or direct deposit of dividends should be directed to Chevron's transfer agent and registrar:

ChaseMellon Shareholder Services
85 Challenger Road
Ridgefield Park, NJ 07660-2108
1-800-368-8357

The ChaseMellon Investor Services Program (1-800-842-7629, same address as above) features dividend reinvestment, optional cash investments of \$50 to \$100,000 a year, automatic stock purchase and safe-keeping of stock certificates.

Dividend Payment Dates

Quarterly dividends on common stock are paid, following declaration by the Board of Directors, on or about the 10th day of March, June, September and December. The annual dividend for 1999 was \$2.48. The quarterly dividend for the fourth quarter of 1999 was 65 cents a share.

Direct deposit of dividends is available to stockholders. For information, contact ChaseMellon Shareholder Services (see above).

Investor Information

Securities analysts, portfolio managers and representatives of financial institutions may contact:

Peter Trueblood
Manager, Investor Relations
575 Market Street, Room 3444
San Francisco, CA 94105-2856
(415) 894-5690
E-mail: pmtr@chevron.com

Publications and Other News Sources

The *Annual Report*, published in March and mailed with the *Proxy Statement*, summarizes the company's financial performance in the preceding year and provides an outlook for the future.

The *Chevron Investor News Line* (1-800-293-2502) offers regularly updated news about the company.

Chevron's Web site, www.chevron.com, offers facts and figures about the company and the petroleum industry. It includes articles, news releases, speeches, quarterly earnings information, the *Proxy Statement* and the complete text of this *Annual Report*.

The *Supplement to the Annual Report*, containing additional financial and operating data, and Form 10-K, prepared annually for the Securities and Exchange Commission, are available after April 15 by writing to the Controller's Department, 575 Market Street, Room 3519, San Francisco, CA 94105-2856.

Contributions: Details of the corporation's 1999 political contributions are available by request from Public Affairs,

Bishop Ranch 3, 2613 Camino Ramon, 3rd Floor, San Ramon, CA 94583-4289. Information about charitable and educational contributions is available in the second half of the year via Chevron's Web site only: www.chevron.com/community/grants/invstmnt.html.

Annual Meeting

The Annual Meeting of stockholders will be held at 9:30 a.m., Wednesday, April 26, 2000, at Chevron Park in San Ramon, California.

Meeting notice and proxy material are enclosed with this *Annual Report*. Stockholders are urged to study the material and complete the proxy card. All stockholders should sign this card and return it promptly so their shares are represented in the final vote.

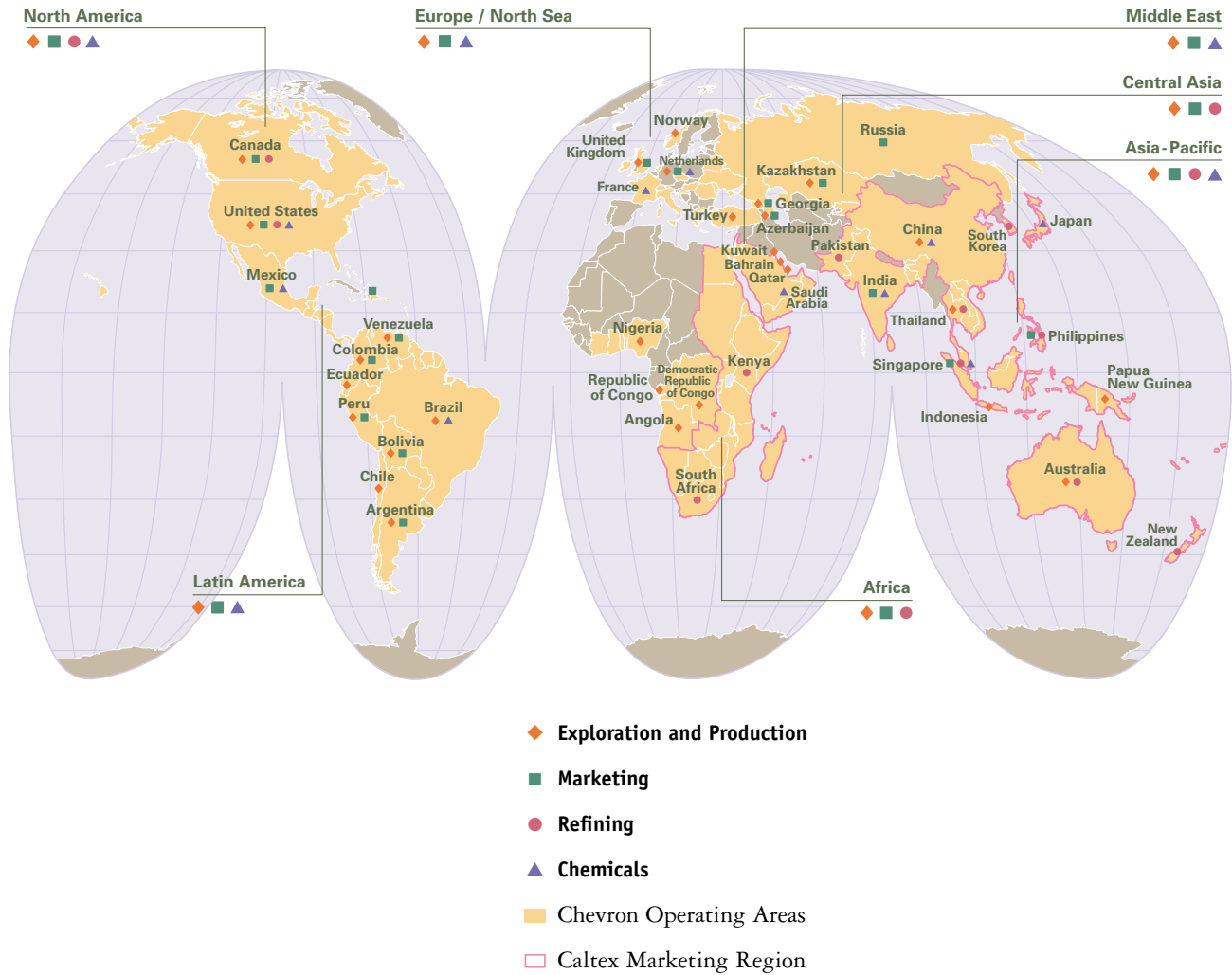
Corporate Headquarters

575 Market Street
San Francisco, CA 94105-2856
(415) 894-7700

Legal Notice

As used in this report, the term "Chevron" and such terms as "the company," "the corporation," "our," "we" and "us" may refer to Chevron Corporation, to one or more of its consolidated subsidiaries or to all of them taken as a whole. All of these terms are used for convenience only and are not intended as a precise description of any of the separate companies, each of which manages its own affairs.

Chevron's Worldwide Activities



The symbol of partnership.

www.chevron.com

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