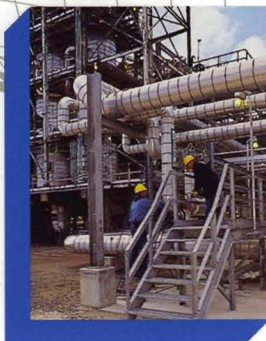
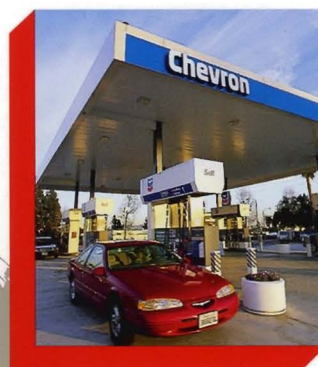


Supplement to the Chevron Corporation 1997 Annual Report

# **Chevron: Building on Success**



## **CHEVRON CORPORATION OBJECTIVE**

Our primary objective is to exceed the financial performance of our strongest competitors. Our goal is to be No. 1 among our competitors in Total Stockholder Return for the period 1994-1998. We will balance long-term growth and short-term results in pursuit of this objective.

We will be guided by the following Strategic Intentions in our Corporate Strategic Plan:

- Build a committed team to accomplish the corporate mission.
- Accelerate exploration and production growth in international areas.
- Accelerate the growth of our Caspian area earnings by cooperatively applying the skills and talents of all Chevron organizations to develop infrastructure, new markets and regional business opportunities.
- Generate cash from North American exploration and production operations, while maintaining value through sustained production levels.
- Achieve top financial performance in U.S. refining and marketing.
- Caltex should achieve superior competitive financial performance, while selectively growing in attractive markets.
- Improve competitive financial performance in chemicals, while developing and implementing attractive opportunities for growth.
- Be selective in other businesses.
- Focus on reducing costs across all activities.

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# CHEVRON CORPORATION

## Overview

Chevron is a leading worldwide energy and chemical company, operating in about 90 countries through over 500 subsidiaries, partnerships, affiliates and other entities. These organizations engage in all phases of the petroleum industry.

### CHEVRON TODAY

#### EXPLORATION AND PRODUCTION

Chevron's North American operations focus on major producing areas of the Gulf of Mexico, California, Rocky Mountains, Texas and western Canada. Internationally, Chevron has major operations in Nigeria, Angola, Indonesia, Kazakhstan, Australia and the United Kingdom. Chevron produced 1.5 million barrels per day of oil and equivalent gas in 1997, the highest production level in 12 years. Proved reserve additions were 115 percent of the year's production, including a 100 percent replacement rate in the United States. Excluding property purchases and sales, Chevron replaced 142 percent of production worldwide, with a rate of 120 percent in the United States, the highest rate since 1984. First production from the Hibernia Field off the east coast of Canada, Area C in Angola and the Kitina Field in Congo contributed to the increased 1997 production. Continued growth in production is expected from major fields currently being developed, such as the deepwater Gulf of Mexico Genesis and Gemini fields, due to commence production in 1998 and 1999 respectively and the Britannia Field in the North Sea with initial natural gas production in 1998. Nigeria and Angola should continue to increase production over the next four to five years. Completion of the Caspian Pipeline, linking the giant Tengiz Field in Kazakhstan to the Black Sea is now targeted for late 2000.

**REFINING AND MARKETING** The company markets refined products through 7,700 retail outlets in the United States. Chevron ranks among the top three gasoline marketers in 14 states, with principal markets located in the west, southwest and south. In Canada, Chevron markets primarily in British Columbia, where the company is a market leader in transportation fuels and has the largest gasoline convenience store network in the area. In the United Kingdom, the company divested its marketing and certain refining assets in 1997 and ceased processing at its refinery in Wales. Chevron still owns six fuel refineries in the United States and one in Canada. From its two refineries in California, Chevron is the largest producer of California reformulated gasoline.

Chevron's international downstream affiliate, Caltex, has undertaken a major effort to re-image its retail outlets in markets in Africa, Asia and the Pacific Rim. Caltex owns interests in 13 refineries, located mostly in the Asia-Pacific region. Caltex is also a leading marketer in the region with sales of 1.2 million barrels per day of refined products in 1997.

#### LOGISTICS AND TRADING

Chevron purchases, sells, trades and transports crude oil, natural gas, liquefied natural gas, refined and other products. Chevron's fleet consists of 39 vessels which continued its excellent safety record in 1997. The company owns net interests in 10,800 miles of crude oil, natural gas, petroleum product and chemical pipelines.

**CHEMICALS** Chevron produces petrochemicals, additives and other chemicals in plants in the United States, Brazil, France and Japan. The chemical company continues its push towards growing its international business. In 1997, the Saudi Chevron Petrochemical joint venture began construction on a \$650 million petrochemical complex. Construction also began on a \$210 million plant in Singapore to produce additives for lubricating oils and fuels. In addition, feasibility studies were completed for plants in China and Venezuela. Major expansions and debottlenecking at the Port Arthur, Texas and Marietta, Ohio plants in the United States were completed in 1997.

**OTHER OPERATIONS** One of the top 15 coal producers in the United States, Chevron operates five coal mines in major coal producing regions and has equity interests in others, including a newly acquired interest in a mine in Venezuela.

#### BUSINESS OUTLOOK

Chevron has enjoyed record-breaking earnings in each of the last two years. Particularly significant is the 1997 achievement with earnings exceeding \$3 billion, one year ahead of the goal for 1998. The company continues its aggressive capital spending program (\$6.3 billion projected in 1998) to take advantage of excellent opportunities in international upstream. In addition to the eight strategic intents that have guided the company, Chevron has added a new strategic intent in 1998 to continue the growth and successes of recent years in the Caspian Sea area.

#### HISTORY

1879	Incorporated in San Francisco, California as the Pacific Coast Oil Company.
1900	Acquired by the west coast operations of John D. Rockefeller's original Standard Oil Company.
1911	Emerged as an autonomous entity, Standard Oil Company (California), following U.S. Supreme Court decision to divide Standard Oil into 34 independent companies.
1926	Merged with Pacific Oil Company to become Standard Oil Company of California.
1920s-30s	Began exploring in Indonesia and South America. Major exploratory successes followed, with discoveries of vast reserves of crude oil in Bahrain and Saudi Arabia. Established production and refining operations in Canada.
1936	Formed Caltex Group of Companies, jointly owned with Texaco, to manage exploration and production interests mainly in the Middle East and Indonesia, and to provide an outlet for the crude through Texaco's European markets.
1940s-60s	Continued expansion that eventually led to participation in a number of major discoveries, such as the North West Shelf in Australia, the Ninian Field in the North Sea, and development of the Gulf of Mexico.
1961	Acquired Standard Oil Company (Kentucky), a major petroleum products marketer in five southeastern states, to provide outlets for crude oil from southern Louisiana and the Gulf of Mexico, where the company was a major producer.
1984	Acquired Gulf Corporation and nearly doubled the size of oil and gas activities and gained significant presence in industrial chemicals, natural gas liquids and coal. Changed name to Chevron Corporation to closely identify with the name under which most products were marketed.
1988	Purchased Tenneco Inc.'s Gulf of Mexico oil and gas properties, becoming one of the largest U.S. natural gas producers.
1993	Entered into a joint venture with the Republic of Kazakhstan to develop and produce the giant Tengiz Field, estimated to hold at least 6 billion barrels of recoverable crude oil.
1997	Recorded earnings of \$3.256 billion, highest in company history.

# FINANCIAL INFORMATION

## Eleven-Year Financial Summary

### FINANCIAL HIGHLIGHTS<sup>1</sup>

Millions of Dollars, Except Per Share Amounts	1997	1996	1995
Income Before Cumulative Effect of Changes in Accounting Principles	\$ 3,256	\$ 2,607	\$ 930
Cumulative Effect of Changes in Accounting Principles	-	-	-
Net Income	\$ 3,256	\$ 2,607	\$ 930
Sales and Other Operating Revenues	40,583	42,782	36,310
Cash Dividends	1,493	1,358	1,255
Capital and Exploratory Expenditures <sup>2</sup>	5,541	4,840	4,800
Equity Share of Affiliates' Capital and Exploratory Expenditures, included above	1,174	983	912
Cash Provided by Operating Activities	4,583	5,770	4,057
Working Capital at Year End	60	(965)	(1,578)
Total Assets at Year End	35,473	34,854	34,330
Total Debt at Year End	6,068	6,694	8,327
Stockholders' Equity at Year End	17,472	15,623	14,355
Market Value of Common Shares at Year End	50,507	42,451	34,166
Common Shares Outstanding at Year End (Thousands) <sup>3</sup>	655,931	653,086	652,327
Per Share Data <sup>3</sup>			
Income Before Cumulative Effect of Changes in Accounting Principles - Basic	\$ 4.97	\$ 3.99	\$ 1.43
Income Before Cumulative Effect of Changes in Accounting Principles - Diluted	4.95	3.98	1.43
Cumulative Effect of Changes in Accounting Principles	-	-	-
Net Income - Basic	\$ 4.97	\$ 3.99	\$ 1.43
Net Income - Diluted	4.95	3.98	1.43
Cash Dividends	2.28	2.08	1.925
Stockholders' Equity at Year End	26.64	23.92	22.01
Market Price: Year End	77	65	52 <sup>3/8</sup>
High	89 <sup>3/16</sup>	68 <sup>3/8</sup>	53 <sup>5/8</sup>
Low	61 <sup>3/4</sup>	51	43 <sup>3/8</sup>

### Key Financial Ratios

Current Ratio	1.0	0.9	0.8
Interest Coverage Ratio	14.3	10.9	4.1
Total Debt/Total Debt Plus Equity	25.8%	30.0%	36.7%
Return on Average Stockholders' Equity	19.7%	17.4%	6.4%
Return on Average Capital Employed	15.0%	12.7%	5.3%

<sup>1</sup> The above numbers reflect the adoption of certain accounting standards which may affect comparability between years.

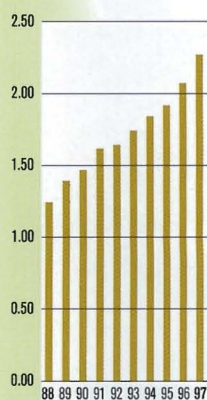
- Statement of Financial Accounting Standards (SFAS) No. 128 - "Earnings Per Share" adopted in 1997.
- SFAS No. 121 - "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" adopted in 1995.
- SFAS No. 106 - "Employers' Accounting for Postretirement Benefits other than Pensions" and SFAS No. 109 - "Accounting for Income Taxes" adopted in 1992.
- 1989 through 1994 includes adoption of a change for impairment of proved non producing oil and gas properties.
- 1987 through 1991 reflect SFAS No. 96 - "Accounting for Income Taxes."

<sup>2</sup> Includes the 1988 acquisition of Tenneco Inc.'s Gulf of Mexico properties for \$2,512 million.

<sup>3</sup> Share and per share amounts for all years reflect the two-for-one stock split in May 1994.

Cash Dividends

Dollars Per Share

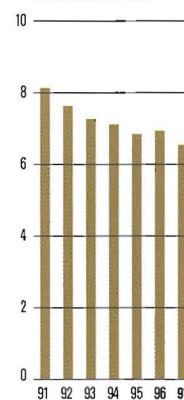




1994	1993	1992	1991	1990	1989	1988	1987
\$ 1,693	\$ 1,265	\$ 2,210	\$ 1,293	\$ 2,157	\$ 251	\$ 1,768	\$ 1,250
-	-	(641)	-	-	-	-	-
\$ 1,693	\$ 1,265	\$ 1,569	\$ 1,293	\$ 2,157	\$ 251	\$ 1,768	\$ 1,250
35,130	36,191	38,212	38,118	41,540	31,916	27,722	28,106
1,206	1,139	1,115	1,139	1,043	953	869	818
4,819	4,440	4,423	4,787	4,269	3,982	5,853	2,841
846	701	621	498	433	389	337	304
2,891	4,186	3,914	3,278	4,727	3,046	2,993	4,004
(1,801)	(1,924)	(1,063)	(449)	1,072	1,037	938	1,083
34,407	34,736	33,970	34,636	35,089	33,884	33,924	34,057
8,142	7,538	7,841	7,697	6,769	7,516	7,302	7,170
14,596	13,997	13,728	14,739	14,836	13,980	14,744	13,853
29,084	28,380	22,600	23,924	25,477	24,053	15,595	13,505
651,751	651,478	650,348	693,444	701,600	710,048	681,750	681,646
\$ 2.60	\$ 1.94	\$ 3.26	\$ 1.85	\$ 3.05	\$ 0.37	\$ 2.59	\$ 1.83
2.59	1.94	3.26	1.85	3.05	0.37	2.59	1.83
-	-	(0.95)	-	-	-	-	-
\$ 2.60	\$ 1.94	\$ 2.31	\$ 1.85	\$ 3.05	\$ 0.37	\$ 2.59	\$ 1.83
2.59	1.94	2.31	1.85	3.05	0.37	2.59	1.83
1.85	1.75	1.65	1.625	1.475	1.40	1.275	1.20
22.40	21.49	21.11	21.25	21.15	19.69	21.63	20.32
44 <sup>5</sup> / <sub>8</sub>	43 <sup>9</sup> / <sub>16</sub>	34 <sup>3</sup> / <sub>4</sub>	34 <sup>1</sup> / <sub>2</sub>	36 <sup>5</sup> / <sub>16</sub>	33 <sup>7</sup> / <sub>8</sub>	22 <sup>7</sup> / <sub>8</sub>	19 <sup>13</sup> / <sub>16</sub>
49 <sup>3</sup> / <sub>16</sub>	49 <sup>3</sup> / <sub>8</sub>	37 <sup>11</sup> / <sub>16</sub>	40 <sup>1</sup> / <sub>16</sub>	40 <sup>13</sup> / <sub>16</sub>	36	25 <sup>7</sup> / <sub>8</sub>	32 <sup>5</sup> / <sub>16</sub>
39 <sup>7</sup> / <sub>8</sub>	33 <sup>11</sup> / <sub>16</sub>	30 <sup>1</sup> / <sub>16</sub>	31 <sup>3</sup> / <sub>4</sub>	31 <sup>9</sup> / <sub>16</sub>	22 <sup>7</sup> / <sub>8</sub>	19 <sup>13</sup> / <sub>16</sub>	16
0.8	0.8	0.9	0.9	1.1	1.1	1.1	1.1
7.6	7.4	8.2	5.1	7.6	2.9	5.4	4.4
35.8%	35.0%	36.4%	34.3%	31.3%	35.0%	33.1%	34.1%
11.8%	9.1%	11.0%	8.7%	15.0%	1.8%	12.4%	9.2%
8.7%	6.8%	8.5%	7.5%	11.9%	3.2%	10.1%	7.8%

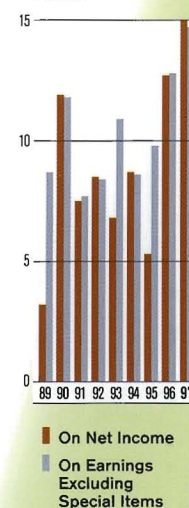
Operating, Selling  
and Administrative  
Expenses, Adjusted  
for Special Items

Billions of Dollars



Return on Average  
Capital Employed

Percent



This publication supplements Chevron Corporation's 1997 Annual Report to stockholders and should be read in conjunction with it. The financial information contained in this Supplement is expressly qualified by reference to the Annual Report, which contains complete audited financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations, and other supplemental financial data.

## CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31

Millions of Dollars

1997 1996 1995 1994 1993

## Revenues:

## Sales and Other Operating Revenues:

Gasolines	\$ 7,938	\$ 7,650	\$ 6,746	\$ 7,080	\$ 7,700
Jet Fuel	2,802	3,013	2,429	2,497	2,744
Gas Oils and Kerosene	2,848	3,030	2,468	2,958	3,725
Residual Fuel Oils	837	923	681	707	806
Other Refined Products	1,159	1,169	1,147	1,086	1,114

## Total Refined Products

15,584 15,785 13,471 14,328 16,089

Crude Oil	11,297
Natural Gas	2,568
Natural Gas Liquids	553
Other Petroleum Revenues	1,109
Petroleum Excise Taxes	5,574

12,397	9,376	8,249	8,501
3,299	2,019	2,138	2,156
1,167	1,285	1,180	1,235
1,184	1,144	944	967
5,190	4,976	4,774	4,053

## Total Petroleum

36,685 39,022 32,271 31,613 33,001

Chemicals	3,520
Chemicals Excise Taxes	-

3,422	3,758	3,065	2,708
12	12	16	15

## Total Chemicals

3,520 3,434 3,770 3,081 2,723

Coal and Other Minerals	369
Corporate and Other	9

340	358	416	447
(14)	(89)	20	20

## Total Sales and Other Operating Revenues

40,583 42,782 36,310 35,130 36,191

## Equity in Net Income of Affiliated Companies

688 767 553 440 440

## Other Income

679 344 219 284 451

## Total Revenues

41,950 43,893 37,082 35,854 37,082

## Costs and Other Deductions:

Purchased Crude Oil and Products	20,223	22,826	18,033	16,990	18,007
Operating Expenses <sup>1</sup>	5,280	6,007	5,974	6,383	7,104
Exploration Expenses	493	455	372	379	360
Selling, General and Administrative Expenses <sup>2</sup>	1,533	1,377	1,384	963	1,530
Depreciation, Depletion and Amortization <sup>3</sup>	2,300	2,216	3,381	2,431	2,452

## Taxes Other Than on Income:

Excise Taxes	5,574	5,202	4,988	4,790	4,068
Other Taxes	733	706	760	769	818
Interest and Debt Expense	312	364	401	346	317

## Total Costs and Other Deductions

36,448 39,153 35,293 33,051 34,656

## Income Before Income Tax Expense

5,502 4,740 1,789 2,803 2,426

## Income Tax Expense

2,246 2,133 859 1,110 1,161

## Net Income

\$ 3,256 \$ 2,607 \$ 930 \$ 1,693 \$ 1,265

## Retained Earnings at Beginning of Year

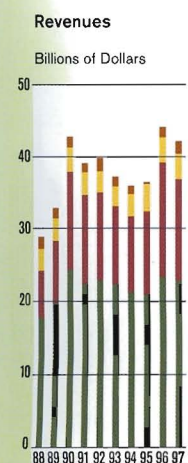
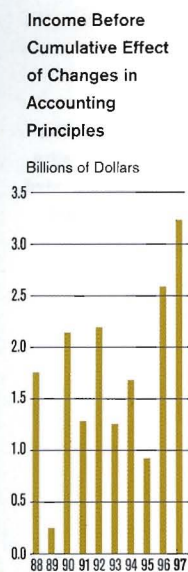
\$ 15,408 \$ 14,146 \$ 14,457 \$ 13,955 \$ 13,814

Net Income	3,256
Cash Dividends	(1,493)
Tax Benefit from Dividends Paid on Unallocated ESOP Shares	14

2,607	930	1,693	1,265
(1,358)	(1,255)	(1,206)	(1,139)
13	14	15	15

## Retained Earnings at Year End

\$ 17,185 \$ 15,408 \$ 14,146 \$ 14,457 \$ 13,955

<sup>1</sup> Includes a provision for U.S. Refining and Marketing restructuring of \$69 million in 1994 and \$837 million in 1993.<sup>2</sup> In 1994, includes a reversal of excess interest reserves of \$319 million resulting from a settlement with the IRS for several open tax years.<sup>3</sup> In 1995, includes \$985 million of asset impairment charges resulting from the adoption of SFAS No. 121.

■ Petroleum Products  
 ■ Crude Oil and Natural Gas  
 ■ Chemicals  
 ■ Other Revenues



### EARNINGS BY MAJOR AREAS OF OPERATION

Millions of Dollars		Year Ended December 31				
		1997	1996	1995	1994	1993
<b>Petroleum Operations</b>						
Exploration and Production	– United States	\$ 1,001	\$ 1,087	\$ 72	\$ 518	\$ 566
	– International	1,252	1,211	690	539	580
	– Total	2,253	2,298	762	1,057	1,146
Refining, Marketing and Transportation	– United States	601	193	(104)	40	(170)
	– International	298	226	345	239	252
	– Total	899	419	241	279	82
Total Petroleum Operations		3,152	2,717	1,003	1,336	1,228
Chemicals		228	200	484	206	143
Coal and Other Minerals		48	46	(18)	111	44
Corporate and Other <sup>1, 2</sup>		(172)	(356)	(539)	40	(150)
<b>Net Income</b>		<b>\$ 3,256</b>	<b>\$ 2,607</b>	<b>\$ 930</b>	<b>\$ 1,693</b>	<b>\$ 1,265</b>

### EARNINGS BY MAJOR AREAS OF OPERATION, EXCLUDING SPECIAL ITEMS

Millions of Dollars						
		1997	1996	1995	1994	1993
<b>Petroleum Operations</b>						
Exploration and Production	– United States	\$ 972	\$ 1,109	\$ 552	\$ 584	\$ 702
	– International	1,197	1,142	811	519	641
	– Total	2,169	2,251	1,363	1,103	1,343
Refining, Marketing and Transportation	– United States	662	290	75	325	555
	– International	367	167	283	249	251
	– Total	1,029	457	358	574	806
Total Petroleum Operations		3,198	2,708	1,721	1,677	2,149
Chemicals		224	228	524	215	31
Coal and Other Minerals		50	48	47	63	44
Corporate and Other <sup>1, 2</sup>		(292)	(333)	(330)	(284)	(76)
Worldwide Earnings, Excluding Special Items		3,180	2,651	1,962	1,671	2,148
Special Items <sup>3</sup>		76	(44)	(1,032)	22	(883)
<b>Net Income</b>		<b>\$ 3,256</b>	<b>\$ 2,607</b>	<b>\$ 930</b>	<b>\$ 1,693</b>	<b>\$ 1,265</b>

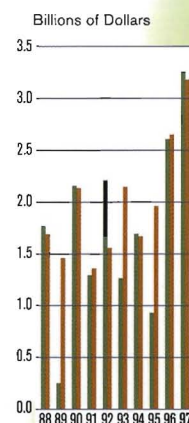
<sup>1</sup> "Corporate and Other" includes interest expense, interest income on cash and marketable securities, corporate center items, and real estate and insurance activities.

<sup>2</sup> Beginning in 1994, the company changed its method of distributing certain corporate expenses to its business segments.

<sup>3</sup> Net income is affected by transactions that are unrelated to, or are not necessarily representative of, the company's ongoing operations. These transactions, defined by Chevron management and designated "special items," can obscure the underlying results of operations for a year as well as affect comparability of results between years. Such items have been excluded from the earnings by major areas of operation to indicate the underlying trends of operational results:

Asset Dispositions	\$ 183	\$ 391	\$ 7	\$ 48	\$ 122
Asset Write-Offs and Revaluations	(86)	(337)	(304)	–	(71)
Initial Implementation of SFAS No. 121	–	–	(659)	–	–
Environmental Remediation Provisions	(35)	(54)	(90)	(304)	(90)
Prior-Year Tax Adjustments	152	52	(22)	344	(130)
Restructurings and Reorganizations	(60)	(14)	(50)	(45)	(554)
LIFO Inventory Gains (Losses)	5	(4)	2	(10)	(46)
Other	(83)	(78)	84	(11)	(114)
<b>Total Special Items</b>	<b>\$ 76</b>	<b>\$ (44)</b>	<b>\$ (1,032)</b>	<b>\$ 22</b>	<b>\$ (883)</b>

Net Income vs.  
Earnings Excluding  
Special Items\*



■ Net Income  
■ Earnings Excluding  
Special Items

\*Before Cumulative  
Effect Of Changes In  
Accounting Principles.

## CONSOLIDATED BALANCE SHEET

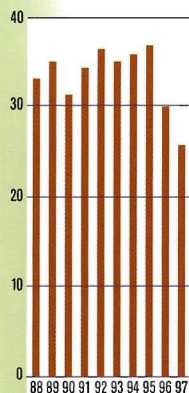
At December 31

Millions of Dollars

	1997	1996	1995	1994	1993
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,015	\$ 892	\$ 621	\$ 413	\$ 1,644
Marketable Securities	655	745	773	893	372
Accounts and Notes Receivable	3,374	4,035	4,014	3,923	3,808
Inventories:					
Crude Oil and Petroleum Products	539	669	822	1,036	1,108
Chemicals	547	507	487	391	423
Materials, Supplies and Other	292	255	289	283	270
Prepaid Expenses and Other Current Assets	584	839	861	652	1,057
<b>Total Current Assets</b>	<b>7,006</b>	<b>7,942</b>	<b>7,867</b>	<b>7,591</b>	<b>8,682</b>
Long-Term Receivables	471	261	149	138	94
Investments and Advances	4,496	4,463	4,087	3,991	3,623
Properties, Plant and Equipment, at Cost	49,233	46,936	48,031	46,810	44,807
Less: Accumulated Depreciation, Depletion and Amortization	26,562	25,440	26,335	24,637	22,942
Net Properties, Plant and Equipment	22,671	21,496	21,696	22,173	21,865
Deferred Charges and Other Assets	829	692	531	514	472
<b>Total Assets</b>	<b>\$ 35,473</b>	<b>\$ 34,854</b>	<b>\$ 34,330</b>	<b>\$ 34,407</b>	<b>\$ 34,736</b>
<b>Liabilities and Stockholders' Equity</b>					
Short-Term Debt	\$ 1,637	\$ 2,706	\$ 3,806	\$ 4,014	\$ 3,456
Accounts Payable	2,735	3,502	3,294	2,990	3,325
Accrued Liabilities	1,450	1,420	1,257	1,274	2,538
Federal and Other Taxes on Income	732	745	558	624	782
Other Taxes Payable	392	534	530	490	505
<b>Total Current Liabilities</b>	<b>6,946</b>	<b>8,907</b>	<b>9,445</b>	<b>9,392</b>	<b>10,606</b>
Long-Term Debt and Capital Lease Obligations	4,431	3,988	4,521	4,128	4,082
Deferred Credits and Other Non-Current Obligations	1,745	1,858	1,992	2,043	1,677
Non-Current Deferred Income Taxes	3,215	2,851	2,433	2,674	2,916
Reserves for Employee Benefit Plans	1,664	1,627	1,584	1,574	1,458
<b>Total Liabilities</b>	<b>18,001</b>	<b>19,231</b>	<b>19,975</b>	<b>19,811</b>	<b>20,739</b>
<b>Stockholders' Equity</b>	<b>17,472</b>	<b>15,623</b>	<b>14,355</b>	<b>14,596</b>	<b>13,997</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 35,473</b>	<b>\$ 34,854</b>	<b>\$ 34,330</b>	<b>\$ 34,407</b>	<b>\$ 34,736</b>

Total Debt/Total Debt  
Plus Equity

Percent



## CONSOLIDATED ASSETS

Millions of Dollars

Petroleum Operations:					
United States	\$ 13,957	\$ 14,226	\$ 14,521	\$ 15,540	\$ 16,443
International	13,562	13,893	13,392	12,493	12,202
Total Petroleum	27,519	28,119	27,913	28,033	28,645
Chemicals	3,518	2,989	2,524	2,403	2,457
Coal and Other Minerals	537	511	531	637	757
Corporate and Other*	3,899	3,235	3,362	3,334	2,877
<b>Total</b>	<b>\$ 35,473</b>	<b>\$ 34,854</b>	<b>\$ 34,330</b>	<b>\$ 34,407</b>	<b>\$ 34,736</b>

\*Includes cash, cash equivalents and marketable securities, real estate and management information systems.



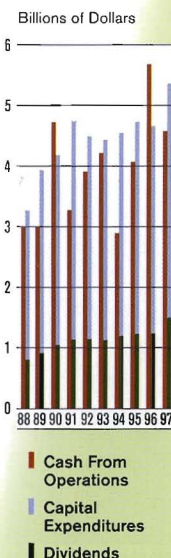
**CONSOLIDATED STATEMENT OF CASH FLOWS<sup>1</sup>**

Millions of Dollars	Year Ended December 31				
	1997	1996	1995	1994	1993
<b>Operating Activities:</b>					
Net Income	\$ 3,256	\$ 2,607	\$ 930	\$ 1,693	\$ 1,265
Adjustments:					
Depreciation, Depletion and Amortization	2,300	2,216	3,381	2,431	2,452
Dry Hole Expense Related to Prior Years' Expenditures	31	55	19	53	29
Distributions (Less) More Than Income from Equity Affiliates	(353)	83	(129)	(55)	(173)
Net Before-Tax (Gains) Losses on Asset Sales and Retirements	(344)	207	164	(83)	373
Net Foreign Exchange (Gains) Losses	(69)	(10)	47	40	(27)
Deferred Income Tax Provision	622	359	(258)	110	(160)
(Increase) Decrease in Operating Working Capital:					
Accounts and Notes Receivable	439	30	(62)	(44)	187
Inventories	(11)	60	(162)	(57)	288
Prepaid Expenses and Other Current Assets	59	15	(148)	4	(52)
Accounts Payable and Accrued Liabilities	(685)	369	428	(1,510)	214
Income and Other Taxes Payable	(90)	167	(16)	(166)	(174)
Total (Increase) Decrease in Operating Working Capital	(288)	641	40	(1,773)	463
Other	(572)	(388)	(137)	475	(36)
<b>Net Cash Provided by Operating Activities</b>	<b>4,583</b>	<b>5,770</b>	<b>4,057</b>	<b>2,891</b>	<b>4,186</b>
<b>Investing Activities:</b>					
Capital Expenditures <sup>2</sup>	(3,899)	(3,424)	(3,529)	(3,405)	(3,323)
Proceeds from Asset Sales	1,235	778	581	731	908
Purchases of Marketable Securities	(2,724)	(3,443)	(2,759)	(1,943)	(1,855)
Sales of Marketable Securities	2,825	3,487	2,903	1,398	1,885
<b>Net Cash Used for Investing Activities</b>	<b>(2,563)</b>	<b>(2,602)</b>	<b>(2,804)</b>	<b>(3,219)</b>	<b>(2,385)</b>
<b>Financing Activities:</b>					
Net (Repayments) Borrowings of Short-Term Obligations	(163)	(1,179)	(227)	466	293
Proceeds from Issuance of Long-Term Debt	26	95	536	436	199
Repayments of Long-Term Debt	(421)	(476)	(103)	(588)	(854)
Cash Dividends Paid	(1,493)	(1,358)	(1,255)	(1,206)	(1,139)
Net Sale of Treasury Shares	173	23	14	—	31
<b>Net Cash Used for Financing Activities</b>	<b>(1,878)</b>	<b>(2,895)</b>	<b>(1,035)</b>	<b>(892)</b>	<b>(1,470)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(19)</b>	<b>(2)</b>	<b>(10)</b>	<b>(11)</b>	<b>21</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>123</b>	<b>271</b>	<b>208</b>	<b>(1,231)</b>	<b>352</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>892</b>	<b>621</b>	<b>413</b>	<b>1,644</b>	<b>1,292</b>
<b>Cash and Cash Equivalents at Year End</b>	<b>\$ 1,015</b>	<b>\$ 892</b>	<b>\$ 621</b>	<b>\$ 413</b>	<b>\$ 1,644</b>

<sup>1</sup> Certain amounts were reclassified to conform to 1997 presentation.

<sup>2</sup> Capital expenditures exclude the equity share of affiliates.

Cash Provided by Operating Activities Compared with Capital Expenditures and Dividends

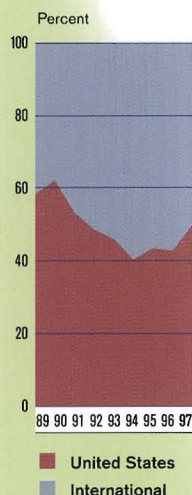


**CAPITAL AND EXPLORATORY EXPENDITURES - INCLUDES AFFILIATES**

Year Ended December 31

Millions of Dollars	1997	1996	1995	1994	1993
<b>United States</b>					
Petroleum: Exploration	\$ 463	\$ 487	\$ 341	\$ 223	\$ 201
Production	1,196	681	538	584	562
Refining	188	150	646	639	700
Marketing	255	204	201	209	201
Transportation	77	75	45	37	48
Total Petroleum	2,179	1,597	1,771	1,692	1,712
Chemicals	470	377	172	109	199
Coal and Other Minerals	65	31	40	39	47
Corporate and Other	75	70	110	114	91
<b>Total United States</b>	<b>2,789</b>	<b>2,075</b>	<b>2,093</b>	<b>1,954</b>	<b>2,049</b>
<b>International</b>					
Petroleum: Exploration	447	402	376	353	369
Production	1,456	1,452	1,459	1,578	1,230
Refining	177	384	567	510	422
Marketing	396	396	271	238	192
Transportation	29	1	1	142	134
Total Petroleum	2,505	2,635	2,674	2,821	2,347
Chemicals	194	120	32	29	34
Coal and Other Minerals	53	10	1	15	10
Corporate and Other	-	-	-	-	-
<b>Total International</b>	<b>2,752</b>	<b>2,765</b>	<b>2,707</b>	<b>2,865</b>	<b>2,391</b>
<b>Worldwide</b>					
Petroleum: Exploration	910	889	717	576	570
Production	2,652	2,133	1,997	2,162	1,792
Refining	365	534	1,213	1,149	1,122
Marketing	651	600	472	447	393
Transportation	106	76	46	179	182
Total Petroleum	4,684	4,232	4,445	4,513	4,059
Chemicals	664	497	204	138	233
Coal and Other Minerals	118	41	41	54	57
Corporate and Other	75	70	110	114	91
<b>Total Worldwide</b>	<b>\$ 5,541</b>	<b>\$ 4,840</b>	<b>\$ 4,800</b>	<b>\$ 4,819</b>	<b>\$ 4,440</b>
<b>Memo: Affiliates' Expenditures Included Above</b>	<b>\$ 1,174</b>	<b>\$ 983</b>	<b>\$ 912</b>	<b>\$ 846</b>	<b>\$ 701</b>

Capital and Exploratory Expenditures by Geographic Area



**EXPLORATION COSTS EXPENSED<sup>1</sup>**

Millions of Dollars

Petroleum: Geological and Geophysical	\$ 124	\$ 123	\$ 76	\$ 72	\$ 92
Unproductive Wells Drilled	200	217	176	183	127
Oil and Gas Lease Rentals	5	14	11	9	15
Other <sup>2</sup>	164	101	109	111	119
Total Petroleum	493	455	372	375	353
Coal and Other Minerals	-	-	-	4	7
<b>Total Exploration Expenses</b>	<b>\$ 493</b>	<b>\$ 455</b>	<b>\$ 372</b>	<b>\$ 379</b>	<b>\$ 360</b>
<b>Memo: United States</b>	<b>\$ 227</b>	<b>\$ 172</b>	<b>\$ 102</b>	<b>\$ 134</b>	<b>\$ 99</b>
<b>International</b>	<b>\$ 266</b>	<b>\$ 283</b>	<b>\$ 270</b>	<b>\$ 245</b>	<b>\$ 261</b>

<sup>1</sup> Consolidated companies only. Excludes amortization of undeveloped leaseholds.

<sup>2</sup> Other exploration expenses include expensed well contributions, research and development costs, and other miscellaneous expenses.



**PROPERTIES, PLANT AND EQUIPMENT – INCLUDING CAPITAL LEASES**

At December 31

Millions of Dollars

	1997	1996	1995	1994	1993
<b>Net Properties, Plant and Equipment at Beginning of Year</b>	<b>\$ 21,496</b>	<b>\$ 21,696</b>	<b>\$ 22,173</b>	<b>\$ 21,865</b>	<b>\$ 22,188</b>
<b>Additions at Cost:</b>					
Petroleum:					
Exploration and Production <sup>1</sup>	2,451	2,195	2,197	1,726	1,677
Refining, Marketing and Transportation	595	485	1,222	1,117	1,179
Chemicals	627	413	194	114	198
Coal and Other Minerals	61	27	33	42	35
Corporate and Other <sup>2</sup>	74	76	203	125	96
<b>Total Additions at Cost</b>	<b>3,808</b>	<b>3,196</b>	<b>3,849</b>	<b>3,124</b>	<b>3,185</b>
<b>Depreciation, Depletion and Amortization Expense:</b>					
Petroleum:					
Exploration and Production	(1,521)	(1,366)	(2,289)	(1,561)	(1,583)
Refining, Marketing and Transportation	(575)	(587)	(680)	(574)	(566)
Chemicals	(104)	(162)	(186)	(158)	(149)
Coal and Other Minerals	(39)	(37)	(136)	(54)	(54)
Corporate and Other <sup>2</sup>	(61)	(64)	(90)	(84)	(100)
<b>Total Depreciation, Depletion and Amortization Expense:</b>	<b>(2,300)</b>	<b>(2,216)</b>	<b>(3,381)</b>	<b>(2,431)</b>	<b>(2,452)</b>
<b>Net Retirements and Sales:</b>					
Petroleum:					
Exploration and Production	(92)	(445)	(105)	(27)	(239)
Refining, Marketing and Transportation	(197)	(329)	(528)	(149)	(771)
Chemicals	(5)	(22)	(9)	(37)	(25)
Coal and Other Minerals	(1)	4	–	(6)	(1)
Corporate and Other <sup>2</sup>	(35)	(399)	(302)	(167)	(15)
<b>Total Net Retirements and Sales:</b>	<b>(330)</b>	<b>(1,191)</b>	<b>(944)</b>	<b>(386)</b>	<b>(1,051)</b>
<b>Net Intersegment Transfers and Other Changes:</b>					
Petroleum:					
Exploration and Production	6	(10)	(30)	20	4
Refining, Marketing and Transportation	(109)	(81)	(87)	–	28
Chemicals	7	107	88	1	(12)
Coal and Other Minerals	–	1	–	–	–
Corporate and Other <sup>2</sup>	93	(6)	28	(20)	(25)
<b>Total Net Intersegment Transfers and Other Changes<sup>3</sup></b>	<b>(3)</b>	<b>11</b>	<b>(1)</b>	<b>1</b>	<b>(5)</b>
<b>Net Properties, Plant and Equipment at Year End:</b>					
Petroleum:					
Exploration and Production <sup>4</sup>	11,691	10,847	10,473	10,700	10,542
Refining, Marketing and Transportation	7,396	7,682	8,194	8,267	7,873
Chemicals	2,240	1,715	1,379	1,293	1,373
Coal and Other Minerals	394	373	378	480	498
Corporate and Other <sup>2</sup>	950	879	1,272	1,433	1,579
<b>Total Net Properties, Plant and Equipment at Year End:</b>	<b>\$ 22,671</b>	<b>\$ 21,496</b>	<b>\$ 21,696</b>	<b>\$ 22,173</b>	<b>\$ 21,865</b>
<b>Memo:</b> Gross Properties, Plant and Equipment	<b>\$ 49,233</b>	<b>\$ 46,936</b>	<b>\$ 48,031</b>	<b>\$ 46,810</b>	<b>\$ 44,807</b>
Accumulated Depreciation, Depletion and Amortization	(26,562)	(25,440)	(26,335)	(24,637)	(22,942)
<b>Net Properties, Plant and Equipment</b>	<b>\$ 22,671</b>	<b>\$ 21,496</b>	<b>\$ 21,696</b>	<b>\$ 22,173</b>	<b>\$ 21,865</b>

<sup>1</sup> Net of exploratory well write-offs.

<sup>2</sup> Principally includes real estate and management information systems.

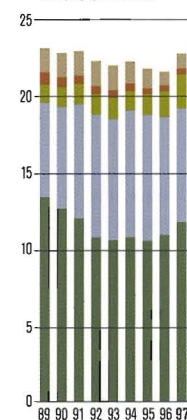
<sup>3</sup> Includes reclassifications to/from other asset accounts.

<sup>4</sup> Includes net investment in unproved oil and gas properties.

\$ 371 \$ 295 \$ 238 \$ 255 \$ 238

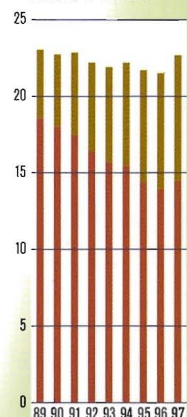
**Net Properties, Plant and Equipment by Function**

Billions of Dollars



**Net Properties, Plant and Equipment by Geographic Area**

Billions of Dollars



United States  
International

## MISCELLANEOUS DATA

## Performance Measures

	1997	1996	1995	1994	1993
Earnings, Excluding Special Items (Millions of Dollars)	\$ 3,180	\$ 2,651	\$ 1,962	\$ 1,671	\$ 2,148
Adjusted Operational Expenses (Millions of Dollars) <sup>1</sup>	\$ 7,618	\$ 7,832	\$ 7,594	\$ 7,565	\$ 7,601
Adjusted Operational Expenses Per Barrel <sup>1</sup>	\$ 5.68	\$ 6.10	\$ 6.09	\$ 6.07	\$ 6.17
Return on Average Capital Employed, Excluding Special Items <sup>2</sup>	14.7%	12.8%	9.8%	8.6%	10.9%
Total Stockholder Return <sup>3</sup>	22.1%	28.5%	22.0%	6.8%	30.6%

Financial Ratios<sup>4</sup>

Current Assets to Current Liabilities	1.0	0.9	0.8	0.8	0.8
Interest Coverage Ratio	14.3	10.9	4.1	7.6	7.4
Total Debt/Total Debt Plus Equity	25.8%	30.0%	36.7%	35.8%	35.0%
Return on Average Stockholders' Equity	19.7%	17.4%	6.4%	11.8%	9.1%
Return on Average Capital Employed	15.0%	12.7%	5.3%	8.7%	6.8%
Return on Average Total Assets	9.3%	7.5%	2.7%	4.9%	3.7%
Return on Sales	9.3%	6.9%	3.0%	5.6%	3.9%
Cash Dividends to Net Income (Payout Ratio)	45.9%	52.1%	135.0%	71.2%	90.0%
Cash Dividends to Cash from Operations	32.6%	23.5%	30.9%	41.7%	27.2%

Common Stock<sup>5</sup>

Number of Shares Outstanding at Year End (Thousands)	655,931	653,086	652,327	651,751	651,478
Weighted Average Shares Outstanding for the Year (Thousands)	654,991	652,769	652,084	651,672	650,958
Number of Stockholders of Record at Year End (Thousands)	122	131	136	141	145
Cash Dividends on Common Stock:					
Millions of Dollars	\$ 1,493	\$ 1,358	\$ 1,255	\$ 1,206	\$ 1,139
Per Common Share	\$ 2.28	\$ 2.08	\$ 1.925	\$ 1.85	\$ 1.75
Earnings Per Common Share – Diluted:					
First Quarter	\$ 1.27	\$ 0.94	\$ 0.70	\$ 0.59	\$ 0.77
Second Quarter	1.25	1.33	0.93	0.39	0.08
Third Quarter	1.10	1.00	0.44	0.65	0.64
Fourth Quarter	1.33	0.71	(0.64)	0.96	0.45
Year	\$ 4.95	\$ 3.98	\$ 1.43	\$ 2.59	\$ 1.94
Stockholders' Equity Per Common Share at Year End	\$ 26.64	\$ 23.92	\$ 22.01	\$ 22.40	\$ 21.49

Personnel, Payroll and Benefits<sup>6</sup>

Number of Employees at Year End	39,362	40,820	43,019	45,758	47,576
Payroll Costs (Millions of Dollars) <sup>7</sup>	\$ 1,891	\$ 1,965	\$ 2,044	\$ 2,138	\$ 2,159
Employee Benefit Costs (Millions of Dollars)	\$ 499	\$ 546	\$ 576	\$ 530	\$ 548
Investment Per Employee at Year End (Thousands of Dollars) <sup>8</sup>	\$ 599	\$ 547	\$ 528	\$ 497	\$ 453
Average Sales Per Employee (Thousands of Dollars) <sup>9</sup>	\$ 873	\$ 896	\$ 706	\$ 650	\$ 664
Average Monthly Wage Per Employee	\$ 3,931	\$ 3,906	\$ 3,837	\$ 3,818	\$ 3,716

<sup>1</sup> Includes cost of the company's own fuel consumed in operations, which is eliminated in the consolidated financial statements. Excludes special items and expenses of divested operations. Years prior to 1996 have been restated to conform with this methodology.

<sup>2</sup> Return on Average Capital Employed, Excluding Special Items = (Net Income, Excluding Special Items + Interest Expense After Tax) ÷ Average Capital Employed (Stockholders' Equity + Total Debt + Capital Lease Obligations + Minority Interests, at Beginning and End of Year).

<sup>3</sup> Total Stockholder Return = (Stock Price Appreciation + Reinvested Dividends) ÷ Stock Price at the Beginning of the Measurement Period.

<sup>4</sup> Interest Coverage Ratio = (Income Before Taxes on Income + Interest and Debt Expense + Amortization of Capitalized Interest) ÷ Before-Tax Interest Costs.

Total Debt/Total Debt Plus Equity Ratio = Total Debt, including Capital Lease Obligations ÷ (Total Debt + Stockholders' Equity).

Return on Average Stockholders' Equity = Net Income ÷ Average Stockholders' Equity (Beginning and End of Year).

Return on Average Capital Employed = (Net Income + Interest Expense After Tax) ÷ Average Capital Employed.

Return on Average Total Assets = Net Income ÷ Average Total Assets (Beginning and End of Year).

Return on Sales = Net Income ÷ Sales and Other Operating Revenues (Net of Excise Taxes).

<sup>5</sup> Share and per share amounts for all years reflect the two-for-one stock split in May 1994.

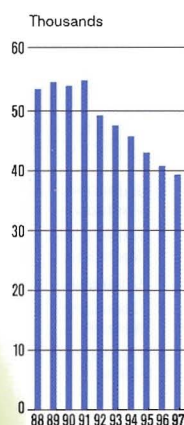
<sup>6</sup> Consolidated companies only.

<sup>7</sup> Payroll costs do not include incentive bonuses.

<sup>8</sup> Investment = Year-End Capital Employed.

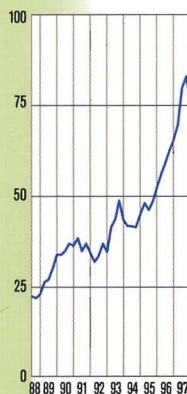
<sup>9</sup> Average Sales Per Employee = Sales and Other Operating Revenues (Net of Excise Taxes) ÷ Average Number of Employees (Beginning and End of Year).

Number of Employees at Year End



Stock Price Movements

Market Closing Price Per Share (Dollars)





# WORLDWIDE UPSTREAM

## Business Description

Chevron is among the leaders in worldwide liquids production and is one of the largest natural gas producers in the United States. In 1997, worldwide net proved oil and gas reserve additions exceeded production for the fifth consecutive year. Chevron's worldwide production of 1.5 million barrels per day of oil and equivalent gas stood at the highest level since 1985.

In the United States, Chevron replaced 120 percent of production with proved reserves for the first time in 13 years excluding the effects of property purchases and sales. The North American operations successfully continued their vital role of being a major cash contributor to the corporation. In 1997, the company enhanced its inventory of exploration prospects in deepwater Gulf of Mexico, offshore East Coast Canada and the Alaska North Slope. Development of major opportunities continued in the Gulf of Mexico with deepwater prospects such as Genesis and Gemini, and the huge natural gas reserves of the Norphlet trend. The giant Hibernia Field off the east coast of Canada commenced production in 1997. Chevron's affiliate, NGC, rapidly increased its presence in the electric power market as well as expanded the Venice gas plant's gathering and processing capabilities to take advantage of expected increased deepwater production.

Outside North America, Chevron was active in 21 countries. In Angola and Nigeria, Chevron entered a new era of growth. Increased opportunities due to large discoveries in Block 14 in Angola and a four-field development plan in Nigeria will increase production in each country over the next four to five years. Comprehensive gas utilization plans in Nigeria came to fruition with the commissioning of the Escravos Gas Plant in 1997 and the finalization of plans to expand capacity by 1999. In Australia, Chevron focused on its huge natural gas assets to double liquefied natural gas (LNG) production as well as grow the domestic natural gas business. In Central Asia,

liquids production from the Tengiz Field in Kazakhstan increased 38 percent in 1997 to 155,000 barrels per day. Construction of a fifth oil and gas processing train is expected to boost production capacity to 240,000 barrels per day. However, progress towards construction of the Caspian pipeline to transport Tengiz oil to world markets has been slow. In Europe, the Britannia gas field is due to come on stream in 1998, while work on the Clair project continued to drive toward commercialization of this large and complex resource. In Venezuela, in addition to operating the existing Boscan asset, Chevron was successful in adding a new field (LL-652) to its operations.

UPSTREAM FINANCIAL AND OPERATING HIGHLIGHTS <sup>1</sup>	U.S. Upstream		International Upstream	
	1997	1996	1997	1996
Reported Earnings (Millions of Dollars)	\$ 1,001	\$ 1,087	\$ 1,252	\$ 1,211
Earnings Excluding Special Items (Millions of Dollars)	\$ 972	\$ 1,109	\$ 1,197	\$ 1,142
Gross Liquids Production (Thousands of Barrels Per Day)	388	385	1,037	1,003
Net Liquids Production (Thousands of Barrels Per Day)	343	341	731	702
Gross Natural Gas Production (Millions of Cubic Feet Per Day)	2,192	2,216	673	676
Net Natural Gas Production (Millions of Cubic Feet Per Day)	1,849	1,875	576	584
Gross Proved Liquids Reserves (Millions of Barrels)	1,329	1,286	4,573	4,534
Net Proved Liquids Reserves (Millions of Barrels)	1,196	1,149	3,310	3,215
Gross Proved Natural Gas Reserves (Billions of Cubic Feet)	5,855	6,209	5,709	5,811
Net Proved Natural Gas Reserves (Billions of Cubic Feet)	4,991	5,275	4,972	5,042
Natural Gas Sales (Millions of Cubic Feet Per Day)	3,389	3,588	1,141	778
Natural Gas Liquids Sales (Thousands of Barrels Per Day)	132	187	43	36
Net Exploratory Oil and Gas Wells Completed <sup>2</sup>	56	120	17	35
Net Development Oil and Gas Wells Completed <sup>2</sup>	617	485	89	70
Net Wells Producing at Year End <sup>2</sup>	10,919	11,543	1,805	1,571
Net Proved and Unproved Acreage (Thousands of Acres) <sup>2</sup>	6,521	5,131	50,864	48,538
Exploration Expenditures (Millions of Dollars)	\$ 463	\$ 487	\$ 447	\$ 402
Production Expenditures (Millions of Dollars)	\$ 1,196	\$ 681	\$ 1,456	\$ 1,452

<sup>1</sup> Includes equity share of affiliates, unless otherwise noted.

<sup>2</sup> Consolidated companies only.



Chevron Upstream Operations



## **NORTH AMERICA**

### **BUSINESS STRATEGIES**

- Invest people, technology, and capital that will provide a steady cash flow of about \$700 million annually, while maintaining value of the portfolio.
- Provide the corporation, in particular the international upstream, with core technical and business skills and proven technology application.
- Commit resources to be a leader in the emerging areas of deepwater Gulf of Mexico and East Coast Canada and the important producing areas of the Gulf of Mexico shelf and California's San Joaquin Valley.
- Operate as a leader in conducting safe and environmentally sound operations.
- Develop and maintain a competitive cost structure.
- Develop employee skills and implement business opportunities faster and more effectively than our competitors.
- Invest in and apply technologies that support our portfolio strategies and create a competitive advantage for Chevron.
- Continue to achieve strong cash flow from remaining onshore areas in the United States and Canada.
- Capitalize on U.S. and international energy opportunities through the equity interest in NGC Corporation.

### **1997 ACCOMPLISHMENTS**

- Generated \$1.1 billion in operating earnings and \$1.2 billion in net cash flow, while increasing capital and exploratory expenditures for longer-term strategic growth initiatives.

- Bid successfully in Gulf of Mexico OCS lease sales, acquiring rights to 134 deepwater leases.
- Doubled Norphlet 1997 net daily production to 95 million cubic feet of gas, up from 47 million cubic feet in 1996.
- Produced first oil from the Hibernia Field.
- Entered strategic alliance with Mobil Oil Canada to explore and develop 29 million acres in the Grand Banks area, offshore Newfoundland.
- Focused exploration efforts in the Gulf of Mexico and several onshore basins in Texas and Alaska. A total of 17 exploratory wildcats were drilled, which resulted in four discoveries.
- Acquired interests in 18 new tracts, covering 17,000 net acres on Alaska's eastern North Slope.
- Expanded Venice Energy Services Company (VESCO) to include Shell and Koch in 1997.
- Began transition in OCS California from producing operations to implementation of abandonment operations. Abandonment of Chevron's inactive wells should be complete by the end of the first quarter 1998.
- Capitalized on strong acquisition market by selling some \$450 million in non core assets.
- Joined three other oil companies to cede exploration rights to some 320,000 acres of coastal waters, paving the way for the first national maritime conservation area on Canada's west coast.

## **INTERNATIONAL**

### **BUSINESS STRATEGIES**

- Continue to focus on current and planned developments in West Africa, Australia, United Kingdom, Indonesia and Kazakhstan. These projects are expected to continue to increase Chevron's international production in the future.
- Continue to emphasize exploration activities in major producing areas in order to take advantage of Chevron's infrastructure and expertise, and focus on a limited number of frontier exploration areas with high potential.
- Continue to seek opportunities to capture significant interests in known development and/or existing projects.
- Pursue the commercialization of Chevron's existing international gas reserves, expand the liquefied natural gas business in the Asia-Pacific area and develop new opportunities to supply gas markets in Europe and the United States.

### **1997 ACCOMPLISHMENTS**

- Announced two significant discoveries in deepwater Block 14 in Angola.
- Began first production from Area C in Angola with the Ndola and Sanha fields.
- Announced the Dionysus major gas field discovery in the offshore Carnarvon basin in Australia.
- Signed a production sharing contract in China to explore the onshore Zhanhuadong Block, targeting deeper zones in China's second-largest field, Shengli.

- Sold 10 percent of Chevron's interest in Tengizchevroil to LUKArco. Acquired a 15 percent interest in the restructured Caspian Pipeline Consortium. Awarded contract to increase processing capacity in Tengiz to 240,000 barrels per day by 2000.
- Signed an agreement to explore the Absheron block offshore Azerbaijan.
- Began production from Congo's Kitina Field in December, ahead of schedule.
- Commenced processing natural gas at the Escravos Gas Plant. Plans were approved in November to increase capacity by 1999.
- Exchanged a 12 percent equity interest in the Alba Field for an interest in the Draugen Field and four offshore license areas in Norway.
- Won the contract to operate the LL-652 oil field in Venezuela, estimated to have 2.7 billion barrels of oil in place with over 500 million recoverable barrels.
- Increased international net liquids production by 4 percent, the eighth consecutive year of production increases.



## UNITED STATES EXPLORATION AND PRODUCTION

United States exploration and production activities are concentrated in 350 fields in the Gulf of Mexico area, Texas, the Rocky Mountain area, California and Alaska.

### GULF OF MEXICO

**NORPHLET** The Norphlet trend is a deep-gas trend with over 9 trillion cubic feet of recoverable gas reserves. The trend stretches 80 miles from the Mobile Block 861 area, offshore Mississippi, to the Destin Dome area, offshore Florida.

In the Mobile area, Chevron's 1997 net gas production averaged 95 million cubic feet of gas per day from seven wells. Chevron-operated Mobile 820 and Mobile 863 wells achieved total peak production rates of 58 and 49 million cubic feet of gas per day, respectively. Two additional wells (Mobile 864 and Mobile 819) were brought on stream in early 1998, bringing net production rates in the area to 134 million cubic feet per day.

Continuation of Phase II of Chevron's long-term natural gas development plans in the Norphlet trend includes participation in three development wells and one exploration well in 1998. Continued development should increase net production to 180 million cubic feet per day by 2000.

In 1996, Chevron filed a Development and Production Plan (DPP) with the Minerals Management Service (MMS) for Destin Dome. This filing was deemed complete by the MMS in August 1997. The MMS, in conjunction with other federal and state agencies, is now preparing an Environmental Impact Statement (EIS) prior to approving the DPP. Assuming all regulatory approvals are obtained by late 1999, initial production is anticipated by late 2001.

**GENESIS (formerly Green Canyon 205)** Genesis will be Chevron's first deepwater (2,600 feet) operation in the Gulf of Mexico. The spar design employs a cylindrical steel structure, floating upright, to support drilling and production facilities – a first for Chevron and the Gulf of Mexico.

The Genesis hull, 122 feet across and 705 feet tall, will be tethered to the gulf floor by 14 mooring lines extending a half-mile from the structure. The spar will have slots to drill 20 wells. Hull fabrication and construction of the topside and decks began in Finland in 1996. The project achieved a significant milestone with the arrival of two spar hull sections in early 1998. Total project costs are estimated to be \$750 million. Chevron is the unit operator with a 57 percent working interest.

The project plan calls for first production in late 1998, with peak total production expected to reach 55,000 barrels of oil and 72 million cubic feet of gas per day by 2000. Recoverable reserves are estimated in excess of 160 million barrels oil equivalent gas over the 15- to 20-year field life.

**GEMINI** Gemini is a deepwater, subsalt development with water depths ranging from 3,000 to 4,300 feet. The project is planned to recover reserves in the Allison gas/condensate reservoir utilizing subsea technology. The discovery well is located in Mississippi Canyon Block 292.

The project plan consists of drilling two development wells, completing an exploratory well and building processing facilities on an existing platform. Total project costs are estimated to be \$180 million. Initial production is scheduled for 1999, with peak rates of over 150 million cubic feet of gas and over 2,000 barrels of condensate per day. Chevron has a 40 percent interest in this project.



**VERMILION 214** From 1975 to 1995, the Vermilion 214 Field produced 15 million barrels of oil and 69 billion cubic feet of gas. Then 3-D seismic data revealed vast undeveloped potential. Five wells drilled in 1995 and 1996 added 16.5 million barrels oil equivalent gas, extending the field life for 22 years.

A production platform was set and facilities were upgraded in late 1996 to early 1997. Current field production is 6,000 barrels of oil per day and 40 million cubic feet of gas per day.

One conventional and two horizontal wells are planned to be drilled and completed in 1998. One well was completed and placed in production in February 1998. The other two will be placed in production by mid-1998. One additional drill and three sidetracks are planned for 1999. Evaluation of wells to test new fault blocks and deeper potential beyond 1999 is currently under way. Chevron has a 100 percent interest in this field.

**EUGENE ISLAND 238** Chevron's Eugene Island 238 Field, first developed in the 1960s, completed its fifth year of a development program made possible by 3-D seismic technology. Chevron has a 100 percent interest in this field except for Block 229, where Chevron's interest ranges from 70 to 76.5 percent.

To date, 25 of 51 prospects identified have been drilled. Twenty-two wells drilled were successful, of which 13 found gas and nine discovered oil. The development program should add net proved reserves of 52 million barrels oil equivalent gas.

Production from these development wells accounts for the majority of the field's total production which averaged around 5,000 barrels of oil and 88 million cubic feet of gas per day in 1997. With continued development drilling, total field production is forecast to remain at its current rate over the next few years. The first deep well



to be drilled within the field is currently under evaluation. Additional deeper pool and subsalt exploration prospects are also in the early stages of evaluation.

**MAIN PASS 41** The Main Pass 41 Field, Chevron's second-largest cash flow producer in the Gulf of Mexico, was originally developed during the mid-1950s. Aggressive 3-D seismic interpretation has developed a large prospect inventory. 1997 production levels were at 9,000 barrels of oil and 67 million cubic feet of gas per day. This production level is expected to remain flat over the next few years. Plans are to drill 10 wells per year.

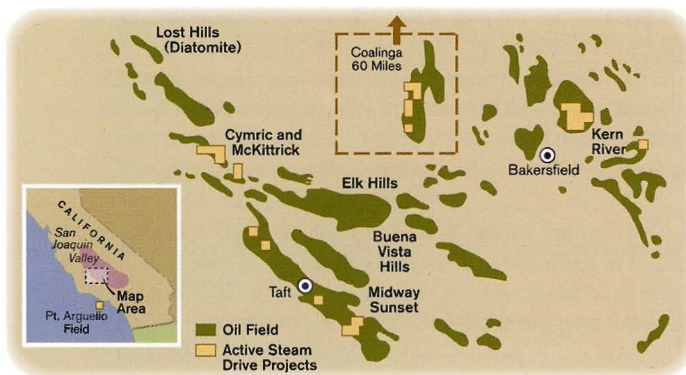
#### **SOUTH TIMBALIER 37 'H' PLATFORM**

Development of the South Timbalier (ST) 37 H Platform was finalized in September 1997 with the completion of the H-7 and H-8 dual horizontal wells. Production from the H-7 stabilized at 4,300 barrels of oil per day and 19.5 million cubic feet of gas per day. The H-8 well stabilized at 8,000 barrels of oil per day and 2.5 million cubic feet of gas per day.

The addition of these two new wells brings total ST 37 H Platform production to daily total rates of 21,000 barrels of oil and 140 million cubic feet of gas from eight dual completion wells, an all-time production high for this lease. In 1995, the field's daily production rate was as low as 400 barrels of oil and 1 million cubic feet of gas, before the aggressive development program was initiated based on 3-D seismic data. This program has resulted in total reserve additions of almost 40 million barrels oil equivalent gas. Chevron's working interest is approximately 37 percent.

**OCS LEASE SALES** Chevron was very successful in March 1997's Gulf of Mexico OCS Lease Sale 166 as the high bidder on 75 of 115 tracts. Of the high bids, 70 tracts were in deep water; 40 of which were in partnership with Texaco.

Chevron was also very successful in August 1997's Gulf of Mexico OCS Lease Sale 168. Chevron was the high bidder on 64 blocks, all in deep water, with 100 percent working interest. This boosts Chevron's deepwater lease inventory to 362 leases.



#### **CALIFORNIA**

**SAN JOAQUIN VALLEY HEAVY OIL** Chevron continues to aggressively expand its thermal operations in the San Joaquin Valley. The majority of this

work is in the Cymric and Coalinga oil fields, where estimated remaining oil in place exceeds 2 billion barrels. Net production from Chevron's thermal operations averaged 67,000 barrels per day in 1997, over 19 percent of Chevron's daily U.S. liquids production. In the Cymric Field's diatomite reservoir, development of heavy oil reserves continued using a cyclic steam/flowing production process. This multi-year \$80 million project, initiated in 1995, is currently producing above forecast and should recover approximately 45 million barrels of oil. Chevron's interest is 100 percent.

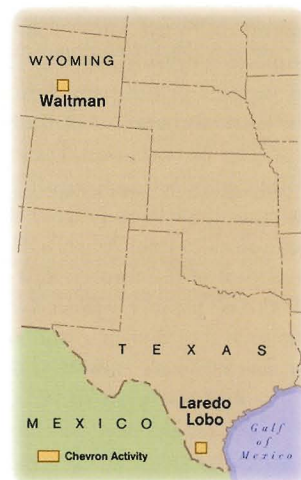
**LOST HILLS DIATOMITE** The development of diatomite reserves in Lost Hills Field continued in 1997. Sixty-nine new producing wells were drilled. Production remains strong at 22,000 barrels of oil per day. Early indications from the waterflood project in the diatomite are positive. Horizontal wells and thermal recovery pilots are being executed to increase the recovery factor from this resource base with an estimated 2 billion barrels of oil in place. Chevron's working interest is 100 percent.

**ELK HILLS** The Department of Energy sold its interest in Elk Hills Field to Occidental Petroleum Company effective February 1998. Chevron expects Occidental to pursue an aggressive production development program and to reduce operating costs, which will significantly increase earnings. Chevron's field review identified additional development opportunities yielding net proved reserve additions of 79 million barrels oil equivalent gas. Chevron's working interest averages 22 percent, with current net production of 15,000 barrels of oil and 28 million cubic feet of gas per day.

#### **TEXAS**

##### **LAREDO LOBO**

Chevron continued to develop tight gas reserves in the Lobo trend by completing 25 new wells in the Laredo area of South Texas. This brings Chevron's total wellbore count in the Laredo area to 294, of which 168 have been drilled based on 3-D seismic acquisition and prospecting. The 1997 program resulted in total new proved gas reserve additions of 66 billion cubic feet. Over the last five years, Chevron has added proved gas reserves of 400 billion cubic feet. Year-end net gas production averaged approximately 135 million cubic feet per day, a level expected to be maintained with continued investment through 2000. Plans for 1998 include drilling 30 wells and acquiring additional acreage for continued development.





## WYOMING

**WALTMAN** In 1995, the Waltman Field production rate was 7 million cubic feet of gas per day before an aggressive development program was initiated based on a revised field geological and geophysical interpretation of 3-D seismic data. The Waltman Field production is now 80 million cubic feet of gas per day and increasing, as pipeline, compression and gas plant start-up problems are resolved. Chevron's net working interest is 80.8 percent.

## ALASKA

**LEASE SALES** Chevron, bidding alone and with partners, was very successful in November 1997's State of Alaska Lease Sale 86. This sale was the largest North Slope sale in 13 years. Chevron was high bidder on 18 of 33 tracts. Chevron increased its exploration inventory by about 17,000 net acres.

**EASTERN NORTH SLOPE** In February, 1998, Chevron and BP Exploration announced an agreement aligning their respective leasehold interests in the Point Thomson area east of Prudhoe Bay. The alignment area, covering more than 450,000 acres, encompasses the Point Thomson Unit, and the Sourdough, Flaxman and Point Thomson discoveries. BP holds a 56 percent interest in the joint lease holdings and Chevron holds the remaining 44 percent.

Chevron and BP have worked together successfully in the area since 1984. BP and Chevron drilled the Sourdough discovery, the Sourdough 2 exploration well and the Sourdough 3 confirmation well. Estimates show that the prospect could contain about 100 million barrels of recoverable oil. Further technical work is planned to determine the economic viability of the discovery.

## CANADA

During 1997, Chevron Canada Resources (CCR) continued to concentrate its activities in core areas in western Canada and aggressively pursued development of the Hibernia project offshore Newfoundland.

**WESTERN CANADA PRODUCTION** Successful horizontal drilling programs in mature fields such as Virden, Princess and Mitsue, along with development drilling programs in central Alberta, helped maintain CCR's net production of 47,000 barrels of liquids and 216 million cubic feet of natural gas per day in 1997.

Completion of the Chinchaga plant expansion increased daily processing to 120 million cubic feet per day, enabling CCR to handle increased production and capture additional third-party revenue. CCR entered into an Amoco-operated joint venture at the Wabasca Field in northwest Alberta to better understand the heavy oil potential of western Canada.

## WESTERN CANADA EXPLORATION

CCR refocused exploration activity to two core areas, the Liard Basin in northeast British Columbia and the area west of CCR's Kaybob gas processing plant in north central Alberta. In the area west of Kaybob, CCR's considerable understanding of the formations and infrastructure in place allow for quick development. At Liard, CCR acquired a significant land position and began its drilling operation in December.



**HIBERNIA DEVELOPMENT PROJECT** The Hibernia Development Project culminated a successful year by producing first oil on November 17. The first well proved to be extremely prolific, producing approximately 40,000 barrels per day on a sustained basis. Chevron holds a 26.9 percent interest in this field with estimated recoverable reserves of 650 million barrels.

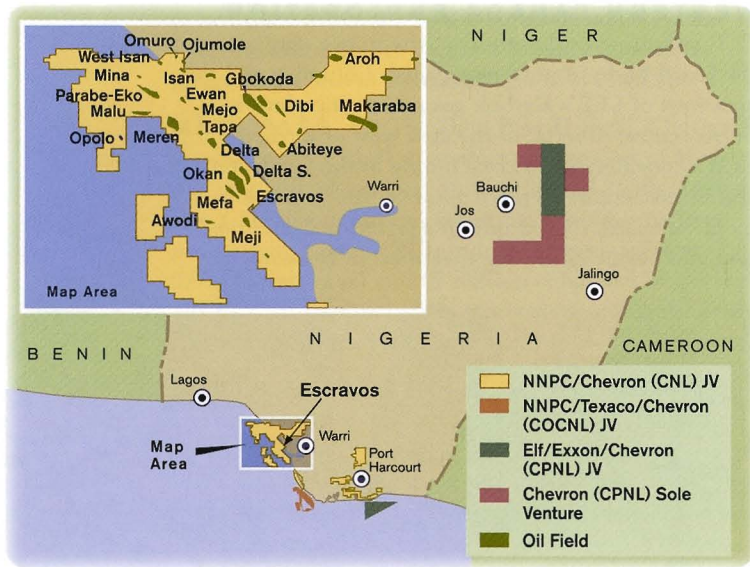
Hibernia anticipates production to reach design capacity of 150,000 barrels per day in mid-1999. At year-end 1997, two wells were producing about 60,000 barrels per day.

CCR played a critical role in creating a 1.5 million-barrel transshipment facility in Newfoundland, scheduled for completion in the fall of 1998. Efforts are under way to establish a regional transportation system serving the needs of Hibernia and other anticipated oil developments off Newfoundland's coast.

## EAST COAST OFFSHORE ACTIVITIES

In 1997, further delineation of the Hebron/Ben Nevis fields off the east coast of Canada began and an agreement to drill a well within the next year is being put in place. CCR also initiated plans for seismic and exploration drilling on four parcels obtained in 1996. Four additional parcels totaling 330,000 acres (CCR share 25 percent) were obtained in December 1997. Chevron also acquired a 1 percent interest in the Terra Nova project in the east coast offshore area in exchange for western Canada properties.

CCR and Mobil Oil Canada entered into a strategic alliance to explore and develop an area within 29 million acres offshore Newfoundland. This alliance will better enable CCR and Mobil to capitalize on the many activities and future opportunities in the Grand Banks area.



## AFRICA

### NIGERIA

Chevron's principal subsidiary in Nigeria, Chevron Nigeria Limited (CNL), operates and holds a 40 percent interest in concessions totaling 2.2 million acres, predominantly in the swamp and near offshore regions of the Niger Delta. The Nigerian government through its Nigerian National Petroleum Corporation (NNPC) owns the remaining 60 percent interest.

Another subsidiary, Chevron Oil Company Nigeria Limited (COCNL), holds a 20 percent interest in six concessions, covering 600,000 acres, with six offshore oil fields operated by Texaco.

A third subsidiary, Chevron Petroleum Nigeria Limited (CPNL), oversees and manages new ventures in Nigeria. CPNL has a 30 percent interest in two deepwater Niger Delta blocks operated by Elf. CPNL also holds a 30 percent interest in three inland Benue Basin blocks and a sole interest in six other Benue Basin blocks through a production sharing contract.

**PRODUCTION** Total 1997 production from 30 CNL-operated fields averaged 423,000 barrels of oil per day, an increase of 22,000 barrels per day from 1996. The increase was achieved through an active new field development program, development drilling in existing fields and a substantial workover program. The Ewan Field was placed on early production in 1997 and reached a production level of more than 13,000 barrels

of oil per day. Additionally, the Opolo Field began producing in March 1998 at a rate of 20,000 barrels of oil per day.

CNL continued its multi-year production facility upgrade program. By year-end 1997, 13 of 18 facilities had been upgraded with the remaining five to be completed by 1999. The total cost of the program is estimated at \$330 million.

Production from the COCNL fields averaged approximately 72,000 barrels of oil per day in 1997. The increased production is primarily due to development drilling in existing fields.

**DEVELOPMENT** Engineering and construction work continued on the development of the Dibi, Ewan, Gbokoda and Opolo fields. The Gbokoda and Dibi fields are scheduled to begin production in 1998. Combined production from the four fields is expected to exceed 200,000 barrels of oil per day by 2001. Expected production from the Dibi Field has increased due to the discovery in 1997 of an extension to the field. These development projects should help CNL achieve a total production level of more than 600,000 barrels of oil per day by 2001.

**ESCRAVOS GAS PROJECT** Phase One of the Escravos Gas Project was completed under budget in 1997. The facility processes 175 million cubic feet per day of gas previously flared at Okan and Mefa fields, yielding 8,000 barrels per day of LPG, 2,000 barrels per day of condensate, and 100 million cubic feet per day of dry gas, which is sold to the Nigerian Gas Corporation.

Engineering and construction is currently under way for Phase Two of the Escravos Gas Project scheduled to begin operation in late 1999. Phase Two will increase capacity to process an additional 100 to 120 million cubic feet of gas per day.

**EXPLORATION** Only one exploration well was drilled in CNL's operations in 1997 due to insufficient partner funding. CNL is planning to return to its normal exploration activity level in 1998, subject to the availability of adequate partner funding.

CPNL continued exploration activities in the six Chevron-operated Benue Trough blocks by conducting geological studies and initiating a 450-mile 2-D seismic program. In the partner-operated deep offshore blocks, two exploratory wells were drilled. The first well was suspended after encountering oil and gas zones. Studies are under way to evaluate the well results. The second well was plugged and abandoned. Additional drilling is scheduled for 1998.



## ANGOLA

Chevron's subsidiary, Cabinda Gulf Oil Company Limited (CABGOC), is the operator of two concessions off the coast of Angola's Cabinda exclave. Block 0 is a 2,100-square-mile concession adjacent to the Cabinda coastline. Partners in the Block 0 concession include Sociedade Nacional de Combustiveis de Angola Limited (Sonangol) – 41 percent and CABGOC – 39.2 percent. The concession is divided into Areas A, B and C.

Block 14 is a 1,560-square-mile concession located in deep water west of Block 0. Partners in the venture include Sonangol – 20 percent and CABGOC – 31 percent. Exploration drilling began in 1996 and the Kuito Field was discovered in 1997.

**PRODUCTION** In Block 0, Area A includes 19 major fields in the Malongo and Takula Areas, 15 of which are currently producing. Area B includes six major fields including Kokongo and Nemba fields. Area C includes seven major fields, with the Ndola and Sanha fields commencing production in 1997.

Total liquids production was in excess of 400,000 barrels per day for the second consecutive year. Block 0 set a new peak production rate of 437,600 barrels per day in August 1997.

**DEVELOPMENT** In Area A of Block 0, the combination of new developments, infill drilling, workovers and facility modernization helped minimize production decline. Fourteen new development wells were drilled. Additionally, start of production from the 12,000-barrel-per-day Northeast Numbi Field in the Takula Area occurred in early 1997. Several new waterflood projects, including waterflood optimization projects at the Numbi and Takula fields and a major new waterflood project in the Malongo Area, are in the initial stages of development. These projects are expected to eventually arrest the decline and move Area A production towards a new peak in 2002.

Areas B and C of Block 0 continue to be the primary focus of major development activity in the Block 0 concession. In Area B, further development is in progress at the southern portion of the Nemba Field and the Lomba Field. Platform installation and start of production from both these projects are scheduled for 1998. Production from 11 wells predrilled in 1997 will be combined with three Nemba wells on the new Nemba platform. Platform and facilities design and construction will begin in 1998 for the northern area of the Nemba Field. First oil from the North Nemba Project is planned for early 2000.

In Area C, installation of the first two platforms for the Ndola and Sanha fields was completed in 1997. These fields are operated as satellites of Kokongo, with all production routed to shore via the East Kokongo Platform. Year-end production from Ndola was 24,000 barrels of oil per day. Drilling at Sanha is under way with the completion of 14 wells expected to be accomplished by late 1999 or early 2000.

In Block 14, the discovery and appraisal of the giant Kuito Field in 1997 has led to major development

activities. Plans are for the Kuito Field to be developed using a phased approach, with drilling of first-phase wells to commence in 1998. First oil production is expected in early 1999. First-phase production is anticipated to be 50,000 barrels of oil per day.

**EXPLORATION** In Area A of Block 0, two exploration and five appraisal wells were drilled. Of the two exploratory wells drilled, the first tested at uneconomic rates while the second successfully identified a new oil field. Of the five appraisal wells, one well extended a field discovery approximately one mile, while the other four wells drilled in Banzala Field yielded valuable results. Further testing and study will determine the feasibility of development in Banzala.

In Area B of Block 0, one exploration well was drilled and discovered light oil. Further geologic studies are in progress to develop an appraisal strategy for this resource.



In Area C of Block 0, two appraisal wells were drilled. The first well drilled identified and tested several oil zones in the Miocene section. However, development is not economically attractive at this time. A second appraisal well drilled in the southern area of the Ndola Field yielded encouraging results in the main objective section.

The Block 14 exploration program was very successful, with three exploration wells resulting in three discoveries, including two major commercial finds. The Kuito Field discovered by the 14-2X well

is characterized as a giant field with recoverable reserves estimated between 500 million and 1 billion barrels of oil. Three appraisal wells drilled on the Kuito Field helped refine the geologic model and calculation of the reserves. The second commercial discovery, found by the 14-6X well in December, is also a significant find.

In 1998, the Block 14 program includes three exploratory wells which will increase the evaluation of the block, and two appraisal wells to follow up on the discoveries. New 3-D seismic data is being acquired over the Kuito Field, and over the remaining portion of the block north of the Congo Canyon.

#### REPUBLIC OF CONGO

Chevron has interests in three license areas (Haute Mer, Marine VII and Marine IV) in offshore Congo, adjacent to Chevron's concessions in Angola (Cabinda). The Haute Mer and Marine VII licenses are partner-operated, while Chevron operates the Marine IV license.

**PRODUCTION** Nkossa Field production in the Haute Mer permit, in which Chevron has a 30 percent interest, averaged 84,000 barrels of oil and LPG per day in 1997. Development drilling of production, gas injection and water injection wells continued through 1997. Additional development wells are planned for 1998.

**DEVELOPMENT** Chevron has a 29.25 percent interest in the Marine VII license which includes the Kitina and Sounda developments. Construction, installation, and hookup of the Kitina platform and onshore facilities were completed and first oil achieved in December 1997. Peak production of 45,000 barrels per day is expected by year-end 1998. It is planned to use the Kitina facilities to handle additional production from Kitina South and Sounda satellite fields starting late 1998.

**EXPLORATION** In the Haute Mer permit, west of Nkossa, a dual objective Albian appraisal and tertiary exploratory well spudded in December 1997 resulted in a new discovery in the tertiary interval. Facilities design work on Moho, in 2,600 feet of water, is ongoing, with a view to accelerate early production from the field.

A 3-D survey, shot over the outer part of the Haute Mer permit in 1997, is expected to identify several more exploration prospects. Of two test wells drilled, the second well led to an important, potentially commercial crude oil discovery in the Haute Mer deep-water area. The well tested at 8,520 barrels per day. Additional prospects will be evaluated in 1998. At least three exploration wells are planned for 1998.

Processing of 3-D seismic data from the Marine IV exploration permit, operated by Chevron with an 85 percent interest, was completed, and interpretation is ongoing. One exploration well is planned for 1998.

#### DEMOCRATIC REPUBLIC OF CONGO

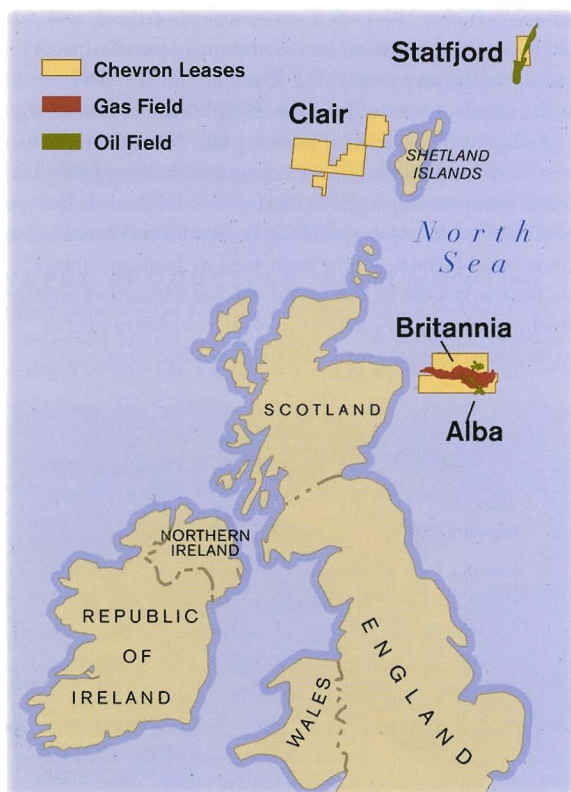
Chevron operates a 390-square-mile concession off the coast of Democratic Republic of Congo (DRC) (formerly Zaire). The partnership for this venture includes Chevron – 50 percent, Teikoku – 32.28 percent and Unocal – 17.72 percent.

**PRODUCTION** Crude oil production from eight offshore fields averaged 22,000 barrels per day in 1997.

**DEVELOPMENT** During 1997, three well workovers were performed at Tshiala and Motoba fields to optimize production, and one water injection well was spudded at Motoba Field to provide pressure support to a producing reservoir.

**EXPLORATION** A 3-D seismic program started in late 1997 continued into 1998. At the conclusion of this program, approximately 95 percent of the concession will be covered with 3-D seismic data. Chevron plans to drill one exploration well in 1998.





## EUROPE

### UNITED KINGDOM AND IRELAND

Chevron holds interests in two producing fields: Chevron-operated Alba where, in February 1998, equity was reduced from 33.17 percent to 21.17 percent following an asset swap with Statoil; and partner-operated Statfjord (4.84 percent). Chevron also holds a 30.2 percent equity interest in the Britannia gas field which is under development.

**ALBA PRODUCTION** The Alba Field average total production during 1997 was 91,000 barrels of oil per day. The concept work and detailed design and procurement were completed on Phase IIB to increase fluid capacity from 240,000 to 390,000 barrels of liquids per day. A subsea water injection well commenced operation and new water treatment facilities were installed which ensured Alba's enhanced production levels in advance of completion of Phase IIB, expected in March 1998.

Agreement was reached with the Britannia Field owners to share gas resources to better fit both fields' needs. The arrangement will drastically reduce the amount of gas flared from the Alba platform over the next several years.

**STATFJORD PRODUCTION** Now in its 18th year of production, Statfjord is still a significant contributor to Chevron net production of between 25,000 and 30,000 equivalent barrels per day. The field has produced approximately 3.5 billion barrels to date. During 1997, efforts continued to arrest the field's production decline and to reduce operating costs. The equity redetermination of the field by the respective participants in the U.K. and Norwegian sections has not yet been resolved.

**BRITANNIA DEVELOPMENT** The Britannia gas field development has progressed ahead of schedule and below budget. The jacket and topsides were installed and hook-up and commissioning work is proceeding on target for gas production in August 1998.

Estimated recoverable reserves are approximately 3 trillion cubic feet of gas and 145 million barrels of condensate and natural gas liquids. Peak production rates will be 740 million cubic feet of gas and approximately 60,000 barrels of condensate per day. Chevron, with an equity interest of 30.2 percent, shares operatorship of Britannia with Conoco.

**CLAIR PROJECT** Significant advances were made in understanding the highly complex Clair Field. In addition to ongoing geologic and reservoir studies, two additional appraisal wells were drilled in 1997. The current work program is focused on achieving first oil production in 2001 from the first phase of development, which targets 250 million barrels of recoverable oil in a core part of the field. This represents a small fraction of the total oil in place, estimated in the billions of barrels. Chevron's interest is 19.42 percent.

### NEW VENTURES AND EXPLORATION

Chevron holds interests in about 40 blocks in the United Kingdom and Ireland. Blocks are located in the North Sea, west of the Shetland Islands, offshore Wales and in Liverpool Bay. In Ireland, Chevron has acreage in the Porcupine Basin.

In 1997, Chevron continued its strategy of rationalizing its interests toward establishing an enhanced Britannia area equity position. Chevron increased its interests in its core Alba/Britannia area by acquiring 35 percent interest in the Alder discovery in Block 15/29a following a swap with Texaco for Chevron's interests in the West Guillemot discovery. Chevron also purchased 17.25 percent interest from BHP in Block 15/24a, increasing Chevron's interest to 26.84 percent.

In exchange for a 12 percent interest in the Alba Field, Chevron acquired a 7.56 percent interest in the Draugen Field (production approximately 190,000 barrels per day) offshore Norway together with a 30 percent interest in and operatorship of one license. Chevron also received four other licenses with interests between 15 to 20 percent.





## ASIA-PACIFIC INDONESIA

Chevron's interests in Indonesia are managed by two affiliate companies, PT Caltex Pacific Indonesia (CPI) and Amoseas Indonesia (AI). Chevron owns 50 percent of both companies.

During 1997, Chevron relinquished interest in one production sharing contract (PSC) in eastern Indonesia and added one at Sebang and now holds interests in 10 PSCs. All oil and gas interests are managed by CPI. AI is now focused on geothermal power generation and operates the Darajat geothermal contract area in central Java. CPI is negotiating with Pertamina for an extension of the Coastal Plains Pekanbaru Block, which expires in 2001, while AI is pursuing several new geothermal areas in Sumatra.

**PRODUCTION** Total CPI crude and condensate production averaged more than 765,000 barrels per day in 1997. CPI, as a contractor to Pertamina, accounts for about half of Indonesia's total crude oil production. Chevron's net share of total production averaged 170,000 barrels per day.

**CPI SUMATRA PROJECTS** During 1997, CPI continued to implement enhanced oil recovery projects to extract more oil from its existing reservoirs. The Duri Field in the Rokan Block contains a medium heavy crude difficult to produce using traditional techniques. The field, under steamflood since 1985, is now the largest steamflood in the world. Currently eight of 13 phases are under steam injection with total production averaging 284,000 barrels of oil per day in 1997.

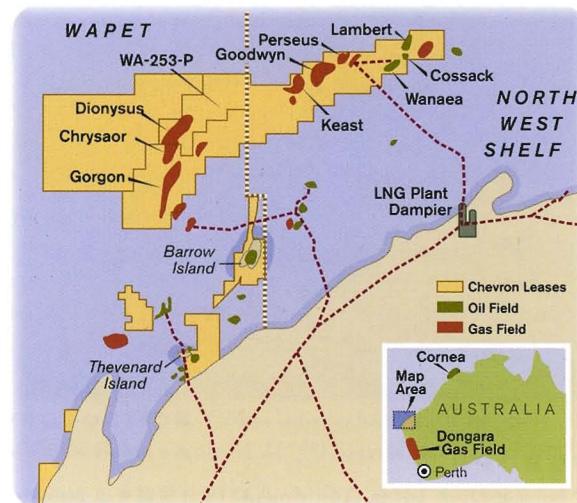
The giant Minas Field, also in the Rokan Block, has produced 4 billion barrels of oil since inception. The installation of the fourth area in the pattern waterflood at Minas was started during the year and a fifth area was approved. CPI continues to pursue tertiary recovery projects for Minas and other light oil fields in its operating areas. Construction of the Light Oil Steamflood pilot in Area One has begun with first steam injection targeted for early 1999.

Within the central Sumatra contract areas, the company is in the middle of a multi-year 3-D seismic effort to evaluate oil and gas potential in the under-explored areas between current producing fields.

**GEOTHERMAL ACTIVITIES** AI's geothermal field continued to provide steam to the national power company, PLN, plant to produce electricity for the Java power grid. The plant operated at its 55 megawatt (MW)

capacity during the year. Construction of the Darajat II 70 MW power plant, to be owned and operated by AI and its national partner, P.T. Darajat Geothermal Indonesia, is on schedule for completion in late 1998.

Reserves for a third power plant (Darajat III) were proved during 1997 and AI continues drilling for additional reserves. All wells drilled were successful. Darajat Well #16, which tested at 25 MW, has been identified as the second largest geothermal well in Indonesia and the fourth largest in the world. AI has identified another geothermal area of interest in south Sumatra and is negotiating opportunities to develop that area.



## AUSTRALIA

Chevron's primary interests in Australia involve two major joint ventures: 16.7 percent in the North West Shelf (NWS) Project, and 25 to 50 percent in permits operated by West Australian Petroleum Pty Ltd. (WAPET). In addition, Chevron holds a 25 percent interest in four Browse Basin permits and a 17.25 percent interest in a Carnarvon Basin permit.

**NORTH WEST SHELF PRODUCTION** The North West Shelf Project area is located about 1,000 miles north of Perth and 70 to 90 miles offshore. Average total production from the North Rankin and Goodwyn fields during 1997 was 1.4 billion cubic feet of gas per day. This resulted in the delivery of 125 cargoes of LNG to Japan, five cargoes to other markets including the United States and 129 billion cubic feet of natural gas to the western Australian domestic gas market. Total condensate production increased to an average 100,000 barrels per day during 1997 due to successful condensate stabilizer modifications.

Production from the Wanaea/Cossack oil development averaged 71,000 barrels per day. Liquefied petroleum gas (LPG) production driven by liquids-rich gas was 3.7 million barrels in 1997. The nearby 30 million-barrel Lambert oil field was successfully tied into these facilities.

**NORTH WEST SHELF DEVELOPMENT** Development programs are in the evaluation stage to increase Wanaea/Cossack production to over 100,000 barrels per day, and improve the onshore fractionation capacity for LPG production to 10 million barrels per year.



The proposed expansion of the NWS project to handle its significant gas reserves continued to move forward during 1997. The NWS participants are currently negotiating a Letter of Intent (LOI) with customers in Japan, describing plans to double volume of LNG deliveries from the NWS project, starting in 2003. The expected 1998 signing of the LOI will initiate a development program for building the estimated \$5 billion expansion facilities.

**WAPET PRODUCTION** WAPET operates two major production facilities on Barrow Island and Thevenard Island, approximately 100 miles southwest of the NWS fields. Chevron's share of WAPET oil production in 1997 averaged 12,500 barrels per day from seven fields (Barrow Island, Saladin, Yammaderry, Cowle, Crest, Roller and Skate).

Thevenard Island crude blend remained in the ranks of the highest-priced crudes in the world, reflecting its rich mid-distillate yields.

**WAPET DEVELOPMENT** WAPET completed a 23-well infill drilling program at Barrow Island. The new wells stabilized oil production and added oil reserves. WAPET's participants continue to aggressively pursue options to commercialize the huge Gorgon and Chrysaor gas fields. These resources and nearby surrounding gas fields, including recently discovered Dionysus and West Trial Rocks, contain estimated total recoverable gas reserves of 16 trillion cubic feet and will be developed as an LNG and domestic gas project. Discussions regarding the development of Gorgon as a cooperative expansion with the existing NWS project are continuing.

**EXPLORATION** The Cornea discovery was made in 1997 in the Browse Basin region. Cornea's reserves are estimated at a total of 160 million barrels. A 770-square-mile 3-D seismic program over the Cornea discovery was completed, with an appraisal drilling program proceeding into 1998.

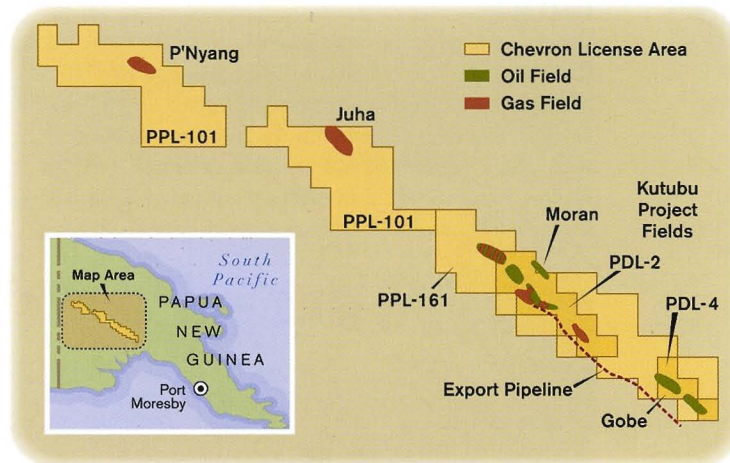
Three highly prospective exploration blocks were acquired during 1997. Two Browse Basin blocks are adjacent to the Cornea oil discovery. The Carnarvon Basin Block is in the WAPET operated area in deep water adjacent to the Gorgon/Chrysaor/Dionysus gas fields. Chevron's equity in each case is 25 percent.

The NWS project is currently engaged in an exploration drilling program assessing prospects identified from the huge East Dampier 3-D survey. Keast, adjacent to the Goodwyn Field, was discovered in 1997 with estimated recoverable reserves of 500 billion cubic feet of gas.

#### PAPUA NEW GUINEA

Chevron Niugini Pty Ltd is operator for the Kutubu, Moran and Gobe projects. Chevron holds a 19.38 percent interest in the Kutubu and Moran development and surrounding Petroleum Development License (PDL)-2 and a 15 percent interest in the Gobe development.

**PRODUCTION** Production from Kutubu averaged 75,600 barrels per day from 35 wells in 1997. Oil production continues to be constrained because of gas reinjection capacity. All the produced gas is returned to the reservoir for pressure maintenance and conservation.



**DEVELOPMENT** The drilling program within the Kutubu fields continued in 1997, with three horizontal sidetracks of existing wells and one new well, completing the development drilling of Kutubu.

Two additional licenses, PDL-3 and PDL-4, were granted in December 1996, by the Papua New Guinea Government for the Gobe development. Chevron holds a 15 percent interest in the development. Construction of production facilities commenced in 1997, and first oil flowed in March 1998 at a rate of 10,000 barrels per day. Gobe is located about 30 miles southeast of the Kutubu fields, and will utilize the Kutubu export pipeline. Recoverable reserves are estimated at 100 million barrels. Peak production of 50,000 barrels per day is scheduled to occur by mid-1998.

During 1997, Chevron continued to pursue the Papua New Guinea to Queensland, Australia Gas Pipeline Project. This project will allow commercialization of stranded gas reserves and the recovery of substantial quantities of LPGs. A decision on the viability of the \$2.8 billion project is expected in 1998.

**APPRAISAL** Evaluation of the 1996 Moran Central oil discovery in PDL-2 continued in 1997. A three mile southeast step-out in Petroleum Prospecting License (PPL)-161 (Chevron is operator with 25 percent interest) encountered water bearing sands, reducing recoverable reserves down to 60 to 150 million barrels. At year end, a two mile step-out to the northwest was being drilled by Chevron on behalf of British Petroleum, operator for PPL-138.

Construction of production facilities in Moran Central to perform an extended well test to further define the reservoir size started in late 1997. Production start-up occurred in January 1998, at a rate of 10,000 barrels per day with peak production anticipated in early 2000. Surplus capacity in the Kutubu production facilities and export pipeline will be utilized.

**EXPLORATION** At year end, an exploration well was drilling on the Nomad prospect in PPL-101. Chevron, as operator of the Nomad prospect, has 35.5 percent interest. Seismic data acquired during 1997 continues to be evaluated, with additional seismic data expected to be acquired in 1998.



## CHINA

Chevron has an interest in five blocks (16/08, 16/19, 50/20, 63/15 and 62/23) in the South China Sea and two blocks (02/31 and 06/17) in the northern portion of the Bohai Gulf. In 1997, Chevron signed a production sharing contract with China National Petroleum Corporation (CNPC) to explore for crude oil in the 700 square-mile Zhanhuadong Block in Shengli Field, China's second-largest oil field.



**PRODUCTION** Chevron has a 16.33 percent interest in the Block 16/08 contract area of the Pearl River Mouth Basin in the South China Sea. Four fields, HZ/21-1, HZ/26-1, HZ/32-2 and HZ/32-3, are producing in Block 16/08 with total output being 100,000 barrels of oil per day in 1997.

**EXPLORATION** The discovery by exploration well HZ/32-5-1 in the Block 16/08 contract area was successfully appraised during 1997; the production will be tied back to producing field HZ/26-1.

A 350-square-mile 3-D seismic survey interpreted in early 1997 identified exploration targets in Block 16/08 and adjacent Block 16/19. The first prospect drilled resulted in the discovery of new field HZ/26-2. Three geologic zones tested at a combined rate of 7,566 barrels of oil per day.

During 1997, 3-D seismic acquisition was completed in Block 02/31, as was 2-D in Block 06/17. Drilling in Blocks 06/17 and 02/31 is currently scheduled for 1998. A 3-D seismic survey completed in Block 63/15 during 1997 will lead to one well planned for early 1998 in this natural gas-prone area.

In the Shengli Field complex, Chevron will explore deeper geologic zones that lie beneath the existing production. This contract represents Chevron's first onshore exploration contract in China and requires that two wells be drilled in a three-year period.

## CENTRAL ASIA

## KAZAKHSTAN

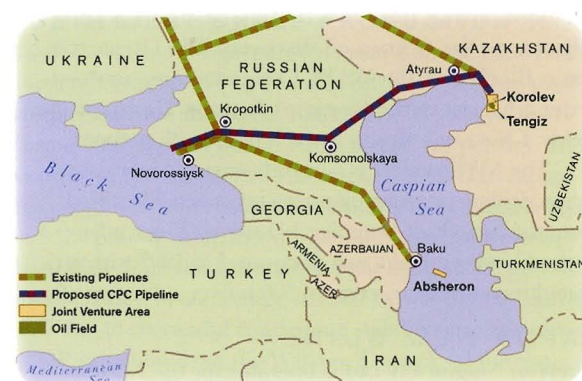
The Tengizchevroil (TCO) joint venture covers the Tengiz and Korolev oil fields in Kazakhstan. The Tengiz Field has estimated recoverable reserves of 6 to 9 billion barrels. Chevron's equity in TCO is 45 percent.

Liquids production rates from Tengiz Field averaged 155,000 barrels per day for the year.

TCO has begun an extensive (\$1.3 billion over three years) plant expansion program that will bring capacity to approximately 185,000 barrels per day in 1998 by debottlenecking existing processing facilities, and to 240,000 barrels per day in 2000 by construction of additional processing facilities. One of the largest 3-D land seismic surveys, nearly 400 square miles, will be shot over the Tengiz Field to optimize further development.

A diversified marketing and sales program has enabled the growth of Tengiz production. Tengiz crude is transported by a variety of means including pipeline, rail and barge. Principal destinations include the Baltic Sea, the Black Sea through Odessa or through the Azerbaijan-Georgia corridor, as well as regional sales. In 1998, Chevron announced an agreement with the Republic of Georgia to use and operate Georgian oil transportation facilities to transport crude to the port of Batumi on the Black Sea. Additional export routes are being evaluated, including rail shipment to China.

The Caspian Pipeline Consortium (CPC) was formed to build a crude oil export pipeline from the Tengiz oil field to the Russian Black Sea coast at a total cost of \$2 billion. Efforts in 1997 were primarily focused on obtaining the required permits and rights-of-way to construct the facilities. Although progress has been slower than originally expected due to changing regulations and the significant number of organizations involved in the review process, the current schedule is to have the pipeline completed and operational in late



2000. Chevron has a 15 percent ownership in CPC. When completed, the CPC pipeline will allow for the export of 1.5 million barrels of oil per day from the region.

In February 1998, Royal Dutch Shell and Chevron agreed to cooperate in new energy projects in the Caspian Sea area. The agreement covers exploration, production and sale of crude oil, gas liquids and natural gas.



## AZERBAIJAN

Chevron signed an agreement in August 1997 to explore the 160-square-mile Absheron Block in the Caspian Sea, about 60 miles off the Azerbaijan coast. Chevron's equity share is 30 percent, and the Azerbaijan State Oil Company, SOCAR, holds 50 percent.

In the initial three-year work program, operated by Chevron, a 3-D seismic survey will be conducted and two exploratory wells drilled. An important aspect of meeting work program obligations will be the availability of suitable semi-submersible rigs. Chevron is working with SOCAR and other Caspian Sea operators to develop options to achieve this within the three-year term of the concession.

## MIDDLE EAST

## QATAR

Chevron signed a production sharing agreement with the Qatari government in 1996 for Block 1NW. The block covers 1.86 million acres and is operated by Chevron with a 60 percent interest. A 3-D seismic survey acquired in 1996, covering 360 square miles, is currently being evaluated, with the first exploratory well scheduled for 1998. Chevron plans to further expand its Middle Eastern activities, and is pursuing several new venture opportunities as a result of studies currently ongoing within the Middle East.

## BAHRAIN

Chevron and the State of Bahrain signed an agreement in early 1998 to explore for oil in three offshore areas. Believed to hold a number of promising crude oil prospects, the new exploration areas have been designated Blocks 1, 2 and 3.

The production sharing agreement outlines an exploration program for the three blocks, which encompass approximately 2,100 square miles. Chevron is operator and will hold 100 percent interest. Seismic surveys are expected to begin in 1998, followed by exploratory drilling beginning in 2000.

## SOUTH AMERICA

## VENEZUELA

**BOSCAN** In late 1995, Chevron and Petroleos de Venezuela, S.A. formed an alliance to further develop the Boscan oil field and to provide heavy crude oil to Chevron in the United States through several independent supply agreements. Chevron became responsible for operations and production of the Boscan Field in 1996 under an operating services agreement. At the end of 1997, the field was producing 90,000 barrels of oil per day. Current plans call for production to increase to 115,000 barrels per day by year-end 1998. Under the agreement, Chevron receives operating expense reimbursement and capital recovery, plus interest and an incentive fee. The Boscan Field is estimated to have 1.6 billion barrels of recoverable reserves.

**LL-652** In June 1997, a consortium consisting of Chevron, Statoil, Arco and Phillips was awarded the



right to operate the LL-652 Field, located in the northeast section of Lake Maracaibo, Venezuela. The LL-652 oil field is estimated to contain 2.7 billion barrels of oil in place with recoverable reserves exceeding 500 million barrels. The partners have submitted a development plan in early 1998 which is expected to be approved later this year. Through an extensive drilling program, installation of offshore platforms for gas handling, and a large-scale waterflood to repressure the reservoir, the consortium expects to increase total production from a baseline of 10,000 to 115,000 barrels per day by 2006. Chevron's 30 percent interest in the consortium is likely to be reduced to 27 percent once a Venezuelan state-sponsored mutual fund exercises the option to participate as a 10 percent partner.

## COLOMBIA

Chevron holds a 50 percent interest in the Castilla and Chichimene fields (Cabarral Association contract), located in the Llanos Basin area of Colombia. At the end of 1997, these fields were producing 34,000 barrels of oil per day.

Chevron signed a contract with the state oil company, Ecopetrol, for the Galaron Exploration Block to explore more than 166,000 acres in the Llanos foothills, an area well known for its prolific oil production. The Galaron Block is on trend with discoveries at Florena, Pauto Sur and Volcanera. The seismic acquisition program is currently in progress to evaluate oil potential in the block. Based on seismic evaluation, Chevron relinquished the Rio Blanco Block to Ecopetrol.

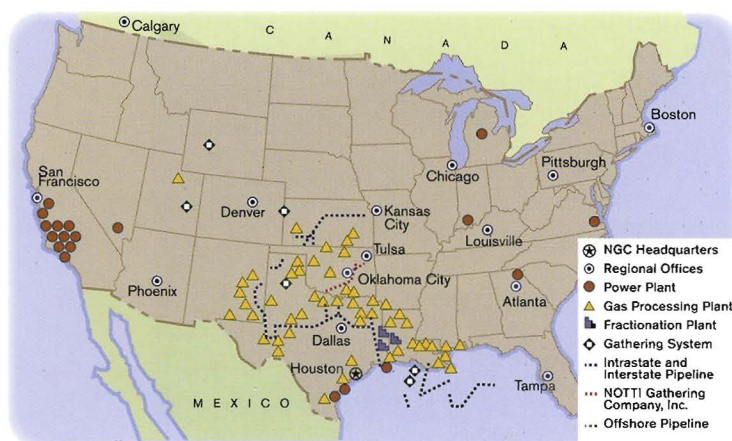
## BOLIVIA

In 1997, Chevron farmed-out a 20 percent working interest in Caipipendi Block, reducing its interest to 20 percent, and transferred operatorship to a partner. The 1998 work program for the Caipipendi Block consists of the completion and evaluation of the drilling program for the Margarita X1 Prospect.

## PERU

Chevron signed an agreement in 1995 with the Peruvian government and obtained 100 percent interest in exploratory Block 52. The block, covering 1.77 million acres, is adjacent to the giant Camisea gas-condensate field. Three hundred and thirty miles of seismic data were acquired and the results are under evaluation.





### NGC CORPORATION

NGC Corporation (NGC) is a leading gatherer, processor, transporter and marketer of energy products in the United States, Canada and the United Kingdom. Through its "Energy Store," NGC offers a multi-commodity energy product and services resource that provides natural gas, natural gas liquids (NGL), electricity and crude oil. Chevron has a 28 percent ownership interest in NGC.

In February 1997, NGC acquired Destec Energy, Inc., a leading independent power producer. At the same time, NGC sold Destec's international assets. Destec is a major U.S. power producer with assets that complement and provide a growth platform for NGC's power marketing business.

NGC's asset base includes interests in approximately 15,000 miles of natural gas gathering and transmission pipelines, 19 power generation facilities, approximately

50 gas processing plants, three NGL fractionation facilities, 60 million barrels of NGL storage capacity, three NGL import/export marine terminals, ten other NGL terminals and approximately 2,100 miles of NGL pipelines.

NGC is one of the leading processors and marketers of natural gas liquids in North America with production of 140,000 barrels per day and sales of over 400,000 barrels per day. NGC is the second-largest natural gas marketer in North America with sales of 8 billion cubic feet per day and the second-largest electric power marketer in the United States.

NGC and Chevron have entered into long-term, strategic alliances whereby NGC purchases substantially all natural gas and natural gas liquids produced or controlled by Chevron in the United States (excluding Alaska) and supplies natural gas and natural gas liquids feedstocks to Chevron's U.S. refineries and chemical plants.

NGC and Chevron have also entered into a partnership, Venice Energy Services Company (VESCO), to own, operate and expand Chevron's Venice gathering, processing, fractionation and storage complex in Louisiana. In 1997, the partnership admitted Shell Midstream Enterprises and Koch Energy Services Company. As a result, this premier processing facility has increased processing capacity significantly. Additionally, VESCO is now in a unique position to take advantage of growth opportunities resulting from increased production of liquids-rich gas from deepwater projects in the Gulf of Mexico.

NGC entered into a midstream business arrangement with Chevron Canada to pursue commercial, third-party business associated with Chevron-owned gathering, treating and processing facilities.

### BUSINESS STRATEGIES

- Exploit opportunities in core wholesale gas, power, and coal commercial activities as BTU convergence in North America accelerates.
- Realize incremental returns by managing assets with commercial operations, particularly power generation.
- Exploit opportunities in retail gas and power markets due to restructuring.
- Grow profitability of core NGL business through revenue enhancements and consolidation benefits in both upstream and downstream operations.
- Develop greater global presence utilizing the Energy Store strategy and competitive advantages afforded by industrial shareholders.
- Maintain appropriate capital and infrastructure to support the execution of the business plan.

### 1997 ACCOMPLISHMENTS

- Completed acquisition of Destec Energy, which added an equivalent capacity of 2,838 MW of electricity to NGC's asset base. NGC continued to expand asset base through the acquisition of a 50 percent interest in a 1,020 MW

El Segundo, California power plant. Also, NGC has been selected to build a 766 MW plant with Stanwell Corporation Limited in Australia for Chevron.

- Restructured joint venture businesses in Canada and the United Kingdom by creating new, wholly owned subsidiaries to pursue NGC Energy Store strategy in those countries.
- Expanded VESCO by doubling gas gathering capacity to 800 million cubic feet per day and increased processing capacity to 1.3 billion cubic feet per day.
- Formed alliances with local retail businesses, such as NICOR in the Midwest, AllEnergy in the Northeast and Consumers Power in Canada to optimize business by combining local market expertise with NGC's energy-buying power.
- Entered into a three-year agreement for 1.3 billion cubic feet per day of firm transportation capacity on the El Paso system.
- Formed a limited partnership with Amoco to jointly own the Mt. Belvieu, Texas fractionator in exchange for an Amoco commitment to process 31,000 barrels of liquids per day.



# UPSTREAM OPERATING DATA

## Proved Reserves

### PROVED RESERVES - CRUDE OIL AND NATURAL GAS LIQUIDS<sup>1</sup>

Millions of Barrels	At December 31				
	1997	1996	1995	1994	1993
<b>Gross Crude Oil and Natural Gas Liquids</b>					
United States	1,329	1,286	1,330	1,343	1,427
Africa	1,366	1,258	1,181	981	842
Other International <sup>2</sup>	592	565	629	557	546
<b>Total - Consolidated Companies</b>	<b>3,287</b>	<b>3,109</b>	<b>3,140</b>	<b>2,881</b>	<b>2,815</b>
<b>Equity Share in Affiliates</b>					
Indonesia	1,317	1,350	1,340	1,349	1,450
Kazakhstan	1,298	1,361	1,303	1,314	1,322
<b>Total - Gross Reserves</b>	<b>5,902</b>	<b>5,820</b>	<b>5,783</b>	<b>5,544</b>	<b>5,587</b>
<b>Net Crude Oil and Natural Gas Liquids</b>					
United States	1,196	1,149	1,187	1,200	1,279
Africa	1,131	1,032	969	804	682
Other International <sup>2</sup>	519	482	538	465	453
<b>Total - Consolidated Companies</b>	<b>2,846</b>	<b>2,663</b>	<b>2,694</b>	<b>2,469</b>	<b>2,414</b>
<b>Equity Share in Affiliates</b>					
Indonesia	578	566	562	603	669
Kazakhstan	1,082	1,135	1,087	1,095	1,102
<b>Total - Net Reserves</b>	<b>4,506</b>	<b>4,364</b>	<b>4,343</b>	<b>4,167</b>	<b>4,185</b>

### PROVED RESERVES - NATURAL GAS<sup>1</sup>

Billions of Cubic Feet					
<b>Gross Natural Gas</b>					
United States	5,855	6,209	6,489	6,530	6,420
Africa	274	359	103	-	-
Other International	3,594	3,547	3,184	3,112	2,675
<b>Total - Consolidated Companies</b>	<b>9,723</b>	<b>10,115</b>	<b>9,776</b>	<b>9,642</b>	<b>9,095</b>
<b>Equity Share in Affiliates</b>					
Indonesia	161	152	155	151	142
Kazakhstan	1,680	1,753	1,805	1,820	1,832
<b>Total - Gross Reserves</b>	<b>11,564</b>	<b>12,020</b>	<b>11,736</b>	<b>11,613</b>	<b>11,069</b>
<b>Net Natural Gas</b>					
United States	4,991	5,275	5,532	5,576	5,484
Africa	223	293	84	-	-
Other International	3,187	3,135	2,794	2,722	2,257
<b>Total - Consolidated Companies</b>	<b>8,401</b>	<b>8,703</b>	<b>8,410</b>	<b>8,298</b>	<b>7,741</b>
<b>Equity Share in Affiliates</b>					
Indonesia	161	152	155	151	142
Kazakhstan	1,401	1,462	1,505	1,518	1,528
<b>Total - Net Reserves</b>	<b>9,963</b>	<b>10,317</b>	<b>10,070</b>	<b>9,967</b>	<b>9,411</b>

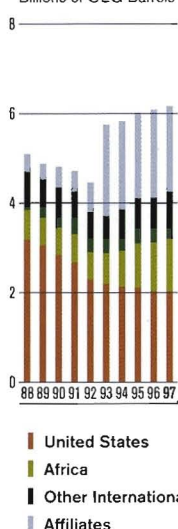
<sup>1</sup> Proved reserves are estimated by the company's asset teams composed of earth scientists and reservoir engineers. These proved reserve estimates are reviewed annually by the corporation's reserves advisory committee to ensure that rigorous professional standards and the reserves definitions prescribed by the Securities and Exchange Commission are consistently applied throughout the company. See Glossary for explanation of proved reserves.

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

<sup>2</sup> Reserves for the LL-652 Field in Venezuela have been included in the company's reserve quantities under a risked service agreement. No reserves have been included for the Boscan Field operating service agreement.

#### Net Proved Reserves\*

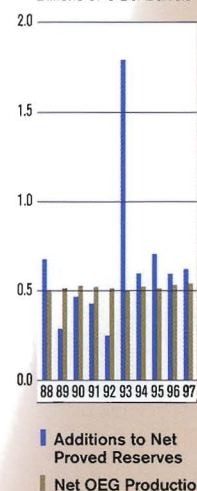
Billions of OEG Barrels



\* Natural gas converted to Oil Equivalent Gas (OEG) barrels at 6 MCF = 1 OEG barrel.

#### Changes in Net Proved Reserves

Billions of OEG Barrels



■ Additions to Net Proved Reserves  
■ Net OEG Production

**NET PROVED AND UNPROVED OIL AND GAS ACREAGE<sup>1, 2</sup>**

At December 31

Thousands of Acres	1997	1996	1995	1994	1993
<b>United States</b>					
<b>Onshore</b>					
Alaska	302	308	271	468	740
California	165	179	213	410	440
Colorado	55	54	48	47	53
Kansas	14	14	14	15	67
Louisiana	122	127	128	134	183
Michigan	26	39	42	42	20
Montana	120	120	111	111	124
Nevada	2	2	43	83	244
New Mexico	172	170	170	168	171
North Dakota	11	11	11	16	38
Oklahoma	118	104	104	109	131
Texas	1,124	1,145	1,098	1,109	1,034
Utah	211	314	386	359	210
Wyoming	196	192	219	210	182
Other States	85	96	96	97	138
<b>Total Onshore</b>	<b>2,723</b>	<b>2,875</b>	<b>2,954</b>	<b>3,378</b>	<b>3,775</b>
<b>Offshore</b>					
Alaska Coast	97	123	114	97	120
Atlantic Coast	40	72	72	72	72
Gulf Coast	3,580	1,973	1,481	1,762	1,883
Pacific Coast	81	88	83	103	114
<b>Total Offshore</b>	<b>3,798</b>	<b>2,256</b>	<b>1,750</b>	<b>2,034</b>	<b>2,189</b>
<b>Total United States</b>	<b>6,521</b>	<b>5,131</b>	<b>4,704</b>	<b>5,412</b>	<b>5,964</b>
<b>Africa</b>					
Angola	855	855	855	542	541
Congo	504	504	504	161	90
Democratic Republic of Congo (formerly Zaire)	124	124	124	124	124
Namibia	-	-	1,072	1,072	1,072
Nigeria	5,425	5,425	5,383	6,289	942
Somalia	10,010	10,010	10,010	10,010	10,010
<b>Total Africa</b>	<b>16,918</b>	<b>16,918</b>	<b>17,948</b>	<b>18,198</b>	<b>12,779</b>
<b>Other International</b>					
Australia	2,788	2,169	1,304	1,463	1,360
Azerbaijan	30	-	-	-	-
Bolivia	504	1,008	1,008	2,016	1,680
Canada	10,364	8,187	11,029	10,909	10,757
China	4,647	4,203	2,007	569	778
Colombia	190	250	154	133	133
Europe (excluding United Kingdom)	59	59	321	320	229
Indonesia	10,076	10,071	13,085	9,894	14,338
Japan	-	-	5,255	5,255	5,255
Papua New Guinea	523	523	502	502	502
Peru	1,777	1,777	1,777	-	-
Qatar	1,119	1,119	-	-	-
Thailand	857	857	857	2,403	2,403
Turkey	251	251	251	251	251
United Kingdom	755	1,146	1,113	1,056	977
Venezuela	6	-	-	-	-
Yemen	-	-	-	438	438
Other	-	-	100	74	100
<b>Total Other International</b>	<b>33,946</b>	<b>31,620</b>	<b>38,763</b>	<b>35,283</b>	<b>39,201</b>
<b>Total International</b>	<b>50,864</b>	<b>48,538</b>	<b>56,711</b>	<b>53,481</b>	<b>51,980</b>
<b>Worldwide Oil and Gas Net Acreage</b>	<b>57,385</b>	<b>53,669</b>	<b>61,415</b>	<b>58,893</b>	<b>57,944</b>

<sup>1</sup> Consolidated companies only.<sup>2</sup> Net acreage is the sum of the fractional interests in gross acres in which Chevron has an interest.



**NET CRUDE OIL AND NATURAL GAS LIQUIDS PRODUCTION\***

Year Ended December 31

Thousands of Barrels Per Day	1997	1996	1995	1994	1993
<b>Consolidated Companies</b>					
<b>United States</b>					
Alaska	3.5	4.9	5.3	5.9	10.4
California – Onshore	104.0	100.8	99.9	105.1	106.6
– Offshore	11.5	15.5	20.0	22.7	23.8
Colorado	11.4	12.5	13.5	14.3	16.6
Louisiana – Onshore	4.5	4.6	4.6	4.5	5.8
– Offshore	115.8	111.4	112.3	118.2	127.3
Mississippi	3.1	3.8	4.1	4.4	4.6
New Mexico	11.5	8.7	8.2	8.5	8.6
Oklahoma	3.8	4.1	3.6	3.0	2.5
Texas	62.4	62.4	65.8	69.4	73.6
Utah	2.5	2.4	2.4	2.5	3.0
Wyoming	9.0	9.9	9.3	9.7	10.6
Other States	0.3	0.3	0.4	0.4	0.8
<b>Total United States</b>	<b>343.3</b>	<b>341.3</b>	<b>349.4</b>	<b>368.6</b>	<b>394.2</b>
<b>Africa</b>					
Angola	127.1	125.9	118.3	99.0	93.6
Congo	22.1	10.1	–	–	–
Democratic Republic of Congo (formerly Zaire)	10.8	10.9	9.8	9.0	8.1
Nigeria	151.3	141.8	133.1	129.6	115.9
<b>Total Africa</b>	<b>311.3</b>	<b>288.7</b>	<b>261.2</b>	<b>237.6</b>	<b>217.6</b>
<b>Other International</b>					
Australia	37.5	35.5	25.1	20.6	17.8
Canada	46.6	45.5	48.3	51.5	49.5
China	12.9	13.3	9.0	8.2	8.2
Colombia	12.9	11.5	10.3	9.6	7.8
Indonesia	17.4	21.8	22.6	20.3	31.7
Papua New Guinea	14.5	19.7	23.6	29.8	31.0
United Kingdom	54.7	62.2	71.2	70.7	49.5
<b>Total Other International</b>	<b>196.5</b>	<b>209.5</b>	<b>210.1</b>	<b>210.7</b>	<b>195.5</b>
<b>Total International</b>	<b>507.8</b>	<b>498.2</b>	<b>471.3</b>	<b>448.3</b>	<b>413.1</b>
<b>Total – Consolidated Companies</b>	<b>851.1</b>	<b>839.5</b>	<b>820.7</b>	<b>816.9</b>	<b>807.3</b>
<b>Equity Share in Affiliates</b>					
Indonesia	153.8	148.5	150.9	153.0	131.5
Kazakhstan	69.5	55.5	29.1	22.6	11.4
<b>Total – Worldwide</b>	<b>1,074.4</b>	<b>1,043.5</b>	<b>1,000.7</b>	<b>992.5</b>	<b>950.2</b>

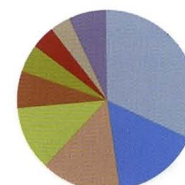
**GROSS LIQUIDS PRODUCTION**

Thousands of Barrels Per Day					
United States	387.9	385.2	396.9	417.8	446.7
Africa	381.3	354.7	321.7	292.5	267.8
Other International	241.8	254.5	256.8	251.7	239.6
<b>Total – Consolidated Companies</b>	<b>1,011.0</b>	<b>994.4</b>	<b>975.4</b>	<b>962.0</b>	<b>954.1</b>
<b>Equity Share in Affiliates</b>					
Indonesia	341.9	337.7	336.7	329.4	306.3
Kazakhstan	72.1	55.5	29.1	22.6	11.4
<b>Total – Worldwide</b>	<b>1,425.0</b>	<b>1,387.6</b>	<b>1,341.2</b>	<b>1,314.0</b>	<b>1,271.8</b>

**DAILY NET PRODUCTION OF NATURAL GAS LIQUIDS (INCLUDED ABOVE)**

Thousands of Barrels Per Day					
United States	31.8	27.8	28.0	27.2	31.5
International	23.8	19.5	17.7	17.0	11.4

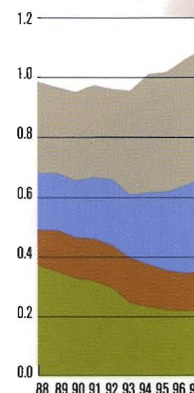
Net Liquids  
Production by  
Country for 1997



United States	32.0%
Indonesia	15.9%
Nigeria	14.1%
Angola	11.8%
Kazakhstan	6.5%
United Kingdom	5.1%
Canada	4.3%
Australia	3.5%
Others	6.8%

Net Liquids  
Production

Millions of  
Barrels Per Day



United States – Onshore	
United States – Offshore	
Africa	
Other International (Including Affiliates)	

\*Net liquids production excludes royalty interests owned by others.

**NET NATURAL GAS PRODUCTION\***

Year Ended December 31

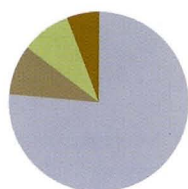
Millions of Cubic Feet Per Day	1997	1996	1995	1994	1993
<b>Consolidated Companies</b>					
<b>United States</b>					
Alabama - Onshore	30	30	32	34	31
- Offshore	83	58	44	25	28
Alaska	28	30	33	30	28
California - Onshore	119	101	103	108	112
- Offshore	17	21	22	29	27
Louisiana - Onshore	66	66	50	38	30
- Offshore	799	806	839	1,032	1,045
Michigan	4	4	1	1	1
Mississippi	9	1	1	4	2
New Mexico	61	89	102	105	95
Oklahoma	55	43	34	35	28
Texas - Onshore	371	394	411	431	404
- Offshore	20	54	41	53	62
Utah	8	8	9	8	8
Wyoming	166	162	145	152	155
Other States	13	8	1	-	-
<b>Total United States</b>	<b>1,849</b>	<b>1,875</b>	<b>1,868</b>	<b>2,085</b>	<b>2,056</b>
<b>International</b>					
Australia	215	214	208	199	163
Canada	216	222	243	247	218
Netherlands	2	2	3	5	6
Nigeria	7	-	-	-	-
United Kingdom	22	28	28	30	28
Other Countries	-	-	1	1	1
<b>Total International</b>	<b>462</b>	<b>466</b>	<b>483</b>	<b>482</b>	<b>416</b>
<b>Total - Consolidated Companies</b>	<b>2,311</b>	<b>2,341</b>	<b>2,351</b>	<b>2,567</b>	<b>2,472</b>
<b>Equity Share in Affiliates</b>					
Indonesia	46	49	40	31	38
Kazakhstan	68	69	42	33	15
<b>Total - Worldwide</b>	<b>2,425</b>	<b>2,459</b>	<b>2,433</b>	<b>2,631</b>	<b>2,525</b>

**GROSS NATURAL GAS PRODUCTION**

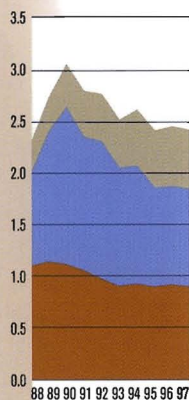
Millions of Cubic Feet Per Day

United States	2,192	2,216	2,207	2,441	2,407
International	558	558	570	593	519
<b>Total - Consolidated Companies</b>	<b>2,750</b>	<b>2,774</b>	<b>2,777</b>	<b>3,034</b>	<b>2,926</b>
<b>Equity Share in Affiliates</b>					
Indonesia	47	49	40	31	38
Kazakhstan	68	69	42	33	15
<b>Total - Worldwide</b>	<b>2,865</b>	<b>2,892</b>	<b>2,859</b>	<b>3,098</b>	<b>2,979</b>

\*Net natural gas production excludes royalty interests owned by others.

Net Natural Gas  
Production by  
Country for 1997

United States	76.2%
Canada	8.9%
Australia	8.9%
Others	6.0%

Net Natural Gas  
ProductionBillions of Cubic  
Feet Per Day

United States - Onshore
United States - Offshore
International (Including Affiliates)



### NATURAL GAS REALIZATIONS<sup>1</sup>

	Year Ended December 31				
Dollars Per Thousand Cubic Feet	1997	1996	1995	1994	1993
United States	\$ 2.42	\$ 2.28	\$ 1.51	\$ 1.77	\$ 1.99
International	2.10	1.86	1.73	1.84	2.08

### CRUDE OIL REALIZATIONS<sup>2</sup>

Dollars Per Barrel	1997	1996	1995	1994	1993
United States	\$ 17.68	\$ 18.80	\$ 15.34	\$ 13.86	\$ 14.58
International	17.97	19.48	16.10	14.86	16.09

### NATURAL GAS SALES<sup>3</sup>

Millions of Cubic Feet Per Day	1997	1996	1995	1994	1993
United States	3,389	3,588	2,815	2,598	2,334
International	1,141	778	564	461	462
<b>Total</b>	<b>4,530</b>	<b>4,366</b>	<b>3,379</b>	<b>3,059</b>	<b>2,796</b>

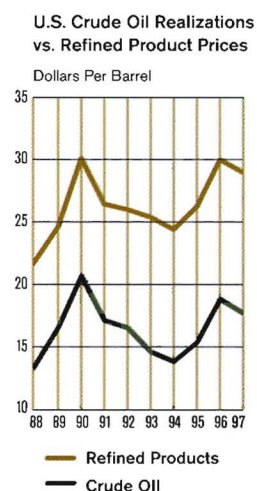
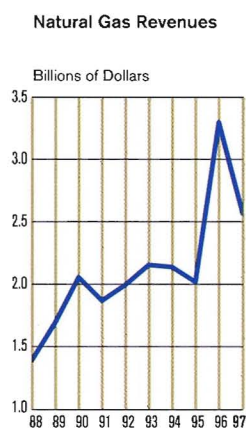
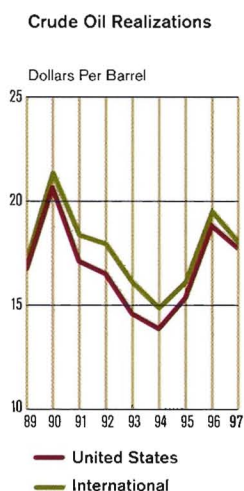
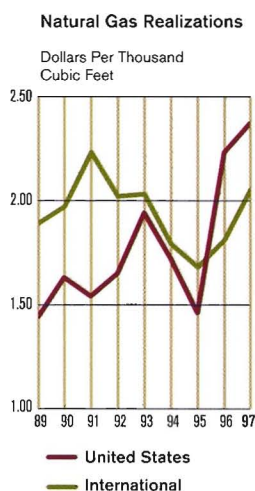
### NATURAL GAS LIQUIDS SALES<sup>3</sup>

Thousands of Barrels Per Day	1997	1996	1995	1994	1993
United States	132	187	213	215	211
International	43	36	47	34	37
<b>Total</b>	<b>175</b>	<b>223</b>	<b>260</b>	<b>249</b>	<b>248</b>

<sup>1</sup> U.S. natural gas realizations are based on revenues from net production. International natural gas realizations are based on revenues from liftings. International realizations include equity in affiliates.

<sup>2</sup> U.S. realizations are based on crude oil revenues from net production and include intercompany sales at transfer prices that are at estimated market prices. International realizations are based on crude oil and natural gas liquids revenues from liftings. International realizations include equity in affiliates.

<sup>3</sup> Beginning in 1996, includes equity share of sales by NGC Corporation.



# UPSTREAM OPERATING DATA

## Net Wells Completed and Producing

		Year Ended December 31				
<b>NET WELLS COMPLETED<sup>1, 2, 3</sup></b>		<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>
<b>United States</b>						
Exploratory	– Oil	28	44	37	24	27
	– Gas	28	76	64	29	5
	– Dry	31	25	24	17	14
<b>Total</b>		<b>87</b>	<b>145</b>	<b>125</b>	<b>70</b>	<b>46</b>
Development	– Oil	487	306	250	156	240
	– Gas	130	179	31	38	53
	– Dry	6	8	6	5	11
<b>Total</b>		<b>623</b>	<b>493</b>	<b>287</b>	<b>199</b>	<b>304</b>
<b>Total United States</b>		<b>710</b>	<b>638</b>	<b>412</b>	<b>269</b>	<b>350</b>
<b>International</b>						
Exploratory	– Oil	10	20	13	24	26
	– Gas	7	15	12	36	4
	– Dry	7	24	31	44	39
<b>Total</b>		<b>24</b>	<b>59</b>	<b>56</b>	<b>104</b>	<b>69</b>
Development	– Oil	82	63	45	54	60
	– Gas	7	7	3	3	7
	– Dry	1	5	3	4	12
<b>Total</b>		<b>90</b>	<b>75</b>	<b>51</b>	<b>61</b>	<b>79</b>
<b>Total International</b>		<b>114</b>	<b>134</b>	<b>107</b>	<b>165</b>	<b>148</b>
<b>Worldwide</b>		<b>824</b>	<b>772</b>	<b>519</b>	<b>434</b>	<b>498</b>

### EXPLORATION AND DEVELOPMENT COSTS<sup>3</sup>

Millions of Dollars

Year Ended December 31

United States										
Exploration Costs	\$	360	\$	425	\$	312	\$	209	\$	183
Development Costs	\$	918	\$	603	\$	453	\$	416	\$	475
International										
Exploration Costs	\$	420	\$	372	\$	345	\$	308	\$	340
Development Costs	\$	990	\$	1,059	\$	1,208	\$	779	\$	805

### NET PRODUCING WELLS<sup>1, 3</sup>

At December 31

United States						
Wells – Oil <sup>4</sup>	9,308	10,102	8,771	9,208	8,186	
– Gas	1,611	1,441	1,362	1,314	1,236	
Total United States	10,919	11,543	10,133	10,522	9,422	
International						
Wells – Oil	1,599	1,417	1,429	1,451	1,453	
– Gas	206	154	145	138	121	
Total International	1,805	1,571	1,574	1,589	1,574	
Worldwide	12,724	13,114	11,707	12,111	10,996	

<sup>1</sup> Net wells include all those wholly owned and the sum of fractional interests in those that are joint ventures, unit operations or similar wells. Producing wells exclude shut-in wells.

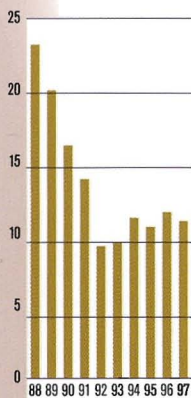
<sup>2</sup> Indicates the number of wells completed during the year regardless of when drilling was initiated. Completion refers to the installation of permanent equipment for the production of oil or gas or, in the case of a dry well, the reporting of abandonment to the appropriate agency.

<sup>3</sup> Consolidated companies only.

<sup>4</sup> Beginning in 1994, net producing wells include injection wells temporarily functioning as producing wells.

Net U.S. Wells  
Producing at  
Year End

Thousands





# WORLDWIDE DOWNSTREAM

## Business Description

One of the largest marketers of petroleum products in the United States, Chevron Products Company engages in the refining and marketing of petroleum products, in transportation of crude oil and refined products over much of the United States and in oil trading and the lubricants business internationally. Chevron Products Company is coming off a strong performance in 1997 with earnings being the highest since 1988. In Canada, Chevron markets

petroleum products in British Columbia, where it continued its strong earnings performance in spite of increased competition. Chevron's international downstream equity affiliate, Caltex Petroleum Company, through its subsidiaries and affiliates, is involved in the downstream business in about 60 countries through its refining, distribution, shipping, storage, marketing, supply and trading operations.

Chevron markets refined products through 7,700 retail outlets in the United States. Chevron ranks among the top three gasoline marketers in 14 states, with principal markets located in the west, southwest and south. In Canada, Chevron continues to be a market leader in the British Columbia area. In 1997, Chevron disposed of certain downstream assets in the United Kingdom, including its retail network, lubricants and commercial fuels business, and ceased processing operations at its 115,000-barrel-per-day refinery located near Milford

Haven, Wales. Chevron continues to own six refineries in the United States and one refinery in Canada.

Caltex participates in its markets through a system of 7,900 retail outlets and interests in 13 refineries, located mostly in the Asia-Pacific region. In the next three years, Caltex's focus is to stimulate retail growth, introduce the company's new image, and continue to explore opportunities in frontier markets such as China, India, Indonesia and Vietnam.

Chevron purchases, sells, trades and transports crude oil, natural gas, liquefied petroleum gas (LPG), liquefied natural gas (LNG), refined and other products by vessels and pipeline. Chevron's fleet consists of 39 vessels, which continued its excellent safety record in 1997. The company owns net interests in 10,800 miles of crude oil, natural gas, petroleum product and chemical pipelines.

### WORLDWIDE DOWNSTREAM FINANCIAL AND OPERATING HIGHLIGHTS

(Excludes Equity Interest in Caltex Petroleum Corporation)<sup>1</sup>

	1997	1996
Reported Earnings (Millions of Dollars)	\$ 647	\$ 11
Earnings Excluding Special Items (Millions of Dollars)	\$ 782	\$ 330
Fuel Refinery Inputs (Thousands of Barrels Per Day) <sup>2</sup>	1,039	1,075
Average Fuel Refinery Capacity (Thousands of Barrels Per Day) <sup>2, 3</sup>	1,098	1,108
Percentage of Refining Capacity Utilized	95	97
U.S. Mogas/Jet Yields (Percent of U.S. Refinery Production)	64	65
Refined Product Sales (Thousands of Barrels Per Day)	1,502	1,472
Motor Gasoline Sales (Thousands of Barrels Per Day)	679	645
Number of Service Stations at Year End	7,939	8,389
Total Number of Controlled Seagoing Vessels	39	43
Cargo Transported by Controlled Vessels (Millions of Barrels)	298	312
Total Net Pipeline Mileage	10,689	10,781
Refining Capital Expenditures (Millions of Dollars)	\$ 215	\$ 179
Marketing Capital Expenditures (Millions of Dollars)	\$ 284	\$ 237
Transportation Capital Expenditures (Millions of Dollars)	\$ 82	\$ 71

<sup>1</sup>Discussion of Caltex Petroleum Corporation operations can be found on pages 37-39.

<sup>2</sup>Refinery Input and Capacity represent volumes at fuel refineries only.

<sup>3</sup>Average capacity is based on capacity at the beginning and end of year, adjusted for sales and closures of refineries.

## MARKETING - UNITED STATES

### COMPETITIVE POSITION

- Ranks among top three gasoline marketers in 14 states.
- Primary markets are located in the fastest-growing areas of the United States - the west, southwest and south.
- The top seller of aviation fuel in the west and among the top three sellers of asphalt.

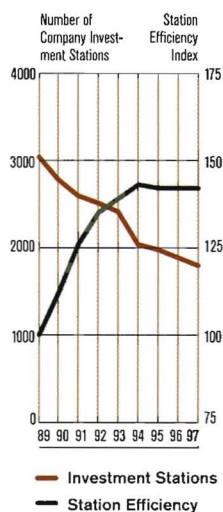
### BUSINESS STRATEGIES

Chevron Products Company's Vision is to be *Customer Driven*. To make the Vision a reality, Chevron must:

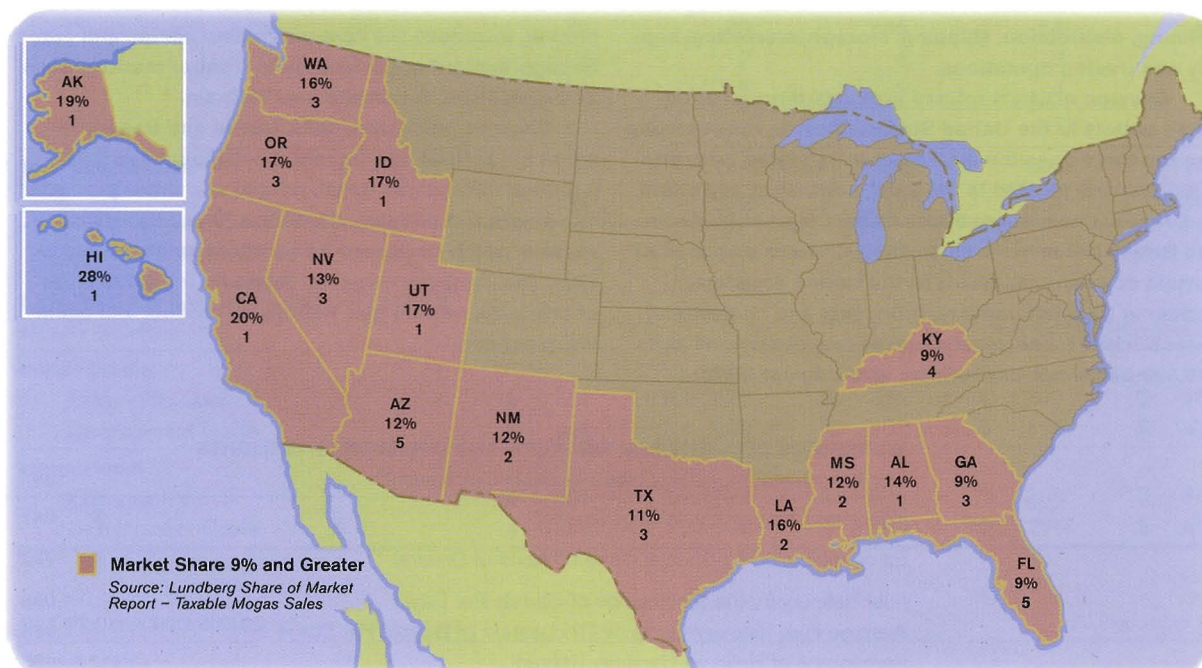
- Become the leading branded gasoline marketer and convenience retailer in the west and the Sun Belt.
- Build a global, high-value base oil and finished lubricants business.

- Sustain position as the leading marketer of aviation fuels and diesel in the west.
- Lead the industry in safety, reliability, and incident-free operations while achieving predictability in all operations.
- Use existing refining system to supply customer demands with minimal capital additions.
- Build and acquire the people skills and behaviors needed to achieve the Vision.
- Aggressively redesign key work processes to achieve superior performance at lower cost than competitors.

U.S. Company Investment Stations/  
Efficiency Index\*



\*Efficiency index indicates the relative average throughput for company investment service stations, using 1989 as the base year with an index of 100.



Chevron Motor Gasoline Sales - Market Share Percent and Ranking



**MARKETING - UNITED STATES****1997 ACCOMPLISHMENTS**

- Continued aggressive expansion of "FastPay" network, now available at 4,100 stations nationwide. FastPay allows credit card customers to pay at the pump with credit authorization completed in about five seconds using satellite data transmission.
- Offered extensive retail training courses at Chevron University including brand management, customer service, personnel management, loss prevention and Chevron's Consistently Outstanding Retail Experience (CORE) operating processes. Expanded C-Store merchandising training and established the Retail Jobber Business School.
- Added key programs to Chevron's convenience store retailing to accelerate profit growth, installing 430 ATMs in 90 days, state-of-the-art fountain equipment and a fresh ground coffee program. These actions resulted in average gross profit dollars per store growing at three times the industry average rate.
- Continued development of co-branded Chevron/McDonald's convenience retail outlets. As of year-end, 75 sites were open in the west and southwest.
- Continued to implement new strategies at Credit Card Enterprises (CCE) to increase financial returns and improve customer service while maintaining expense levels. CCE has continued to develop revenue opportunities from its direct-mail marketing of quality services and goods to Chevron's 7 million credit card customers, the largest active credit card base in the petroleum industry.
- Improved image and service throughout the retail network by ongoing performance enhancement under the new Service and Satisfaction program. The program focuses on the key drivers of improved customer satisfaction: friendly service, clean stations, safety and reliability.
- Continued the deployment of the Product Integrity initiative directed at ensuring that products marketed by Chevron consistently meet or exceed high quality standards.
- Initiated a new incident-prevention program focused on reinforcing safe employee behaviors.
- Continued the evolution to team-based management for terminalling and transportation operations.

**MARKETING - CANADA****COMPETITIVE POSITION**

- Chevron Canada Limited markets in western Canada, primarily British Columbia.
- Market leader in transportation fuels in British Columbia through branded proprietary retail and cardlock facilities.
- Network of Town Pantry convenience stores is the largest gasoline convenience store network in British Columbia.
- Retail network of approximately 190 stations has the highest per-station throughput in British Columbia.

**BUSINESS STRATEGIES**

- Grow high-value branded gasoline and distillate business by offering the highest quality products and services.
- Increase non fuel revenue by growing the Town Pantry convenience store network and improving merchandising.
- Continue focus on leading the industry in environmental practices, safety, and community outreach.

- Use information technology to improve customer service and upgrade business support systems.
- Improve work processes and practices to be more cost efficient.

**1997 ACCOMPLISHMENTS**

- Continued strong earnings performance in the face of increasing competition in all markets.
- Maintained number-one position in customer satisfaction survey of retail gasoline customers.
- Implemented Debit at the Pump throughout the retail network, a market first for debit card usage at retail outlets.
- Introduced a branded deli "Bread Garden" at selected Town Pantry stores.



## REFINING

## COMPETITIVE POSITION

- One of the largest crude oil refiners in the United States. Refining capacity is generally located in regions experiencing growth in demand for refined products, particularly the west and southeast.
- Pascagoula, El Segundo and Richmond, Chevron's three larger refineries, benchmark among the top operational performers in their respective areas. The West Coast facilities have reliably produced over 5 billion gallons of California-mandated cleaner burning gasoline since its introduction in 1996.
- El Paso, Hawaii and Salt Lake, the three smaller refineries, are well positioned to take advantage of growing or niche markets.
- The Burnaby Refinery, the only refinery in Chevron Canada Limited's major marketing area, provides product for marketing operations in western Canada.

## BUSINESS STRATEGIES

- Committed to meeting the needs of the core customer-driven businesses – quality gasoline, lubricants, aviation fuel and diesel. These products will be provided on-test the first time, delivered on time and for the agreed-upon volume.
- Ensure safe, reliable and incident-free operations by using safe operating practices, training employees, improving equipment reliability and complying with all environmental and safety standards.

- Achieve lowest sustainable operational cost by operating refineries efficiently and reducing operating expenses and cost of goods sold without compromising safety or environmental standards.
- Strive to maximize economic utilization of assets and optimize feed selection and yields.
- Leverage efforts throughout refinery system to take advantage of economies of scale. Identify and incorporate "Best Practices" in all operations.
- Develop loyal customers by continuously improving the quality of products and services and providing them reliably and predictably.

## 1997 ACCOMPLISHMENTS

- Continued to improve relations with communities in which refineries operate through comprehensive community outreach programs.
- Continued to sustain gains in safety performance with the objective of making further improvements.
- Recorded a 60 percent reduction in loss rate due to incidents from the previous three-year average at U.S. refineries.
- Reduced operating expenses by 7 percent or \$0.40 per barrel versus previous two-year average at U.S. refineries.





**CHEVRON'S WORLDWIDE REFINERIES (Excluding CALTEX)****PASCAGOULA, MISSISSIPPI**

The Pascagoula Refinery, with a refining capacity of 295,000 barrels per day, is Chevron's largest refinery. Pascagoula continues to be one of the premier crude processing facilities in the world, with the capability to efficiently convert heavier grades of crude oil into valuable light products. Pascagoula's competitive position is enhanced by Chevron Chemical's petrochemical production facilities at the refinery, which produce high-value benzene (a chemical building block) from lower-value refining feedstocks. The refinery also produces paraxylene.

**EL SEGUNDO, CALIFORNIA**

The El Segundo Refinery has a rated capacity of 260,000 barrels per day and continues as a top competitor in the Los Angeles Basin, the world's largest gasoline market. Utilizing upgraded equipment completed in 1995 at a cost of about \$700 million, the refinery has consistently met regional clean air requirements and produced California-mandated cleaner burning motor gasoline and diesel fuel. Upgrades included a new Continuous Catalytic Reformer, a new Alkylation plant, and most recently, a Fluid Catalytic Cracker to improve reliability and efficiency.

**RICHMOND, CALIFORNIA**

The Richmond Refinery is able to process 225,000 barrels per day of crude oil using one modern crude unit. Cogeneration improves the facility's energy efficiency and makes the refinery nearly electrically self-sufficient. State-of-the-art lube oil facilities efficiently manufacture high-quality lube base stocks. Richmond also spent a total \$700 million to upgrade and expand the facility's aging Alkylation and Fluid Catalytic Cracking units to enable the production of California-mandated cleaner burning gasoline. The upgraded units are also more efficient and cost-effective to operate.

**EL PASO, TEXAS**

The El Paso Refinery has a capacity of 90,000 barrels per day through integration with the former El Paso Refining Company facilities (Chevron's share is 65,000 barrels per day). The facility's reliability, operational efficiency, safety and environmental performance continue to improve. While experiencing growing competition with products moving from the east into this area, the expanding markets in the southwest and along the Mexican border continue to present excellent opportunities.

**HONOLULU, HAWAII**

The Hawaii Refinery has 54,000 barrels per day crude capacity and supplies 60 percent of Hawaii's gasoline market. Upgrades in recent years have made the refinery energy self-sufficient, reduced operating costs and improved operating efficiency. The recent replacement of the crude unit furnaces further improved energy efficiency and reliability.

**SALT LAKE CITY, UTAH**

The Salt Lake Refinery has a rated capacity of 45,000 barrels per day and processes locally produced, low-cost, high sulfur crude oil into valuable light products. Recently completed projects have allowed the refinery to be a low-cost producer of low sulfur diesel and gasoline and improved the efficiency and reliability of the crude unit furnace. Of the 17 refineries competing in the region, the Salt Lake Refinery is one of only five to operate coking facilities. The coking facility enables Salt Lake to produce in excess of 90 percent premium high-value products from total input.

**BURNABY, BRITISH COLUMBIA, CANADA**

The 50,000-barrel-per-day Burnaby Refinery processes crude oil into light products and asphalt for the British Columbia market. Work began in 1997 on a \$30 million project that will allow the refinery to produce cleaner gasoline as required by legislation for January 1, 1999. This project will include a new Penex and Isomerization unit, a new waste-heat boiler and modifications to existing reformer and sulfur removal installations. An expansion of the 50 percent-owned Alberta Envirofuels MTBE plant in Edmonton, Alberta, was completed in 1997, raising capacity to 18,000 barrels per day. Chevron's share of this production is terminalled by pipeline to the Burnaby Refinery for shipment to the California market.

### GLOBAL LUBRICANTS BUSINESS STRATEGIES

- Continue to grow North American business.
- Aggressively grow a branded lubricants business in select markets of Latin America and select Eastern Hemisphere countries.

### 1997 ACCOMPLISHMENTS

- Implemented strategies to expand eastern U.S. market position in heavy duty motor oils and industrial oils.
- Started a \$70 million expansion of the Richmond Lube Oil Plant to enhance quality and to manufacture a broader range of products, including new premium lubes.

- Continued to grow the lubricants business in Latin America, with focus on Argentina, Peru and Colombia.
- Grew marine lubes profits.
- Continued strong improvement toward incident-free operations; on-the-job OSHA reportable incident rate showed a dramatic drop from the 1996 record-setting performance to one of the lowest rates in the industry.

### TECHNOLOGY MARKETING BUSINESS STRATEGIES

- Maintain the superiority of Chevron's hydroprocessing plant design offerings to the industry.
- Continue to enhance position as one of the leaders in hydroprocessing catalyst technology and sales worldwide.

### 1997 ACCOMPLISHMENTS

- Maintained leadership in licensing lube base oil technology:
  - Star Refining, Texas, selected ISODEWAXING (Chevron's patented lube base oil production technology) for production of next generation lubes base oils.
  - BORL, a joint-venture company formed between Bharat Petroleum, India, and the Oman Oil Co., Sultanate of Oman, licensed Chevron's integrated ISO-CRACKING and ISODEWAXING for producing diesel fuels and high quality lubricant base oils in their new Bina Refinery in India.

- Extended worldwide recognition as premium supplier of process and catalyst technology in residuum hydroprocessing (desulfurization and conversion to lighter products of heavy crude oil fractions).
  - SINOPEC QiLu Petrochemical Corporation in China selected Chevron Onstream Catalyst Replacement technology for a 2.4 million barrels per annum residuum upgrading project to process sour crudes and to expand refinery capacity.
  - Sukhothai selected Chevron technology for a new Vacuum Residuum Desulfurization unit planned to be built in Thailand.
- Three major new customers were added to Chevron's customer base:
  - Agip's Taranto Refinery in Italy
  - Kuwait National Petroleum Corporation's Mina Al-Ahmadi Refinery in Kuwait
  - Natref's Sasolburg Refinery in South Africa



## CALTEX PETROLEUM CORPORATION

Chevron's 50 percent-owned international downstream affiliate, Caltex Petroleum Corporation (Caltex) continues to see long-term growth in product demand throughout its operating area, which comprises more than 60 countries. Through its subsidiaries and affiliates, Caltex is involved in all aspects of the downstream business: refining, distribution, shipping, storage, marketing, supply and trading operations.

Caltex sales of refined products were 1.2 million barrels per day in 1997. Caltex maintains a strong marketing presence through 7,900 retail outlets, of which 4,600 are branded as Caltex. Caltex also operates 305 Star Mart convenience stores. A significant portion of the \$2.3 billion that Caltex plans to invest over the next three years is targeted to stimulate retail growth and introduce the company's new corporate and retail image. The fresh identity for service stations and new Star Mart convenience stores, begun in 1996, will continue country by country over the next several years. The goal is to become the brand of choice in its markets.

Caltex has interests in 13 fuel refineries with equity throughput of more than 830,000 barrels per day in 1997. Additionally, it has interests in two lubricant refineries, six asphalt plants, 17 lubricating oil blending plants and more than 500 ocean terminals

and depots. Also, Caltex and its affiliates own or have equity interests in a number of pipelines. Recent major upgrades at refineries, such as the expansion of capacities at Korea and Singapore, combined with the new grass-roots Star Refinery in Thailand, have established Caltex as a major supplier of refined products.

Caltex's international supply and trading organization is headquartered in Singapore. This organization provides 24-hour service to the Caltex system and to third parties who require crude oil, feedstocks, base oils and refined products.

Affiliates in Japan and South Korea are active in the petrochemicals business. Their plants convert lower-value refinery output into products such as polypropylene, benzene and paraxylene, thus providing Caltex the opportunity to market a wider range of higher-value products.

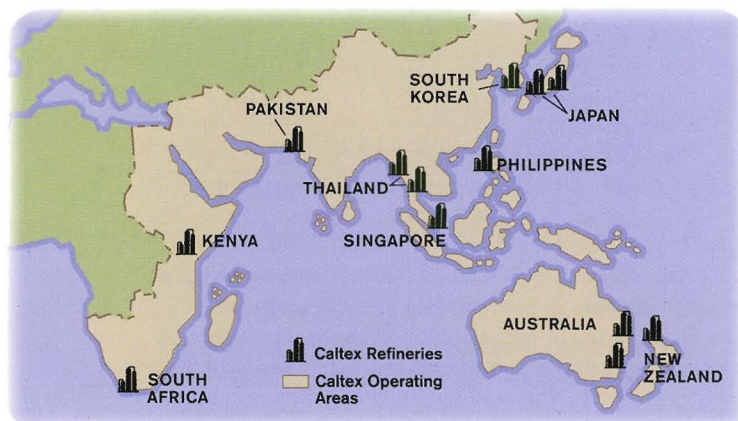
### CALTEX

#### BUSINESS STRATEGIES

- Actively manage the portfolio to increase shareholder value.
- Improve efficiency and effectiveness of operations for maximum value generation.
- Continue new site acquisition to ensure representation in key markets.
- Improve marketing position in all countries where Caltex does business.
- Continue to reduce operating expenses to secure high net margins in each market.
- Fully develop and utilize a high-performing work force.
- Achieve top competitive performance in each market.

#### 1997 ACCOMPLISHMENTS

- Progressed its new image program, with the goal of re-imaging over 3,000 branded sites by 2000.
- Continued refinery upgrade projects including instrumentation modernization at the Batangas Refinery in the Philippines.
- Enhanced Caltex's lead role in Australia through an affiliate's acquisition of a controlling interest in Australian Petroleum Pty. Ltd. (APPL).
- Continued to make inroads into emerging countries such as China, Vietnam, Indonesia and India by entering selected product markets.
- Increased market share in Thailand by acquiring British Petroleum Inc.'s retail service station network, consisting of 47 sites.
- Entered the Independent Power Producer (IPP) market in Japan.



### ASIA-PACIFIC

The Asia-Pacific region, in spite of its recent currency and economic crisis, is forecasted to have a stronger long-term economic outlook than the rest of the world. Caltex has been an active participant in this area by being a major player in mature markets, by expanding its role in growth markets and by actively pursuing opportunities in emerging countries.

#### THAILAND

Despite current economic instability, Thailand is poised to benefit in the long term from internally generated growth and anticipated growth in the surrounding areas including Laos, Vietnam and Cambodia. Caltex participates in this market with about 600 retail outlets. Caltex plans to complete the re-imaging program for its retail network by the end of 2000 and to pursue additional market share by acquiring more sites.

A grass-roots 130,000-barrels-per-day Star Refinery at Map Ta Phut came on stream in 1996. Caltex owns 64 percent of this refinery, a joint venture with the Thai government. Plans to debottleneck the crude distillation unit and the Resid Fluid Catalytic Cracker have been approved with project completion targeted for the end of 1998. In 1997, Caltex agreed to integrate the operations of this refinery with a nearby Shell refinery.

#### SOUTH KOREA

Caltex is represented in Korea's refining, marketing and petrochemical sectors through LG-Caltex Oil Corporation, its 50 percent joint venture with the LG Group. LG-Caltex is one of Korea's largest marketers with 2,650 service stations and a retail market share of about 30 percent.

With stricter environmental regulations established in South Korea, Caltex is reviewing various projects at LG-Caltex's Yochon Refinery aimed at reducing emissions. Projects include adding an alkylation unit, a new hydrocracker and wharf construction. These upgrades follow a recent \$1 billion expansion and upgrade in 1996, which added crude and desulfurization capacity and raised the overall refinery capacity to 600,000 barrels per day.

#### JAPAN

Having completed the sale of its share in Nippon Petroleum Refining Company, Caltex continues to conduct business in Japan as a refining company through its 50 percent interest in Koa Oil Co. (Koa), and as a marketer of lubricating oils. Koa's two refineries, Marifu and Osaka, have a total capacity of 230,000 barrels per day. Due to industry deregulation, which has led to the free import of products and lowered gasoline prices, Caltex's main focus through 2000 will be to accelerate its ongoing cost-reduction programs to remain competitive.

With the start-up of its power plant in Osaka in 1998, Koa will become the first refining company in Japan to supply electric power into the national grid. It has recently been awarded two power supply contracts with Kansai Electric Power Co., representing the company's first venture in the IPP market.

#### PHILIPPINES

Caltex is a major retailer in the Philippines, with over 900 retail outlets and a 30 percent retail market share. Marketing will continue to upgrade and standardize retail sites through implementation of the new brand image program, including a major expansion of the Star Mart network.

The company operates a wholly owned 72,000-barrels-per-day refinery at Batangas. An instrument modernization project currently under way will accelerate efficiency and productivity improvements in refinery operations. Planned refinery investments are aimed at maintaining and enhancing existing operations and meeting stringent quality requirements.

#### HONG KONG

Caltex is a major marketer of petroleum products in Hong Kong. Its retail network includes 49 service stations with a market share of about 30 percent. Also, Caltex is a significant supplier of lubricating oils to the local market.

#### MALAYSIA

Caltex has a market share of 15 percent in Malaysia through 283 retail outlets selling gasoline, diesel and lubricants. The company is planning an aggressive retail investment program to pursue growth in the core retail business through the addition of new outlets and conversion to the new image at selected existing retail outlets. Also planned is an expansion of its Star Mart activity and selective partnering with Quick Service Restaurants.

#### SINGAPORE

Caltex operations in Singapore include refining, retail marketing, terminalling, and crude and products trading.

The company holds a one-third interest in Singapore Refining Company, which operates a 285,000 barrels per day refinery. Caltex markets gasoline and diesel through 32 service stations. Plans call for improving retail effectiveness through the re-imaging program in the next several years.



Through its Tanjong Penjuru Terminal, which has a capacity of 3.2 million barrels, Caltex is the largest fuel oil blender in Singapore. Caltex also operates a lube oil blending plant at the terminal.

Singapore is the location for the company's worldwide trading headquarters. The trading organization handles the sales and acquisition of crude and products for the entire Caltex system. The Singapore office also coordinates crude and product deliveries throughout the Caltex system via chartered vessels.

#### AUSTRALIA

In 1997, Caltex Australia Limited (CAL) gained control of APPL by acquiring Pioneer International Ltd.'s interest in the company. As a result of the transaction, Caltex's equity in CAL declined from 75 percent to 50 percent and its indirect equity in APPL increased to 50 percent from 37.5 percent. APPL is the country's largest oil company with a market share of 30 percent. The top priority for APPL is to continue to be a low-cost supplier.

The company has a network of approximately 1,080 company-controlled sites. While maintaining market share, APPL plans to pare down the number of retail sites and expand convenience stores at selected locations. The two APPL refineries, a 109,000-barrels-per-day refinery near Sydney and a 100,000-barrels-per-day refinery near Brisbane, will be modified to run lower cost crudes and to maximize mid-distillates production.

#### MIDDLE EAST AND AFRICA

Caltex refines, markets, transports and trades crude oil and products in the Middle East and eastern and southern Africa.

#### SOUTH AFRICA

Caltex is a leading marketer with about 1,000 retail outlets. Caltex operates a wholly owned 112,000-barrels-per-day refinery in Cape Town. Refining investment plans call for maintaining and enhancing existing capacities and installing a tail-gas treating unit to address environmental emission concerns. Retail investments will continue to be directed toward protecting market share by renovating and re-imaging existing sites.

In Durban, Caltex operates a lube blending plant and has a share in a lube oil refinery.

#### FRONTIER AREAS

Caltex continues to assess opportunities to develop business in countries that are slowly opening their doors to foreign investment. The frontier strategy is aimed at developing and improving market position in specific sectors of the business.

#### CHINA

Caltex's current focus in China is to participate in the retail, LPG and lubes markets. The company operates 46 gasoline service stations in China, primarily in the south near Hong Kong. Caltex is building a lube oil blending plant in Tianjin, scheduled for completion in

mid-1999. It will supply Caltex markets in north China. Caltex is also involved in a joint venture with the Shanghai Gaoqiao Refinery, for lube blending and marketing, which supplies central China.

Current major projects include the construction of a breakbulk cavern storage terminal for imported LPG in Shantou to be completed by mid-1999. In addition, plans call for a network of coastal LPG depots/bottling plants.

#### VIETNAM

Caltex's plans in Vietnam focus on development of markets for lubricants, LPG and asphalt. Caltex is currently marketing lubricants in Vietnam through a network of 27 distributors and 700 branded outlets. The company is finalizing plans for the construction of a blending and grease plant in Haiphong scheduled to commence production in early 1999.

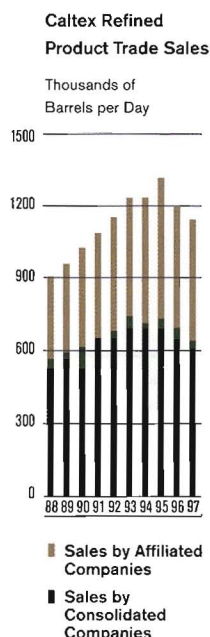
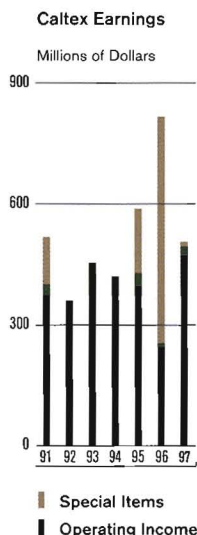
A bulk asphalt terminal is under construction in Haiphong and is scheduled to be operational by September 1998. For the LPG market, plans are being developed for the construction of a pressurized terminal and bottling facility in Ho Chi Minh City.

#### INDONESIA

Caltex is working with local partners to establish a retail presence in Jakarta in 1998 by developing retail stations complete with convenience stores. These sites will be built to Caltex's latest design utilizing the new retail image. Also, Caltex expects to finalize agreements soon on a joint venture lube oil blending plant.

#### INDIA

Caltex operates a lube blending facility on the east coast, in partnership with a local blender. A revised marketing strategy increases emphasis on developing new distributor networks and focuses on a planned entry into the industrial and marine sectors. Caltex also plans to commence importation and marketing of LPG by late 1999.



## SHIPPING

Chevron's marine transportation operations support the company's worldwide crude and product supply, distribution and trading activities. The company's major shipping routes include ports in the Middle East, the Far East, West Africa, the Caribbean, and the East, Gulf and West coasts of the United States.

Chevron's fleet consists of 39 owned, bareboat and time chartered vessels of which 34 carry international flags. Chevron also charters 25 to 35 more ships on a term or single-voyage basis at any given time.

## ASSET MANAGEMENT

Chevron began a program of Very Large Crude Carrier (VLCC) fleet replacement. In 1996, Chevron committed to take delivery in 1999 of two 308,500 deadweight ton (DWT) double-hull tankers currently being built. In 1997, Chevron agreed on two additional 308,500 DWT double-hull tankers being built for delivery in late 1999 and early 2000. As part of the tanker acquisition strategy, these vessels are leased for eight years with extension options to provide flexible coverage of shipping

requirements while hedging asset value risk. These VLCC additions, along with the sale of one double-hull domestic fleet vessel in 1997 and a second in 1998, will maintain the double-hull proprietary fleet complement at 40 percent. This percentage is expected to increase through the acquisition of new vessels and the retirement of older ships.

## SAFETY AND ENVIRONMENTAL PERFORMANCE

Chevron's tankers maintained their exemplary safety and environmental records in 1997. Of the half billion barrels of crude oil and product carried by ships operated or chartered by the company, only 12 barrels were spilled overboard.

The company continues to participate in many worldwide efforts directed toward improving industry safety and environmental standards and it continues to play a leadership role in the Marine Preservation Association, which funds the industry's major U.S.-oil-spill response organization.

VESSELS	1997		1996		1995		1994		1993	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
<b>Number of Controlled Seagoing Vessels by Size, DWT<sup>1, 2</sup></b>										
<b>Company-Operated<sup>3</sup></b>										
25,000 – 45,000	4	6	5	6	5	6	5	6	5	6
45,000 – 80,000	1	2	1	2	1	2	2	4	2	4
80,000 – 160,000	-	14	-	14	-	14	-	12	-	12
VLCCs: 160,000 – 320,000	-	6	-	6	-	6	-	7	-	9
ULCCs: Above 320,000	-	1	-	1	-	1	-	1	-	1
<b>Total Company-Operated</b>	<b>5</b>	<b>29</b>	<b>6</b>	<b>29</b>	<b>6</b>	<b>29</b>	<b>7</b>	<b>30</b>	<b>7</b>	<b>32</b>
<b>Time-Chartered</b>										
Up to 25,000	-	1	-	3	-	3	-	2	-	2
25,000 – 45,000	-	1	-	1	-	-	-	1	-	1
45,000 – 80,000	-	2	-	3	-	3	-	3	-	3
80,000 – 160,000	-	1	-	1	-	1	-	2	-	3
<b>Total Time-Chartered</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>9</b>
<b>Total Controlled Seagoing Vessels</b>	<b>5</b>	<b>34</b>	<b>6</b>	<b>37</b>	<b>6</b>	<b>36</b>	<b>7</b>	<b>38</b>	<b>7</b>	<b>41</b>
<b>Cargo Transported<sup>2, 4</sup></b>										
Millions of Barrels	69	229	71	241	70	248	82	253	75	271
Thousands of Barrels Per Day	189	627	194	657	191	680	224	695	205	744
Billions of Ton Miles	5	180	7	186	7	176	9	207	8	261

<sup>1</sup> Consolidated companies only.

<sup>2</sup> Excludes vessels jointly owned by Chevron and partners: eight LNG vessels employed in the Australian North West Shelf Project, one vessel at Hibernia and one vessel chartered by Tengizchevroil.

<sup>3</sup> Includes owned and bareboat-chartered.

<sup>4</sup> Includes cargo carried by company-operated and time-chartered vessels; excludes single voyage charters.





Chevron Pipe Line Company Owned and/or Operated Pipelines

**NET PIPELINE MILEAGE<sup>1, 2</sup>**

Includes Equity in Affiliates (except NGC Corporation)

	1997	1996	1995	1994	1993
<b>Crude Oil Lines</b>					
United States	4,139	4,333	5,794	5,770	6,320
International	1,009	801	772	785	747
<b>Worldwide - Crude Oil Lines</b>	<b>5,148</b>	<b>5,134</b>	<b>6,566</b>	<b>6,555</b>	<b>7,067</b>
<b>Natural Gas Lines</b>					
United States	615	594	437	445	613
International	265	227	228	205	197
<b>Worldwide - Natural Gas Lines</b>	<b>880</b>	<b>821</b>	<b>665</b>	<b>650</b>	<b>810</b>
<b>Product Lines</b>					
United States	4,698	4,845	5,737	5,513	5,319
International	104	98	96	121	142
<b>Worldwide - Product Lines</b>	<b>4,802</b>	<b>4,943</b>	<b>5,833</b>	<b>5,634</b>	<b>5,461</b>
<b>Total Pipeline Mileage</b>	<b>10,830</b>	<b>10,898</b>	<b>13,064</b>	<b>12,839</b>	<b>13,338</b>

<sup>1</sup> Partially-owned pipelines are included at the company's equity percentage of total pipeline mileage.

<sup>2</sup> Includes net pipeline mileage under transportation function. Excludes gathering pipelines relating to U.S. production function.

### REFINING CAPACITIES AND INPUTS

(Includes Equity in Affiliates)

(Includes Equity in Affiliates)	Capacity	Refinery Inputs				
Thousands of Barrels Per Day	12/31/97	1997	1996	1995	1994	1993
<b>United States – Fuel Refineries</b>						
El Paso, Texas <sup>1</sup>	64.8	59.9	60.4	57.6	59.1	62.8
El Segundo, California	260.0	203.4	222.9	220.8	227.1	233.4
Honolulu, Hawaii	54.0	53.4	53.9	54.7	55.5	47.5
Pascagoula, Mississippi	295.0	312.5	312.9	281.8	324.1	282.7
Richmond, California	225.0	219.6	220.3	202.4	220.3	228.6
Salt Lake City, Utah	45.0	40.8	39.6	40.9	42.8	42.2
Philadelphia, Pennsylvania <sup>2</sup>	–	–	–	–	93.5	183.8
Port Arthur, Texas <sup>3</sup>	–	–	–	26.1	158.0	176.6
<b>Total United States – Fuel Refineries</b>	<b>943.8</b>	<b>889.6</b>	910.0	884.3	1,180.4	1,257.6
<b>United States – Asphalt Plants</b>						
Perth Amboy, New Jersey	80.0	34.1	32.1	32.6	24.0	43.0
Portland, Oregon	16.0	6.1	6.1	5.3	5.5	3.7
Richmond Beach, Washington	6.2	3.0	2.8	2.6	2.9	3.1
<b>Total United States – Asphalt Plants</b>	<b>102.2</b>	<b>43.2</b>	41.0	40.5	32.4	49.8
<b>Total United States</b>	<b>1,046.0</b>	<b>932.8</b>	951.0	924.8	1,212.8	1,307.4
<b>International</b>						
Burnaby, British Columbia, Canada	50.0	48.7	48.7	46.7	47.1	42.9
Milford Haven, Wales, United Kingdom <sup>4</sup>	–	100.8	116.7	100.1	116.0	120.5
<b>Total International</b>	<b>50.0</b>	<b>149.5</b>	165.4	146.8	163.1	163.4
<b>Caltex Refineries<sup>5</sup></b>						
Australia-Brisbane [37.5%] <sup>6</sup>	37.5	34.1	33.8	23.3	–	–
Australia-Sydney [37.5%] <sup>7</sup>	40.9	43.7	44.4	52.3	82.7	83.7
Japan-Marifu [50%]	63.5	55.0	50.7	55.8	49.9	51.0
Japan-Osaka [50%]	52.0	38.5	39.3	38.0	45.3	38.0
Kenya-Mombasa [11.75%]	9.1	4.2	4.2	4.4	5.0	5.2
New Zealand-Whangarei [12.69%] <sup>8</sup>	13.3	11.9	10.5	9.5	9.8	9.4
Pakistan-Karachi [12%]	5.2	5.9	5.6	6.0	5.6	5.5
Philippines-Batangas [100%]	71.5	69.4	69.0	66.3	60.1	56.4
Singapore-Pualau Merilimau [33.3%] <sup>9</sup>	105.8	101.9	101.3	71.9	72.8	72.5
South Africa-Cape Town [100%]	112.0	85.6	63.6	67.8	77.6	58.0
South Korea-Yocheon [50%]	300.0	285.6	186.7	179.2	185.4	185.6
Thailand-Map Ta Phut [64%]	83.2	86.1	39.4	–	–	–
Thailand-Sriracha [4.75%]	10.5	10.0	9.4	10.3	8.9	3.8
Bahrain [40%] <sup>10</sup>	–	–	26.6	100.4	99.0	98.9
Japan-Muroran [50%] <sup>11</sup>	–	–	19.2	59.3	67.6	57.4
Japan-Negishi [50%] <sup>11</sup>	–	–	39.4	158.3	151.9	143.6
<b>Total Caltex</b>	<b>904.5</b>	<b>831.9</b>	743.1	902.8	921.6	869.0
<b>Equity in Caltex Refineries</b>	<b>452.3</b>	<b>416.0</b>	371.6	451.4	460.8	434.5
<b>Total Worldwide</b>	<b>1,548.3</b>	<b>1,498.3</b>	1,488.0	1,523.0	1,836.7	1,905.3

<sup>1</sup> The El Paso Refinery capacity and input represent only the Chevron share.

<sup>2</sup> The Philadelphia Refinery was sold in 1994.

<sup>3</sup> The Port Arthur Refinery was sold in 1995.

<sup>4</sup> The Milford Haven Refinery ceased processing operations in December 1997.

<sup>5</sup> Figures in brackets denote Caltex's ownership percentage at year end. Only Caltex's equity share of capacity and inputs is shown.

<sup>6</sup> Refinery acquired in 1995 merger. Does not include increase in interest to 50% effective December 31, 1997.

<sup>7</sup> Caltex equity share decreased from 75% to 37.5% after 1995 merger. Does not include increase in interest to 50% effective December 31, 1997.

<sup>8</sup> Caltex equity share increased to 12.69% in 1997 from 12.27%.

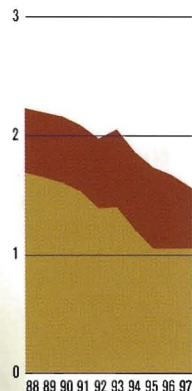
<sup>9</sup> Caltex equity reflects 33.3% interest in original refinery capacity (220,000 barrels per day) and 50% interest in Residuum Fluid Catalytic Cracking Unit capacity (65,000 barrels per day).

<sup>10</sup> In April 1996, Caltex ceded its throughput rights in the Bahrain Refinery. Caltex interest in the refinery was sold April 1, 1997.

<sup>11</sup> The Negishi and Muroran refineries were sold in April 1996.

Refinery Capacity

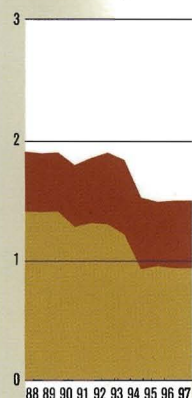
Millions of  
Barrels Per Day



United States  
International

Refinery Inputs

Millions of  
Barrels Per Day



United States  
International



# REFINERY UTILIZATION<sup>1</sup>

Percent of Capacity	1997	1996	1995	1994	1993
United States - Fuel Refineries	94.3	96.5	92.0	96.4	97.7
Canada	97.4	97.4	93.4	99.2	95.3
Caltex	92.0	84.9	89.8	93.7	94.8
Worldwide <sup>2</sup>	90.7	90.4	88.1	92.7	95.0

# UTILIZATION OF CRACKING AND COKING FACILITIES<sup>3</sup>

Percent of Capacity	1997	1996	1995	1994	1993
United States	80.3	82.3	79.0	90.0	88.0

# SOURCES OF CRUDE OIL PURCHASES FOR U.S. REFINERIES

Percent of Total Purchased	1997	1996	1995	1994	1993
Alaska North Slope	30.2	30.5	30.1	20.1	18.8
United States - Other	16.4	18.8	21.7	26.9	29.1
Middle East	26.8	25.4	18.4	12.6	12.2
Indonesian	3.4	2.5	4.0	3.5	2.9
African	0.1	0.7	0.1	4.8	10.1
Mexican	14.6	14.0	13.8	13.1	10.0
Other International	8.5	8.1	11.9	19.0	16.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

# U.S. REFINERY PRODUCTION OF FINISHED PRODUCTS

Thousands of Barrels Per Day	1997	1996	1995	1994	1993
Mogas	414.1	417.0	398.2	537.3	566.5
Jet Fuel	200.1	218.6	195.4	229.1	229.4
Gas Oil	162.0	165.2	164.3	246.1	276.8
Fuel Oil	58.8	63.1	59.1	87.0	108.2
Other	118.4	111.6	133.8	200.7	188.7
<b>Total</b>	<b>953.4</b>	<b>975.5</b>	<b>950.8</b>	<b>1,300.2</b>	<b>1,369.6</b>

# PETROLEUM INVENTORIES

Millions of Barrels at December 31<sup>4, 5</sup>

	1997	1996	1995	1994	1993
Raw Stocks	33	35	41	42	42
Unfinished Stocks	20	18	17	20	19
Finished Products	26	30	35	37	38
<b>Total</b>	<b>79</b>	<b>83</b>	<b>93</b>	<b>99</b>	<b>99</b>

<sup>1</sup> Percentage of capacity utilized is based on average capacity (beginning and end of year), adjusted for sales and closures of refineries.

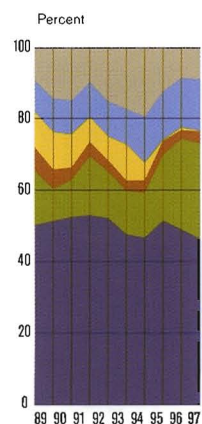
<sup>2</sup> Includes Asphalt Plants.

<sup>3</sup> Hydrocrackers, catalytic crackers and coking facilities are the primary facilities used to convert heavier products into gasoline and other light products.

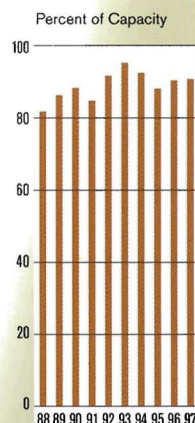
<sup>4</sup> Consolidated companies only.

<sup>5</sup> On an "owned" inventories basis (i.e., physical inventory adjusted for volumes payable to or receivable from others).

Sources of Crude Oil Purchases for U.S. Refineries



Worldwide Refinery Utilization



**REFINED PRODUCT SALES**

Thousands of Barrels Per Day

	1997	1996	1995	1994	1993
<b>United States</b>					
Gasoline	591	556	552	615	652
Jet Fuel	249	255	241	260	247
Gas Oils and Kerosene	204	186	196	277	325
Residual Fuel Oil	60	39	38	65	94
Other	89	86	90	97	105
<b>Total United States</b>	<b>1,193</b>	<b>1,122</b>	<b>1,117</b>	<b>1,314</b>	<b>1,423</b>
<b>International</b>					
Gasoline	88	89	83	98	90
Jet Fuel	37	36	39	39	48
Gas Oils and Kerosene	98	113	101	93	107
Residual Fuel Oil	77	100	77	69	69
Other	9	12	12	15	15
	309	350	312	314	329
Equity Share of Affiliate	577	594	657	620	594
<b>Total International</b>	<b>886</b>	<b>944</b>	<b>969</b>	<b>934</b>	<b>923</b>
<b>Worldwide</b>					
Gasoline	679	645	635	713	742
Jet Fuel	286	291	280	299	295
Gas Oils and Kerosene	302	299	297	370	432
Residual Fuel Oil	137	139	115	134	163
Other	98	98	102	112	120
<b>Total Consolidated Companies</b>	<b>1,502</b>	<b>1,472</b>	<b>1,429</b>	<b>1,628</b>	<b>1,752</b>
Equity Share of Affiliate	577	594	657	620	594
<b>Total Worldwide</b>	<b>2,079</b>	<b>2,066</b>	<b>2,086</b>	<b>2,248</b>	<b>2,346</b>

**TOTAL REFINED PRODUCT REALIZATIONS\***

Dollars Per Barrel

<b>United States</b>	<b>\$ 28.93</b>	<b>\$ 29.94</b>	<b>\$ 26.19</b>	<b>\$ 24.37</b>	<b>\$ 25.35</b>
<b>International</b>	<b>26.55</b>	<b>27.26</b>	<b>24.49</b>	<b>22.98</b>	<b>24.37</b>
<b>Worldwide</b>	<b>28.43</b>	<b>29.30</b>	<b>25.82</b>	<b>24.10</b>	<b>25.17</b>

**MAJOR REFINED PRODUCT REALIZATIONS\***

Dollars Per Barrel

<b>United States</b>					
Gasoline	\$ 32.16	\$ 32.68	\$ 29.13	\$ 27.34	\$ 28.38
Jet Fuel	26.42	27.87	23.35	22.71	25.05
Gas Oils and Kerosene	25.69	27.54	22.56	21.60	23.27
Residual Fuel Oil	17.09	17.66	15.67	14.72	14.16
<b>International</b>					
Gasoline	\$ 31.06	\$ 30.55	\$ 28.79	\$ 26.25	\$ 28.99
Jet Fuel	30.20	31.18	26.62	23.92	27.38
Gas Oils and Kerosene	26.20	28.05	23.28	22.83	24.82
Residual Fuel Oil	16.46	18.29	16.31	14.02	12.65
<b>Worldwide</b>					
Gasoline	\$ 32.02	\$ 32.39	\$ 29.09	\$ 27.19	\$ 28.45
Jet Fuel	26.91	28.28	23.80	22.87	25.43
Gas Oils and Kerosene	25.85	27.73	22.80	21.91	23.66
Residual Fuel Oil	16.74	18.11	16.10	14.36	13.53

\*Consolidated companies only; excludes excise taxes.



OUTLETS AT YEAR END <sup>1</sup>	1997		1996		1995		1994		1993	
	Company	Other	Company	Other	Company	Other	Company	Other	Company	Other
<b>Service Stations<sup>2</sup></b>										
United States	1,736	6,016	1,854	5,892	1,920	5,868	2,037	5,866	2,415	5,925
Canada	187	-	189	-	193	-	200	-	214	-
United Kingdom	-	-	194	260	208	315	233	265	230	237
<b>Total Service Stations</b>	<b>1,923</b>	<b>6,016</b>	<b>2,237</b>	<b>6,152</b>	<b>2,321</b>	<b>6,183</b>	<b>2,470</b>	<b>6,131</b>	<b>2,859</b>	<b>6,162</b>
<b>Aircraft and Marine</b>										
United States	-	524	-	599	-	638	-	680	-	705
Canada	-	11	-	13	-	13	-	17	-	17
<b>Total Aircraft and Marine</b>	<b>-</b>	<b>535</b>	<b>-</b>	<b>612</b>	<b>-</b>	<b>651</b>	<b>-</b>	<b>697</b>	<b>-</b>	<b>722</b>

<sup>1</sup> Includes consolidated companies only.

<sup>2</sup> Company investment stations are motor vehicle outlets that are company-owned or -leased. These service stations may either be company-operated or leased to a dealer. Other stations consist of all remaining branded outlets that are owned by others and supplied with branded products.

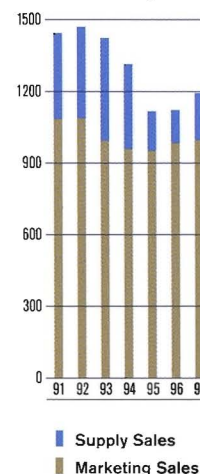
LIGHT PRODUCT SALES <sup>1, 2</sup>		1997	1996	% Change
<b>Sales Revenues (Millions of Dollars)</b>				
United States		\$ 11,248	\$ 11,127	
International		2,340	2,567	
Total Sales Revenues		\$ 13,588	\$ 13,694	(0.8%)
<b>Sales Volumes (Thousands of Barrels Per Day)</b>				
United States		1,040	997	
International		195	238	
Total Sales Volumes		1,235	1,235	0.0%

<sup>1</sup> Consolidated companies only.

<sup>2</sup> Light products include motor gasoline, jet fuel, aviation gasoline and mid-distillates.

U.S. Refined  
Product Sales

Thousands of  
Barrels Per Day



## Business Description

Chevron Chemical Company produces primarily commodity petrochemicals and additives in plants in nine U.S. states and in Brazil, France and Japan. The company markets its products in 80 countries. The major operating divisions are the U.S. Chemicals Division, the International Group and the Oronite Additives Division.

In 1997, the U.S. Chemicals Division completed expansion of production capacities at two U.S. plants (Port Arthur, Texas, and Marietta, Ohio). Two other expansions, one at Pascagoula, Mississippi, and the other at Orange, Texas, will be completed in 1998 and 1999, respectively. These expansions position the company to take advantage of future demand anticipated with the next upturn in the chemicals industry. Chevron Chemical

is also moving vigorously to grow its international presence, with projects currently under way in Saudi Arabia and Singapore, and two plants being planned in China and Venezuela. These projects put Chevron Chemical Company well on its way to increasing the international asset base to a target 30 percent of the chemical company total.

## CHEMICALS

## COMPETITIVE POSITION

- Assured access to competitively priced raw materials through integration with other Chevron operations.
- Competitive cost position in petrochemicals with solid technology base and modern, efficient plant facilities.
- Highly competitive technology and manufacturing cost positions in benzene, paraxylene, alpha-olefins, styrene and polystyrene.
- Market and technology leadership in many lubricant and fuel additive product lines.

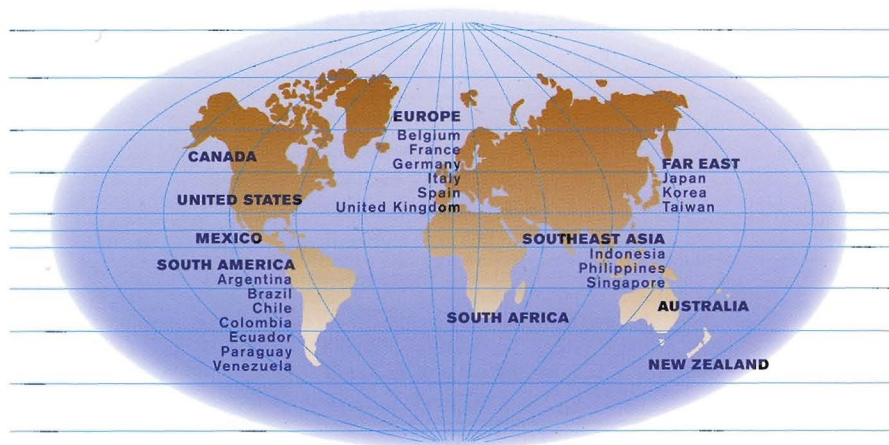
## BUSINESS STRATEGIES

- Focus on core business segments, which are petrochemicals, plastics and additives.
- Invest aggressively to strengthen the U.S. platform. Also, grow international businesses with a goal of increasing international assets to 30 percent of Chemical's assets.
- Focus on improving efficiencies and managing costs in all aspects of the business.

- Continue to strengthen technology position in core products.
- Continue to monitor and improve customer satisfaction.

## 1997 ACCOMPLISHMENTS

- Completed the sale of Octel, a U.K. based manufacturer and marketer of leaded fuel additives.
- Completed major expansion and debottleneck projects to increase ethylene and polystyrene production capacities at the Port Arthur and Marietta plants in the United States.
- Began construction on a \$650 million petrochemical complex in Saudi Arabia. This complex, which will produce benzene and cyclohexane, is scheduled to be completed mid-1999.
- Began construction on a \$210 million plant in Singapore to produce additives for lubricating oils and fuels worldwide.
- Completed engineering design and environmental assessment of a wholly owned 100,000 ton polystyrene plant in China. The plant is to be located in Jiangsu Province, about 100 miles west of Shanghai. Groundbreaking is expected in the first quarter 1998, pending final approval from the Chinese central government.
- Signed a Memorandum of Understanding with a subsidiary of Petroleos de Venezuela, S.A. (PDVSA) to conduct a joint feasibility study for development of an integrated aromatics project in Venezuela. Chevron's technology and global marketing capabilities coupled with Venezuelan feedstock would provide the basis for a cost-competitive petrochemical complex.
- Achieved record low cost on operating-expense-per-barrel basis.
- Achieved the best safety record in the history of the chemical company. The St. James and Cedar Bayou facilities were awarded OSHA Star status.



Major Chevron Chemical Marketing Areas



# U.S. CHEMICALS

Manufacturing Locations	Annual Production Capacity in Millions of Pounds	Major Products
St. James, Louisiana	1,700	Styrene
Pascagoula, Mississippi	1,689	Paraxylene, Benzene
Marietta, Ohio	770	Polystyrene
Cedar Bayou, Texas	4,443	Ethylene, Propylene, Low Density Polyethylene, Linear Low Density Polyethylene, High Density Polyethylene, Normal Alpha-Olefins, Acetylene Black, Polyalphaolefins
Port Arthur, Texas	4,677	Benzene, Cumene, Toluene, Cyclohexane, Ethylene, Propylene
Orange, Texas	1,180	High Density Polyethylenes, Specialty Polymers
Plexco Operation*	232	High Density Polyethylene Pipe, Pipe Coatings, Fittings and Custom Extrusions

\*Consists of seven locations in the United States

## U. S. CHEMICALS

The U. S. Chemicals Division manufactures, markets, and distributes petrochemicals and petrochemical-based products for consumer and industrial use. Olefin products include ethylene, propylene and derivatives, such as normal alpha-olefins used in plasticizers, synthetic motor oils and lubricants, automotive additives and more. Chevron's largest ethylene-based product line is polyethylene used in food packaging, film, and molding applications. Aromatic products include benzene, paraxylene, and styrene used to produce polystyrene and fiber intermediates. The ultimate consumer products derived from these chemical intermediates include plastics, adhesives, synthetic fibers, household detergents, rigid and flexible packaging, high performance plastic pipe, tires and batteries, and synthetic motor oil.

The U. S. Chemicals Division focuses on domestic markets and operates 13 manufacturing facilities in the United States. Significant achievements in 1997 included a 730 million pound ethylene expansion and modernization project at the Port Arthur, Texas facility. This project is expected to result in a two cents per pound cash cost improvement. The polystyrene plant capacity at Marietta, Ohio was expanded by 270 million pounds to help drive down unit costs to top tier performance.

## INTERNATIONAL GROUP

The International Group markets and distributes petrochemical products internationally with the intent of developing a significant global manufacturing base through wholly owned and joint venture facilities. A \$650 million petrochemical complex is currently under construction in Saudi Arabia. Projects are also in the planning stages in Venezuela and China. Products will be marketed in Europe, Africa, the Middle East, Asia and the Far East.

## ORONITE ADDITIVES

The Oronite Additives Division develops, manufactures, markets and distributes specially tailored chemical additives for fuels and lubricants. These additives improve performance in many types of engines by controlling deposits and by providing improved lubricant performance. Ultimate consumer products include deposit-inhibiting gasolines and lubricant products.

This division is global in scope and operates two manufacturing facilities in the United States and one each in Japan, Brazil and France. A new additives plant in Singapore is expected to commence operations in 1998. The division markets its products in over 80 countries.

# ORONITE ADDITIVES

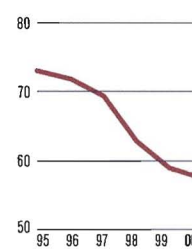
Manufacturing Locations	Annual Production Capacity in Millions of Gallons	Major Products
Richmond, California	22	Propylene Tetramer
Belle Chase, Louisiana	82	Lube Oil Additives, Gasoline Additives, Succinimides, Phenates, Inhibitors
Sao Paulo, Brazil	10	Lube Oil Additives
Gonfreville, France	72	Lube Oil Additives, Succinimides, Phenates, Sulfonates, Inhibitors, Sulfonic Acids, Fuel Additives, Branched Alkylbenzene, Heavy Alkylates
Omaezaki, Japan	11	Lube Oil Additives (Blending Facility and Technology Center)

In 1997, Chevron Chemical achieved record low-cost operating expense on a per-barrel basis. This was achieved by continuing to control costs and by increasing volumes. Critical success factors in controlling costs include being an efficient and reliable supplier in all aspects of the business, effectively developing and using technology, and selectively expanding and modernizing plants.

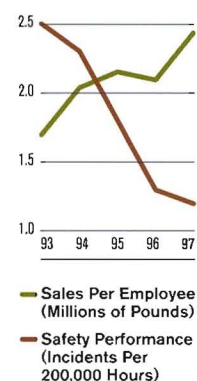
Another success factor in cost control is engaging employees in the business. This is reflected in the continually improving safety record, work process improvements and improved employee productivity.

Chevron Chemical Company's ongoing effort to reduce unit operating costs helped offset higher natural gas prices and sharp declines in prices in styrene and polystyrene, two of the company's core products.

Operating Expense  
Index Per Barrel  
1995-2000 Trend



Employee  
Productivity  
and Safety  
Performance



#### SALES BY GEOGRAPHIC AREA<sup>1</sup>

Millions of Dollars	1997	1996	1995	1994	1993
United States	\$ 3,045	\$ 2,936	\$ 3,332	\$ 2,801	\$ 2,459
International	588	605	621	561	518
<b>Total Worldwide</b>	<b>\$ 3,633</b>	<b>\$ 3,541</b>	<b>\$ 3,953</b>	<b>\$ 3,362</b>	<b>\$ 2,977</b>

#### EARNINGS, EXCLUDING SPECIAL ITEMS<sup>2</sup>

Millions of Dollars	1997	1996	1995	1994	1993
United States	\$ 167	\$ 175	\$ 459	\$ 160	\$ (8)
International	57	53	65	55	39
<b>Total Worldwide</b>	<b>\$ 224</b>	<b>\$ 228</b>	<b>\$ 524</b>	<b>\$ 215</b>	<b>\$ 31</b>

#### DIVISIONAL SALES REVENUES<sup>1</sup>

Millions of Dollars	1997	1996	1995	1994	1993
Consolidated Companies					
U.S. Chemicals <sup>3</sup>	\$ 2,664	\$ 2,484	\$ 2,868	\$ 2,298	\$ 1,867
International Group	112	-	-	-	-
Oronite Additives	851	988	995	941	854
Other Revenues <sup>4</sup>	6	69	90	123	256
<b>Total Consolidated Companies</b>	<b>\$ 3,633</b>	<b>\$ 3,541</b>	<b>\$ 3,953</b>	<b>\$ 3,362</b>	<b>\$ 2,977</b>

#### SALES VOLUMES<sup>1</sup>

	1997	1996	1995	1994	1993
U.S. Chemicals - Millions of Pounds <sup>3</sup>	10,562	9,924	9,774	8,809	7,887
International Group - Millions of Pounds	84	-	-	-	-
Oronite Additives - Millions of Gallons	153	165	151	143	138

<sup>1</sup> Includes third-party sales and sales to other Chevron companies.

<sup>2</sup> See Page 5 for reported earnings.

<sup>3</sup> 1995 and prior years' amounts restated to conform with 1996 and 1997 presentation.

<sup>4</sup> Other revenues include agricultural chemicals, fertilizer, and Ortho lawn and garden products. The company began exiting from these businesses in 1990 and substantially completed its withdrawal in early 1996 with the disposition of its remaining fertilizer assets.



# COAL

## Business Description

### COMPETITIVE POSITION

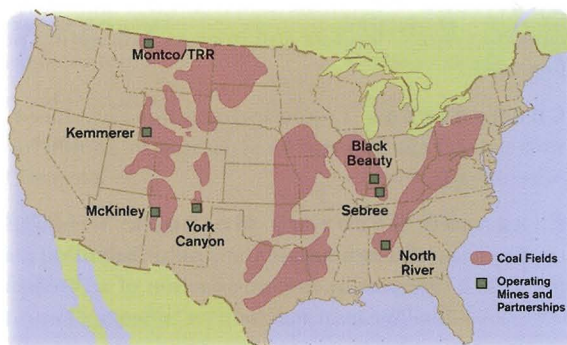
- The Pittsburgh & Midway Coal Mining Co. (P&M), a wholly-owned Chevron subsidiary, ranks among the top 15 coal companies in the United States, based on production tonnage.
- Eighty-five percent of P&M's sales are to electric utilities. More than 50 percent of the contracts are for 10 years or longer, and 20 percent have terms of three to 10 years.
- P&M holds low-sulfur coal reserves in major U.S. coal producing regions.

### BUSINESS STRATEGIES

- Mine coal in a safe and environmentally responsible manner.
- Continue to improve productivity by applying new mining technologies, exploiting economies of scale, improving processes and retaining flexibility in mine planning.
- Negotiate long-term commitments for unsold mine capacity. Seek extensions of existing long-term agreements.
- Proactively seek investments that strengthen current competitive position.
- Position reserves and production capacity to participate in fast-growing regional markets.

### 1997 ACCOMPLISHMENTS

- Acquired the Skull Point Mine which is adjacent to the existing Kemmerer Mine.
- Acquired a 29.8 percent interest in Inter-American Coal Holding with mining operations in Venezuela. This is P&M's first international venture.



- Renegotiated long-term supply agreements with major utility customers to increase sales volumes and to position utility customers for deregulation.
- Increased sales significantly at the Black Beauty Coal Company in Indiana.
- Acquired a position in the Northern Powder River Basin in Montana, the largest-remaining undeveloped low-sulfur coal area in the United States.

### U.S. COAL BUSINESS ENVIRONMENT

- U.S. coal markets are dominated by electric utilities, which consumed more than 80 percent of the coal produced in 1997.
- Deregulation of the electric utility industry will put a premium on low-cost power generation and potentially increase coal demand.
- Tightening sulfur dioxide emissions standards are increasing demand for low-sulfur coals.

### P & M OPERATIONS

Mine Name	State/Country	Principal Operation	Sulfur Content	Estimated Annual Capacity <sup>1</sup>	Annual Sales <sup>1</sup>				
					1997	1996	1995	1994	1993
Kemmerer	WY	Truck-and-Shovel	Low	4.7	4.4	3.7	3.6	3.9	3.6
McKinley	NM	Dragline / T&S	Low	7.5	6.6	5.3	6.8	8.2	8.2
North River	AL	Longwall	Medium	2.4	2.1	2.2	1.9	1.6	2.4
Seabee	KY	Continuous Miner	High	1.0	1.0	0.9	0.5	0.4	0.4
York Canyon <sup>2</sup>	NM	Dragline	Low	1.4	1.2	1.3	2.0	2.3	2.3
Black Beauty (33.3%) <sup>3</sup>	IN/IL	T&S/Continuous Miner	Various	6.1	4.2	2.6	2.5	3.4	3.4
Inter-American Coal (29.8%) <sup>4</sup>	Venezuela	Truck-and-Shovel	Low	0.3	0.1	—	—	—	—
Closed/Sold	Various	—	—	—	—	—	—	0.6	0.5
<b>Total Sales</b>					<b>23.4</b>	<b>19.6</b>	<b>16.0</b>	<b>17.3</b>	<b>20.8</b>

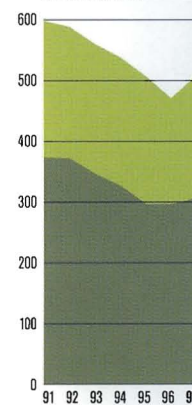
<sup>1</sup> Millions of tons.

<sup>2</sup> One of the two York Canyon mines was closed in late 1995.

<sup>3</sup> Interest changed from 50 percent to 33.3 percent in August 1994. Sales and capacity are P&M's share.

<sup>4</sup> Acquired interest in September 1997.

Coal Reserves  
Millions of Tons



■ Undeveloped Reserves  
■ Developed Reserves

## GLOSSARY OF TERMS

## Oil and Gas Terms

**Acreage** Land leased for oil and gas exploration and production.

**Additives** Chemicals added to fuels and lubricants to control deposits and improve lubricating performance.

**Condensates** Liquid hydrocarbons produced with natural gas that can be separated by cooling or other means.

**Enhanced Recovery Methods** Techniques used to maintain or increase the production of oil and gas from a reservoir by the introduction of an artificial drive and displacement mechanism (injectant) into the reservoir in order to restore formation pressure and fluid flow. Types of injectants include water, steam, chemicals, gas and carbon dioxide.

**Integrated Petroleum Company** A company involved in the full spectrum of petroleum activities – from oil and gas exploration to the marketing of petroleum finished products. An integrated petroleum company's operations are divided into two major activities. **Upstream** operations comprise activities related to the exploration and production of crude oil and natural gas. **Downstream** operations refer to the refining, marketing and transportation activities for petroleum products.

**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. Six thousand cubic feet of average natural gas is equivalent to one average barrel of oil.

**Petrochemicals** Chemicals derived from petroleum and natural gas. Major petrochemical operations within Chevron include: **Aromatics** – used in the manufacture of plastics, adhesives, synthetic fibers and household detergents, and **Olefins** – used in the manufacture of packaging, plastic pipes, tires, batteries, household detergents and synthetic motor oils.

**Production** Oil and gas production is measured in terms of **total production** – the entire quantity of oil and gas produced from the property; **gross production** – the company's share of total production after deducting any joint venture partner's equity share but before deducting royalties, and **net production** – gross production less royalties. **Royalties** are the landowner's share of gross production without bearing production expenses.

**Reformulated Gasoline** Reformulated gasoline contains oxygenates and incorporates additional composition changes that reduce exhaust emissions year round. California reformulated gasoline is based on more stringent requirements than the federally mandated reformulated gasoline. The California reformulated gasoline reduces exhaust emissions even more than the federal formula and, as a result, is cleaner burning. **Oxygenated** gasoline is for wintertime use and contains an oxygen blending component (oxygenate), such as ether or alcohol, to reduce exhaust emissions.

**Reserves** Proved reserves are estimated quantities of oil and natural gas which geological 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 over time as additional information becomes available. Proved reserves do not include additional quantities which may result from extensions of currently proved areas, from application of secondary or tertiary recovery processes not yet tested and determined to be economic, or recoverable beyond the term of lease or contract. **Recoverable** reserves are reserves that are recoverable using all known primary and enhanced recovery methods.

**Reservoir** An underground formation containing an accumulation of oil and/or gas enclosed or surrounded by layers of less permeable or impervious rock.

**Wells** Oil and gas wells are classified as either exploratory or development wells. **Exploratory** wells are wildcat wells drilled in an unproved area where no oil or gas production exists. **Delineation** wells are exploratory wells drilled to determine the boundaries of a productive formation or to delineate the extent of a find. **Development** wells are wells drilled to extract production from an existing reservoir in a proved oil or gas producing area. **Completed** wells are wells in which drilling work has been completed and which are capable of producing. **Dry** wells are completed wells that are not capable of producing in commercial quantities.



## ORGANIZATIONS

### OPERATING

Chevron U.S.A. Production Company  
Chevron Products Company  
  
Chevron Asiatic Limited  
Chevron Canada Limited  
Chevron Canada Resources  
Chevron Chemical Company  
Chevron Chemical S.A.  
Chevron International Limited  
Chevron International Sales Company, Inc.  
  
Chevron Nigeria Limited  
Chevron Oil Trading Company  
Chevron Overseas Petroleum Inc.  
Chevron Pipe Line Company  
  
Chevron Shipping Company  
Chevron Transport Corporation  
Chevron U.K. Limited  
Cabinda Gulf Oil Company Limited  
The Pittsburg & Midway Coal Mining Company  
Amoseas Indonesia, Inc. (50%)  
Caltex Petroleum Corporation (50%)  
P.T. Caltex Pacific Indonesia (50%)  
Tengizchevroil (45%)  
NGC Corporation (28%)

### SERVICE

Chevron Information Technology Company  
  
Chevron Petroleum Technology Company  
  
Chevron Real Estate Management Company  
Chevron Research and Technology Company  
  
Chevron Services Company

### FINANCE

Chevron Canada Enterprises Limited  
Chevron Capital U.S.A. Inc.  
Chevron Oil Finance Company  
Chevron U.K. Investment PLC  
Chevron Hibernia Limited  
Chevron Canada Finance Limited

## PRINCIPAL BUSINESS

Exploration and Production  
Refining and Marketing; Sale/  
Trading of Crude Oil and  
Refined Products  
  
Exploration and Production  
Refining and Marketing  
Exploration and Production  
Industrial Chemicals  
Industrial Chemicals  
Exploration and Financing  
Sale/Trading of Crude Oil and  
Refined Products  
  
Exploration and Production  
Liquefied Natural Gas Marketing  
Exploration and Production  
Crude Oil, Petroleum Products and  
Natural Gas Transportation  
  
Marine Management  
Marine Transportation  
Exploration and Production  
Exploration and Production  
Coal  
Exploration and Production  
Refining and Marketing  
Exploration and Production  
Exploration and Production  
Midstream Operations

Communications, Data Processing  
and Advanced Office Systems  
  
Oil Field Technical Services,  
Research and Development  
  
Property Management  
Engineering, Research, Development  
and Technical Services for Refining,  
Supply and Distribution  
  
Administrative Services

Commercial Paper Issuer  
Debt Financing  
Commercial Paper Issuer  
Commercial Paper Issuer  
Commercial Paper Issuer  
Debt Financing

## PRINCIPAL AREAS OF ACTIVITY

United States  
Worldwide  
  
International  
Western Canada  
Canada  
Worldwide  
International  
International  
International  
  
Nigeria  
International  
International  
  
United States  
Worldwide  
Worldwide  
North Sea  
Angola  
Worldwide  
Indonesia  
International  
Indonesia  
Kazakhstan  
Worldwide

Worldwide

Worldwide

Worldwide

Worldwide

Worldwide

Canada

United States

United States

United States

Canada

Canada

Chevron Corporation has ownership interests in approximately 500 subsidiaries, branches, divisions, partnerships and affiliates operating in about 90 countries. The above listing represents the most significant of the company's operations. Chevron's interest is 100 percent unless otherwise noted in parentheses.

**MISSION AND VISION****MISSION**

We are an international company providing energy and chemical products vital to the growth of the world's economies. Our mission is to create superior value for our stockholders, our customers and our employees.

**VISION**

Our vision is to be Better than the Best, which means:

- **Employees are proud of their success as a team**
- **Customers, suppliers and governments prefer us**
- **Competitors respect us**
- **Communities welcome us**
- **Investors are eager to invest in us**

Our primary objective is to exceed the financial performance of our strongest competitors. Our goal is to be No. 1 among our competitors in Total Stockholder Return for the period 1994-1998. We will balance long-term growth and short-term results in pursuit of this objective.

Our approach to the business is based on:

- **Committed Team Values**
- **Total Quality Management**
- **Protecting People and the Environment**

We will be guided by the Strategic Intent in our Corporate Strategic Plan and will measure progress with the Vision Metrics.

**COMMITTED TEAM VALUES**

*Chevron people working together as a team are the key to success. The following values will guide our decisions and behavior.*

**HONESTY & INTEGRITY** We are honest with ourselves and others. We demonstrate the highest standard of ethics in all business dealings.

**TRUST** We trust, respect and support each other. We treat each other as we expect to be treated.

**DIVERSITY** We value the uniqueness of individuals and the varied perspectives they provide. We promote diversity within our work force and have an inclusive environment that enables each of us to fully participate and contribute.

**COMMUNICATION** We have open, honest and effective communication in all directions.

**RECOGNITION** We can proudly make our maximum contributions, which are valued, recognized and rewarded.

**ACHIEVEMENT** We continually seek opportunities to improve and gain competitive advantage by promoting and effectively managing change.

**PARTNERSHIP** We accept individual responsibility, in partnership with the company, for the success of the business, for our personal development and for balancing work and family responsibilities.

**ALIGNMENT** We clearly understand how our goals are aligned with corporate and our own organization's strategies.

**TOTAL QUALITY MANAGEMENT**

*Total Quality Management is the process we use to manage our business. It is based on integrating quality principles into everything we do. It has the power to direct change, align and focus our efforts, and ensure that we meet the needs of our customers, employees, stockholders and communities.*

**LEADERSHIP** Lead the change process by setting clear, strategic direction and goals, reinforcing corporate values and principles through personal example, and managing and accepting accountability for performance.

**CUSTOMER FOCUS** Delight customers by anticipating, understanding and excelling at meeting their needs.

**STRATEGY DEPLOYMENT** Deploy strategies and plans, achieving vertical and horizontal alignment throughout the organization. Decentralize decision-making and link day-to-day activities to plans.

**TEAMWORK** Create a culture that values teamwork, full participation and empowerment in which people work together for the overall success of the company.

**PROCESS MANAGEMENT** Focus on processes to improve results. Identify key work processes and manage the organization as a system of inter-related processes focused on achieving superior customer value and business results.

**CONTINUOUS IMPROVEMENT** Continually improve everything we do, using both incremental and breakthrough approaches to improvement.

**LEARNING ORGANIZATION** Create an organization that learns faster and better than competitors through benchmarking, sharing and implementing best practices, learning from experience, and continual individual learning and personal growth.

**MEASUREMENT** Measure performance against our best competitors and benchmark against the world's best. Make decisions based on data and use statistical thinking to analyze and understand data.

**PROTECTING PEOPLE AND THE ENVIRONMENT**

*We are committed to protecting the safety and health of people and the environment. We will conduct our business in a socially responsible and ethical manner. Our goal is to be the industry leader in safety and health performance, and to be recognized worldwide for environmental excellence.*

*We will achieve this goal through:*

**SAFETY** Safety is everyone's responsibility. Design, operate and maintain our facilities to prevent injury, illness and incidents.

**COMPLIANCE** Establish processes to ensure that all of us understand our roles and all operations are in compliance.

**POLLUTION PREVENTION** Continually improve our processes to minimize pollution and waste.

**COMMUNITY OUTREACH** Communicate openly with the public regarding possible impact of our business on them or the environment.

**PRODUCT STEWARDSHIP** Manage potential risks of our products with everyone involved throughout the products' life cycle.

**CONSERVATION** Conserve company and natural resources by continually improving our processes and measuring our progress.

**ADVOCACY** Work cooperatively with public representatives to base laws and regulations on sound risk management and cost-benefit principles.

**PROPERTY TRANSFER** Assess and manage environmental liabilities prior to any property transaction.

**TRANSPORTATION** Work with our carriers and distributors to ensure safe distribution of our products.

**EMERGENCY RESPONSE** Be prepared for any emergency and mitigate any incident quickly.



MARCH 1998

This report has been issued solely for the purpose of providing additional Chevron financial and statistical data. It is not a circular or prospectus regarding any security or stock of the company, nor is it issued in connection with any sale, offer for sale of, or solicitation of any offer to buy any securities.

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, one or more of its consolidated subsidiaries, or to all of them taken as a whole, but unless the context clearly indicates otherwise, should not be read to include "affiliates" of Chevron (those companies owned approximately 50 percent or less). All of those 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.

Additional information relating to Chevron is contained in its Annual Report to stockholders and its Annual Report on Form 10-K filed with the Securities and Exchange Commission. For copies of these reports, stockholders and others may write to Comptroller's Department, Room 3519, 575 Market Street, San Francisco, California 94105-2856.

If you have any questions regarding the data included herein, please write to Mr. Peter Trueblood, Manager - Investor Relations, Room 3444, 575 Market Street, San Francisco, California 94105-2856, or telephone (415) 894-5690, or e-mail: [pmtr@chevron.com](mailto:pmtr@chevron.com).

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#### FORWARD-LOOKING STATEMENTS

This Supplement to the 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 margins 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 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; and potential liability resulting from pending or future litigation. In addition, such statements could be affected by general domestic and international economic and political conditions.

**Chevron Corporation**  
**575 Market Street**  
**San Francisco, CA 94105-2856**