

Supplement to the  
Chevron Corporation  
1996 Annual Report

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## Objective for 1994 - 1998

Chevron's primary objective is to exceed the financial performance of its competitor group of five other major oil companies. Its goal is to be number one among this peer group in Total Stockholder Return (stock price appreciation plus reinvested dividends) for the five-year period 1994-1998. To accomplish this goal, the company is guided by eight "strategic intents:"

- Build a committed team to accomplish the corporate mission.
- Continue exploration and production growth in international areas.
- 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 growing in attractive markets.
- Continue to 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.

Chevron also has the ongoing goal to be the industry leader in safety and health performance, and to be recognized worldwide for environmental excellence.

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## Chevron Corporation Overview

### Chevron Today

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, petrochemicals and coal mining.

### History

**1879** Pacific Coast Oil Company incorporated in San Francisco, California.

**1900** Acquired by the west coast operations of John D. Rockefeller's original Standard Oil Company.

**1911** Standard Oil Company (California) emerged as an autonomous entity 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-1930s** 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 oil through Texaco's European markets.

**1940s-1970s** 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 an outlet for crude oil production in southern Louisiana and the Gulf of Mexico, where the company was a major producer.

**1984** Acquired Gulf Corporation, nearly doubling the size of oil and gas activities and gaining significant presence in industrial chemicals, natural gas liquids and coal industries. Changed name to Chevron Corporation to identify with the brand name under which most products are 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 six billion barrels of recoverable crude oil.

**1996** Merged Chevron's gas gathering, processing and marketing operations with NGC Corporation.

### EXPLORATION AND PRODUCTION

Chevron is one of the largest natural gas producers in the United States and is among the leaders in worldwide liquids 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. Exploration opportunities are focused on areas such as Bolivia, Ireland, Congo and offshore China. Current development projects concentrate on increasing production levels by as much as 50 percent in Nigeria and Angola in the next five to six years, commencing construction of the Caspian Pipeline to expand sales potential from the giant Tengiz Field in Kazakhstan, tapping deep-water prospects in the Gulf of Mexico and starting production from the Hibernia Field off the east coast of Canada. During 1996, the company replaced 112 percent of its oil and gas production with new proved reserves, the fourth consecutive year worldwide oil and gas reserves have increased. Also in 1996, the merger of Chevron's gas gathering, processing and marketing operations with NGC Corporation resulted in linking Chevron to NGC's expertise in natural gas marketing and in the growing electric power market.

### REFINING AND MARKETING

The company markets refined products through 8,400 retail outlets in the United States, Canada and the United Kingdom. In the United States, Chevron ranks among the top three marketers in 16 states, with principal markets located in the west, southwest and south. In Canada, Chevron continues to be the market leader in British Columbia. In the United Kingdom, the company is negotiating an agreement to merge its downstream activities with those of Elf Oil U.K. Limited. Chevron has six light-product refineries in the United States and one refinery each in Canada and the United Kingdom.

Chevron's affiliate, Caltex, has undertaken a massive effort to re-image its retail outlets in Africa, Asia and the Pacific Rim. Caltex owns interests in 13 refineries, located mostly in the fast-growing Asia-Pacific region, including the recently-commissioned 130,000-barrels-per-day grass-roots refinery in Thailand. Caltex's continued focus will be on high-growth areas throughout the Asia-Pacific region, while moving into emerging markets, such as India, Vietnam and China.

### LOGISTICS AND TRADING

Chevron purchases, sells, trades and transports crude oil, liquefied natural gas, natural gas liquids, refined and other products by vessels and pipeline. Chevron operates a fleet of 35 vessels, which continued its excellent safety record in 1996. The company owns interests in 10,900 miles of crude oil, natural gas and petroleum product pipelines.

### CHEMICALS

Chevron produces petrochemicals, additives and other chemicals in plants in nine states in the United States, and in Brazil, France and Japan. The chemical company recently reorganized into a U.S. Chemicals Division, an International Group and an Oronite Additives Division to increase focus in these areas. In 1997, chemical capital spending will increase by 40 percent from 1996 levels. Projects in Saudi Arabia, China and Singapore are currently under way to expand the company's international presence. Also in progress are major expansions at four U.S. plants (Cedar Bayou, Orange, Port Arthur and Marietta).

### COAL

One of the top 20 coal producers in the United States, Chevron operates five coal mines in major coal producing regions and has an equity interest in another coal mining company.

### Chevron Outlook

Chevron is currently well-positioned for profitable business growth with a number of major projects coming on-line that are expected to provide significant future cash flow and earnings. The company plans to increase its capital spending program by \$1 billion in 1997, to nearly \$6 billion, because of excellent opportunities in international exploration and production and chemicals. After record profits in 1996, Chevron continues to look for ways to perform more efficiently and at lower cost to meet its performance goals for the 1994-1998 period.

**FINANCIAL HIGHLIGHTS<sup>(1)</sup>**

Millions of Dollars, Except Per Share Amounts

	1996	1995	1994
Income Before Cumulative Effect of Changes in Accounting Principles	\$ 2,607	\$ 930	\$ 1,693
Cumulative Effect of Changes in Accounting Principles	—	—	—
Net Income (Loss)	\$ 2,607	\$ 930	\$ 1,693
Sales and Other Operating Revenues	42,782	36,310	35,130
Cash Dividends	1,358	1,255	1,206
Capital and Exploratory Expenditures <sup>(2)</sup>	4,840	4,800	4,819
Equity Share of Affiliates' Capital and Exploratory Expenditures, included above	983	912	846
Cash Provided by Operating Activities	5,797	4,075	2,896
Working Capital at Year End	(965)	(1,578)	(1,801)
Total Assets at Year End	34,854	34,330	34,407
Total Debt at Year End	6,694	8,327	8,142
Stockholders' Equity at Year End	15,623	14,355	14,596
Market Value at Year End	\$ 42,451	\$ 34,166	\$ 29,084
Common Shares Outstanding at Year End (Thousands)	653,086	652,327	651,751
Per Share Data			
Income Before Cumulative Effect of Changes in Accounting Principles	\$ 3.99	\$ 1.43	\$ 2.60
Cumulative Effect of Changes in Accounting Principles	—	—	—
Net Income (Loss)	\$ 3.99	\$ 1.43	\$ 2.60
Cash Dividends	2.08	1.925	1.85
Stockholders' Equity at Year End	23.92	22.01	22.40
Market Price: Year End	65	52 <sup>3</sup> / <sub>8</sub>	44 <sup>5</sup> / <sub>8</sub>
High	68 <sup>3</sup> / <sub>8</sub>	53 <sup>5</sup> / <sub>8</sub>	49 <sup>3</sup> / <sub>16</sub>
Low	\$ 51	\$ 43 <sup>3</sup> / <sub>8</sub>	\$ 39 <sup>7</sup> / <sub>8</sub>
Key Financial Ratios			
Current Ratio	0.9	0.8	0.8
Interest Coverage Ratio	10.9	4.1	7.6
Total Debt/Total Debt Plus Equity	30.0%	36.7%	35.8%
Return on Average Stockholders' Equity	17.4%	6.4%	11.8%
Return on Average Capital Employed	12.7%	5.3%	8.7%

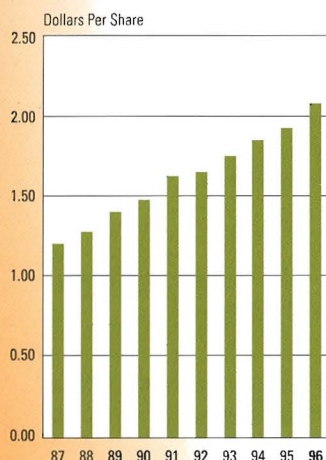
(1) Comparability between years is affected by changes in accounting methods:

- 1995 and 1996 reflect the adoption of Statement of Financial Accounting Standards (SFAS) No. 121 – "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."
- 1992 and subsequent years reflect the adoption of SFAS:
  - No. 106 – "Employers' Accounting for Postretirement Benefits other than Pensions"
  - No. 109 – "Accounting for Income Taxes"
- 1989 through 1994 includes the adoption of a change for impairment of proved non-producing oil and gas properties.
- 1986 through 1991 reflect the adoption of SFAS No. 96 – "Accounting for Income Taxes."
- 1986 and subsequent years reflect the adoption of SFAS:
  - No. 87 – "Employers' Accounting for Pensions"
  - No. 88 – "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits"
  - No. 95 – "Statement of Cash Flows"

Share and per share amounts for all years reflect the two-for-one stock split in May 1994.

(2) Includes the 1988 acquisition of Tenneco Inc.'s Gulf of Mexico properties for \$2,512 million.

(3) Not meaningful as net income was a loss due to the Cumulative Effect of Change in Accounting Principle from the adoption of SFAS No. 96.

**Cash Dividends**



1993	1992	1991	1990	1989	1988	1987	1986
\$ 1,265	\$ 2,210	\$ 1,293	\$ 2,157	\$ 251	\$ 1,768	\$ 1,250	\$ 1,871
—	(641)	—	—	—	—	—	(3,282)
\$ 1,265	\$ 1,569	\$ 1,293	\$ 2,157	\$ 251	\$ 1,768	\$ 1,250	\$ (1,411)
36,191	38,212	38,118	41,540	31,916	27,722	28,106	26,245
1,139	1,115	1,139	1,043	953	869	818	818
4,440	4,423	4,787	4,269	3,982	5,853	2,841	3,018
701	621	498	433	389	337	304	329
4,221	3,914	3,278	4,727	3,046	2,993	4,004	2,882
(1,924)	(1,063)	(449)	1,072	1,037	938	1,083	1,426
34,736	33,970	34,636	35,089	33,884	33,924	34,057	34,251
7,538	7,841	7,697	6,769	7,516	7,302	7,170	8,357
13,997	13,728	14,739	14,836	13,980	14,744	13,853	13,325
\$ 28,380	\$ 22,600	\$ 23,924	\$ 25,477	\$ 24,053	\$ 15,595	\$ 13,505	\$ 15,464
651,478	650,348	693,444	701,600	710,048	681,750	681,646	681,628
\$ 1.94	\$ 3.26	\$ 1.85	\$ 3.05	\$ 0.37	\$ 2.59	\$ 1.83	\$ 2.74
—	(0.95)	—	—	—	—	—	(4.81)
\$ 1.94	\$ 2.31	\$ 1.85	\$ 3.05	\$ 0.37	\$ 2.59	\$ 1.83	\$ (2.07)
1.75	1.65	1.625	1.475	1.40	1.275	1.20	1.20
21.49	21.11	21.25	21.15	19.69	21.63	20.32	19.55
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>	22 <sup>11</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>	24
\$ 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	\$ 17
0.8	0.9	0.9	1.1	1.1	1.1	1.1	1.2
7.4	8.2	5.1	7.6	2.9	5.4	4.4	2.9
35.0%	36.4%	34.3%	31.3%	35.0%	33.1%	34.1%	38.5%
9.1%	11.0%	8.7%	15.0%	1.8%	12.4%	9.2%	N/M <sup>(3)</sup>
6.8%	8.5%	7.5%	11.9%	3.2%	10.1%	7.8%	N/M <sup>(3)</sup>

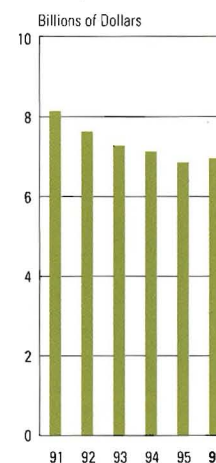
### Forward-Looking Statements

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.

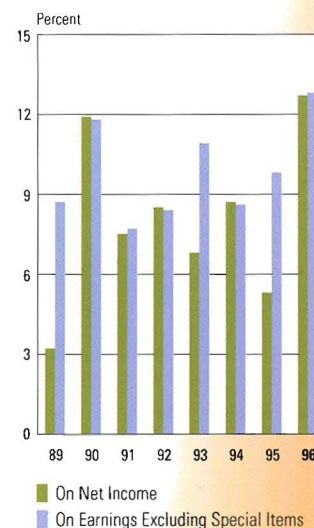
Among the factors that could cause actual results to differ materially are crude oil and natural gas prices; refining margins and marketing margins; chemicals prices and competitive conditions affecting supply and demand for the company's aromatics, olefins and additives products; potential failure to 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.

*This publication supplements Chevron Corporation's 1996 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 financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations, and other supplemental financial data.*

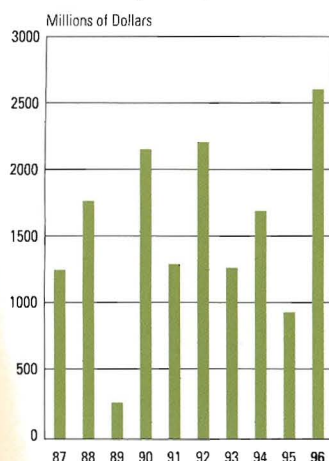
### Operating, Selling and Administrative Expenses, Adjusted for Special Items



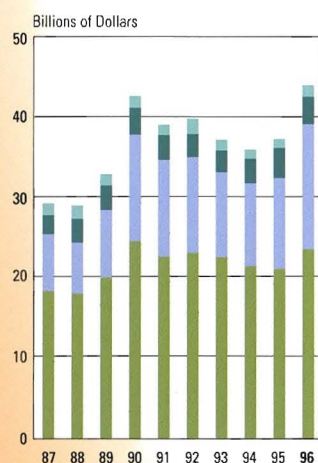
### Return on Average Capital Employed



**Income Before Cumulative Effect of Changes in Accounting Principles**



**Revenues**



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

# **CONSOLIDATED STATEMENT OF INCOME**

Millions of Dollars

Year Ended December 31

	1996	1995	1994	1993	1992
<b>Revenues:</b>					
<b>Sales and Other Operating Revenues:</b>					
Gasolines	\$ 7,650	\$ 6,746	\$ 7,080	\$ 7,700	\$ 8,084
Jet Fuel	3,013	2,429	2,497	2,744	2,745
Gas Oils and Kerosene	3,030	2,468	2,958	3,725	3,960
Residual Fuel Oils	923	681	707	806	928
Other Refined Products	1,169	1,147	1,086	1,114	1,104
<b>Total Refined Products</b>	<b>15,785</b>	<b>13,471</b>	<b>14,328</b>	<b>16,089</b>	<b>16,821</b>
Crude Oil	12,397	9,376	8,249	8,501	10,031
Natural Gas	3,299	2,019	2,138	2,156	1,995
Natural Gas Liquids	1,167	1,285	1,180	1,235	1,190
Other Petroleum Revenues	1,184	1,144	944	967	927
Petroleum Excise Taxes	5,190	4,976	4,774	4,053	3,948
<b>Total Petroleum</b>	<b>39,022</b>	<b>32,271</b>	<b>31,613</b>	<b>33,001</b>	<b>34,912</b>
Chemicals	3,422	3,758	3,065	2,708	2,872
Chemicals Excise Taxes	12	12	16	15	16
<b>Total Chemicals</b>	<b>3,434</b>	<b>3,770</b>	<b>3,081</b>	<b>2,723</b>	<b>2,888</b>
<b>Coal and Other Minerals</b>	<b>340</b>	<b>358</b>	<b>416</b>	<b>447</b>	<b>397</b>
<b>Corporate and Other</b>	<b>(14)</b>	<b>(89)</b>	<b>20</b>	<b>20</b>	<b>15</b>
<b>Total Sales and Other Operating Revenues</b>	<b>42,782</b>	<b>36,310</b>	<b>35,130</b>	<b>36,191</b>	<b>38,212</b>
<b>Equity in Net Income of Affiliated Companies</b>	<b>767</b>	<b>553</b>	<b>440</b>	<b>440</b>	<b>406</b>
<b>Other Income</b>	<b>344</b>	<b>219</b>	<b>284</b>	<b>451</b>	<b>1,059</b>
<b>Total Revenues</b>	<b>43,893</b>	<b>37,082</b>	<b>35,854</b>	<b>37,082</b>	<b>39,677</b>
<b>Costs and Other Deductions:</b>					
Purchased Crude Oil and Products	22,826	18,033	16,990	18,007	19,872
Operating Expenses <sup>(1)</sup>	6,007	5,974	6,383	7,104	6,145
Exploration Expenses	455	372	379	360	507
Selling, General and Administrative Expenses <sup>(2)</sup>	1,377	1,384	963	1,530	1,761
Depreciation, Depletion and Amortization <sup>(3)</sup>	2,216	3,381	2,431	2,452	2,594
<b>Taxes Other Than on Income:</b>					
Excise Taxes	5,202	4,988	4,790	4,068	3,964
Other Taxes	706	760	769	818	935
Interest and Debt Expense	364	401	346	317	436
<b>Total Costs and Other Deductions</b>	<b>39,153</b>	<b>35,293</b>	<b>33,051</b>	<b>34,656</b>	<b>36,214</b>
<b>Income Before Income Tax Expense and Cumulative Effect of Changes in Accounting Principles</b>	<b>4,740</b>	<b>1,789</b>	<b>2,803</b>	<b>2,426</b>	<b>3,463</b>
<b>Income Tax Expense</b>	<b>2,133</b>	<b>859</b>	<b>1,110</b>	<b>1,161</b>	<b>1,253</b>
<b>Income Before Cumulative Effect of Changes in Accounting Principles</b>	<b>2,607</b>	<b>930</b>	<b>1,693</b>	<b>1,265</b>	<b>2,210</b>
<b>Cumulative Effect of Changes in Accounting Principles</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(641)</b>
<b>Net Income</b>	<b>\$ 2,607</b>	<b>\$ 930</b>	<b>\$ 1,693</b>	<b>\$ 1,265</b>	<b>\$ 1,569</b>
<b>Retained Earnings at Beginning of Year</b>	<b>\$ 14,146</b>	<b>\$ 14,457</b>	<b>\$ 13,955</b>	<b>\$ 13,814</b>	<b>\$ 13,349</b>
Net Income	2,607	930	1,693	1,265	1,569
Cash Dividends	(1,358)	(1,255)	(1,206)	(1,139)	(1,115)
Tax Benefit from Dividends Paid on Unallocated ESOP Shares	13	14	15	15	11
<b>Retained Earnings at Year End</b>	<b>\$ 15,408</b>	<b>\$ 14,146</b>	<b>\$ 14,457</b>	<b>\$ 13,955</b>	<b>\$ 13,814</b>

(1) Includes a provision for U.S. Refining and Marketing restructuring of \$69 million in 1994 and \$837 million in 1993.

(2) In 1994, includes a reversal of excess interest reserves of \$319 million resulting from a settlement with the IRS for several open tax years.

(3) In 1995, includes \$985 million of asset impairment charges resulting from the adoption of SFAS No. 121.



**EARNINGS BY MAJOR AREAS OF OPERATION**

Millions of Dollars	Year Ended December 31				
	1996	1995	1994	1993	1992
<b>Petroleum Operations</b>					
Exploration and Production – United States	\$ 1,087	\$ 72	\$ 518	\$ 566	\$ 1,043
– International	1,211	690	539	580	594
– Total	2,298	762	1,057	1,146	1,637
Refining and Marketing – United States	193	(104)	40	(170)	297
– International	226	345	239	252	111
– Total	419	241	279	82	408
Total Petroleum Operations	2,717	1,003	1,336	1,228	2,045
Chemicals	200	484	206	143	89
Coal and Other Minerals	46	(18)	111	44	198
Corporate and Other <sup>(1)(2)</sup>	(356)	(539)	40	(150)	(122)
<b>Income Before Cumulative Effect of Changes in Accounting Principles</b>	<b>2,607</b>	<b>930</b>	<b>1,693</b>	<b>1,265</b>	<b>2,210</b>
Cumulative Effect of Changes in Accounting Principles	–	–	–	–	(641)
<b>Net Income</b>	<b>\$ 2,607</b>	<b>\$ 930</b>	<b>\$ 1,693</b>	<b>\$ 1,265</b>	<b>\$ 1,569</b>

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

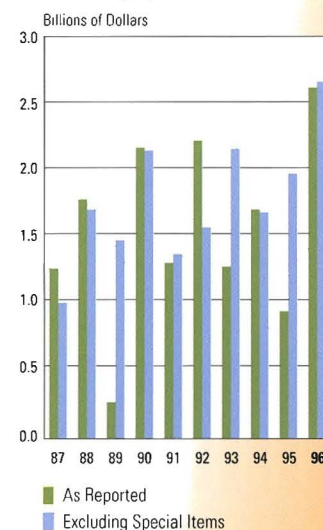
Millions of Dollars					
<b>Petroleum Operations</b>					
Exploration and Production – United States	\$ 1,109	\$ 552	\$ 584	\$ 702	\$ 630
– International	1,142	811	519	641	580
– Total	2,251	1,363	1,103	1,343	1,210
Refining and Marketing – United States	290	75	325	555	350
– International	167	283	249	251	114
– Total	457	358	574	806	464
Total Petroleum Operations	2,708	1,721	1,677	2,149	1,674
Chemicals	228	524	215	31	36
Coal and Other Minerals	48	47	63	44	39
Corporate and Other <sup>(1)(2)</sup>	(333)	(330)	(284)	(76)	(190)
Worldwide Earnings, Excluding Special Items	2,651	1,962	1,671	2,148	1,559
Special Items <sup>(3)</sup>	(44)	(1,032)	22	(883)	651
<b>Income Before Cumulative Effect of Changes in Accounting Principles</b>	<b>\$ 2,607</b>	<b>\$ 930</b>	<b>\$ 1,693</b>	<b>\$ 1,265</b>	<b>\$ 2,210</b>

(1) "Corporate and Other" includes interest expense, interest income on cash and marketable securities, corporate center items, and real estate and insurance activities.

(2) Beginning in 1994, the company changed its method of distributing certain corporate expenses to its business segments.

(3) Net income is affected by transactions that are unrelated to or are not 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:

<b>Asset Write-Offs and Revaluations</b>					
New Accounting Standard	\$ –	\$ (659)	\$ –	\$ –	\$ –
Other	(337)	(304)	–	(71)	(133)
Asset Dispositions	391	7	48	122	757
Environmental Remediation Provisions	(54)	(90)	(304)	(90)	(44)
Prior-Year Tax Adjustments	52	(22)	344	(130)	72
Restructurings and Reorganizations	(14)	(50)	(45)	(554)	(40)
LIFO Inventory (Losses) Gains	(4)	2	(10)	(46)	(26)
Other	(78)	84	(11)	(114)	65
<b>Total Special Items</b>	<b>\$ (44)</b>	<b>\$ (1,032)</b>	<b>\$ 22</b>	<b>\$ (883)</b>	<b>\$ 651</b>

**Reported Earnings vs. Earnings Excluding Special Items\***

\* Before Cumulative Effect of Changes in Accounting Principles.

## CONSOLIDATED BALANCE SHEET

Millions of Dollars

	1996	1995	1994	At December 31 1993	1992
<b>Assets</b>					
Cash and Cash Equivalents	\$ 892	\$ 621	\$ 413	\$ 1,644	\$ 1,292
Marketable Securities	745	773	893	372	403
Accounts and Notes Receivable	4,035	4,014	3,923	3,808	4,115
Inventories:					
Crude Oil and Petroleum Products	669	822	1,036	1,108	1,276
Chemicals	507	487	391	423	497
Materials, Supplies and Other	255	289	283	270	362
Prepaid Expenses and Other Current Assets	839	861	652	1,057	827
<b>Total Current Assets</b>	<b>7,942</b>	<b>7,867</b>	<b>7,591</b>	<b>8,682</b>	<b>8,772</b>
Long-Term Receivables	261	149	138	94	127
Investments and Advances	4,463	4,087	3,991	3,623	2,451
Properties, Plant and Equipment, at Cost	46,936	48,031	46,810	44,807	44,010
Less: Accumulated Depreciation, Depletion and Amortization	25,440	26,335	24,637	22,942	21,822
Net Properties, Plant and Equipment	21,496	21,696	22,173	21,865	22,188
Deferred Charges and Other Assets	692	531	514	472	432
<b>Total Assets</b>	<b>\$ 34,854</b>	<b>\$ 34,330</b>	<b>\$ 34,407</b>	<b>\$ 34,736</b>	<b>\$ 33,970</b>
<b>Liabilities and Stockholders' Equity</b>					
Short-Term Debt	\$ 2,706	\$ 3,806	\$ 4,014	\$ 3,456	\$ 2,888
Accounts Payable	3,502	3,294	2,990	3,325	3,469
Accrued Liabilities	1,420	1,257	1,274	2,538	2,009
Federal and Other Taxes on Income	745	558	624	782	967
Other Taxes Payable	534	530	490	505	502
<b>Total Current Liabilities</b>	<b>8,907</b>	<b>9,445</b>	<b>9,392</b>	<b>10,606</b>	<b>9,835</b>
Long-Term Debt and Capital Lease Obligations	3,988	4,521	4,128	4,082	4,953
Deferred Credits and Other Non-Current Obligations	1,858	1,992	2,043	1,677	1,160
Non-Current Deferred Income Taxes	2,851	2,433	2,674	2,916	2,894
Reserves for Employee Benefit Plans	1,627	1,584	1,574	1,458	1,400
<b>Total Liabilities</b>	<b>19,231</b>	<b>19,975</b>	<b>19,811</b>	<b>20,739</b>	<b>20,242</b>
<b>Stockholders' Equity</b>	<b>15,623</b>	<b>14,355</b>	<b>14,596</b>	<b>13,997</b>	<b>13,728</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 34,854</b>	<b>\$ 34,330</b>	<b>\$ 34,407</b>	<b>\$ 34,736</b>	<b>\$ 33,970</b>

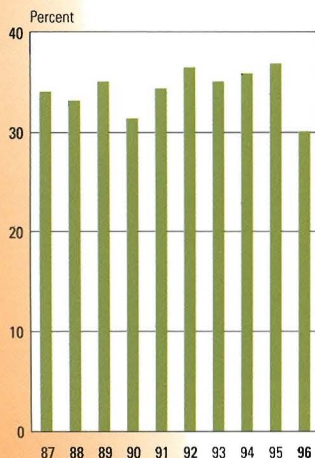
## CONSOLIDATED ASSETS

Millions of Dollars

Petroleum Operations:					
United States	\$ 14,226	\$ 14,521	\$ 15,540	\$ 16,443	\$ 18,508
International	13,893	13,392	12,493	12,202	9,671
<b>Total Petroleum</b>	<b>28,119</b>	<b>27,913</b>	<b>28,033</b>	<b>28,645</b>	<b>28,179</b>
Chemicals	2,989	2,524	2,403	2,457	2,555
Coal and Other Minerals	511	531	637	757	772
Corporate and Other*	3,235	3,362	3,334	2,877	2,464
<b>Total</b>	<b>\$ 34,854</b>	<b>\$ 34,330</b>	<b>\$ 34,407</b>	<b>\$ 34,736</b>	<b>\$ 33,970</b>

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

## Total Debt / Total Debt Plus Equity



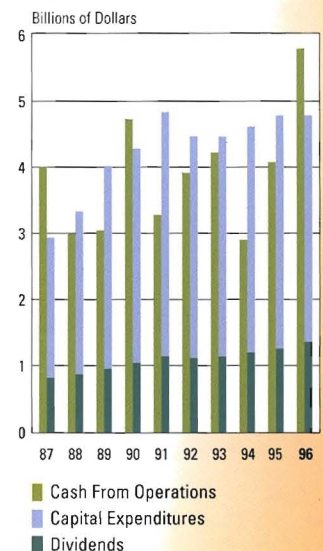


## CONSOLIDATED STATEMENT OF CASH FLOWS

Millions of Dollars	Year Ended December 31				
	1996	1995	1994	1993	1992
<b>Operating Activities:</b>					
Net Income	\$2,607	\$ 930	\$ 1,693	\$ 1,265	\$ 1,569
Adjustments:					
Depreciation, Depletion and Amortization	2,216	3,381	2,431	2,452	2,594
Dry Hole Expense Related to Prior Years' Expenditures	55	19	53	29	57
Distributions More (Less) Than Equity in Affiliates' Income	61	(132)	(55)	(173)	(144)
Net Before-Tax Losses (Gains) on Asset Sales and Retirements	207	164	(83)	373	(568)
Net Foreign Exchange (Gains) Losses	(10)	47	40	(27)	(66)
Deferred Income Tax Provision	359	(258)	110	(160)	(176)
Cumulative Effect of Changes in Accounting Principles	—	—	—	—	641
Decrease (Increase) in Operating Working Capital:					
Accounts and Notes Receivable	30	(62)	(44)	187	97
Inventories	60	(162)	(57)	288	292
Prepaid Expenses and Other Current Assets	15	(148)	4	(52)	85
Accounts Payable and Accrued Liabilities	369	428	(1,510)	214	(567)
Income and Other Taxes Payable	167	(16)	(166)	(174)	175
Total Decrease (Increase) in Operating Working Capital	641	40	(1,773)	463	82
Other	(339)	(116)	480	(1)	(75)
<b>Net Cash Provided by Operating Activities</b>	<b>5,797</b>	<b>4,075</b>	<b>2,896</b>	<b>4,221</b>	<b>3,914</b>
<b>Investing Activities:</b>					
Capital Expenditures*	(3,424)	(3,529)	(3,405)	(3,323)	(3,352)
Proceeds from Asset Sales	778	581	731	908	1,043
Purchases of Marketable Securities	(3,443)	(2,759)	(1,943)	(1,855)	(2,633)
Sales of Marketable Securities	3,487	2,903	1,398	1,885	2,678
<b>Net Cash Used for Investing Activities</b>	<b>(2,602)</b>	<b>(2,804)</b>	<b>(3,219)</b>	<b>(2,385)</b>	<b>(2,264)</b>
<b>Financing Activities:</b>					
Net (Repayments) Borrowings of Short-Term Obligations	(1,179)	(227)	466	293	1,333
Proceeds from Issuance of Long-Term Debt	95	536	436	199	23
Repayments of Long-Term Debt	(476)	(103)	(588)	(854)	(1,260)
Cash Dividends Paid	(1,358)	(1,255)	(1,206)	(1,139)	(1,115)
Purchases of Treasury Shares	(4)	(4)	(5)	(4)	(382)
<b>Net Cash Used for Financing Activities</b>	<b>(2,922)</b>	<b>(1,053)</b>	<b>(897)</b>	<b>(1,505)</b>	<b>(1,401)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(2)</b>	<b>(10)</b>	<b>(11)</b>	<b>21</b>	<b>3</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>271</b>	<b>208</b>	<b>(1,231)</b>	<b>352</b>	<b>252</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>621</b>	<b>413</b>	<b>1,644</b>	<b>1,292</b>	<b>1,040</b>
<b>Cash and Cash Equivalents at Year End</b>	<b>\$ 892</b>	<b>\$ 621</b>	<b>\$ 413</b>	<b>\$ 1,644</b>	<b>\$ 1,292</b>

\*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**

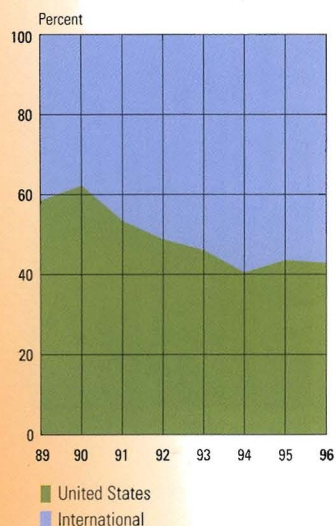
Millions of Dollars	Year Ended December 31				
	1996	1995	1994	1993	1992
<b>United States</b>					
Petroleum: Exploration	\$ 487	\$ 341	\$ 223	\$ 201	\$ 200
Production	681	538	584	562	592
Refining	150	646	639	700	547
Marketing	204	201	209	201	370
Transportation	75	45	37	48	45
Total Petroleum	1,597	1,771	1,692	1,712	1,754
Chemicals	377	172	109	199	224
Coal and Other Minerals	31	40	39	47	65
Corporate and Other	70	110	114	91	116
<b>Total United States</b>	<b>2,075</b>	<b>2,093</b>	<b>1,954</b>	<b>2,049</b>	<b>2,159</b>
<b>International</b>					
Petroleum: Exploration	402	376	353	369	364
Production	1,452	1,459	1,578	1,230	1,094
Refining	384	567	510	422	377
Marketing	396	271	238	192	202
Transportation	1	1	142	134	170
Total Petroleum	2,635	2,674	2,821	2,347	2,207
Chemicals	120	32	29	34	37
Coal and Other Minerals	10	1	15	10	20
Corporate and Other	–	–	–	–	–
<b>Total International</b>	<b>2,765</b>	<b>2,707</b>	<b>2,865</b>	<b>2,391</b>	<b>2,264</b>
<b>Worldwide</b>					
Petroleum: Exploration	889	717	576	570	564
Production	2,133	1,997	2,162	1,792	1,686
Refining	534	1,213	1,149	1,122	924
Marketing	600	472	447	393	572
Transportation	76	46	179	182	215
Total Petroleum	4,232	4,445	4,513	4,059	3,961
Chemicals	497	204	138	233	261
Coal and Other Minerals	41	41	54	57	85
Corporate and Other	70	110	114	91	116
<b>Total Worldwide</b>	<b>\$ 4,840</b>	<b>\$ 4,800</b>	<b>\$ 4,819</b>	<b>\$ 4,440</b>	<b>\$ 4,423</b>
<b>Memo: Affiliates' Expenditures Included Above</b>	<b>\$ 983</b>	<b>\$ 912</b>	<b>\$ 846</b>	<b>\$ 701</b>	<b>\$ 621</b>

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

Millions of Dollars					
Petroleum: Geological and Geophysical	\$ 123	\$ 76	\$ 72	\$ 92	\$ 269
Unproductive Wells Drilled	217	176	183	127	186
Oil and Gas Lease Rentals	14	11	9	15	17
Other <sup>(2)</sup>	101	109	111	119	16
Total Petroleum	455	372	375	353	488
Coal and Other Minerals	–	–	4	7	19
<b>Total Exploration Expenses</b>	<b>\$ 455</b>	<b>\$ 372</b>	<b>\$ 379</b>	<b>\$ 360</b>	<b>\$ 507</b>
<b>Memo: United States</b>	<b>\$ 172</b>	<b>\$ 102</b>	<b>\$ 134</b>	<b>\$ 99</b>	<b>\$ 183</b>
International	<b>\$ 283</b>	<b>\$ 270</b>	<b>\$ 245</b>	<b>\$ 261</b>	<b>\$ 324</b>

(1) Consolidated companies only. Excludes amortization of undeveloped leaseholds.

(2) Other exploration expenses include expensed well contributions, research and development costs, and other miscellaneous expenses.

**Capital and Exploratory Expenditures by Geographic Area**



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

Millions of Dollars	1996	1995	1994	1993	1992
<b>Net Properties, Plant and Equipment at Beginning of Year</b>	<b>\$ 21,696</b>	<b>\$ 22,173</b>	<b>\$ 21,865</b>	<b>\$ 22,188</b>	<b>\$ 22,850</b>
<b>Additions at Cost:</b>					
Petroleum:					
Exploration and Production <sup>(1)</sup>	2,195	2,197	1,726	1,677	1,609
Refining, Marketing and Transportation	485	1,222	1,117	1,179	1,284
Chemicals	413	194	114	198	208
Coal and Other Minerals	27	33	42	35	59
Corporate and Other <sup>(2)</sup>	76	203	125	96	209
<b>Total Additions at Cost</b>	<b>3,196</b>	<b>3,849</b>	<b>3,124</b>	<b>3,185</b>	<b>3,369</b>
<b>Depreciation, Depletion and Amortization Expense:</b>					
Petroleum:					
Exploration and Production	(1,366)	(2,289)	(1,561)	(1,583)	(1,760)
Refining, Marketing and Transportation	(587)	(680)	(574)	(566)	(527)
Chemicals	(162)	(186)	(158)	(149)	(145)
Coal and Other Minerals	(37)	(136)	(54)	(54)	(50)
Corporate and Other <sup>(2)</sup>	(64)	(90)	(84)	(100)	(112)
<b>Total Depreciation, Depletion and Amortization Expense</b>	<b>(2,216)</b>	<b>(3,381)</b>	<b>(2,431)</b>	<b>(2,452)</b>	<b>(2,594)</b>
<b>Net Retirements and Sales:</b>					
Petroleum:					
Exploration and Production	(445)	(105)	(27)	(239)	(1,119)
Refining, Marketing and Transportation	(329)	(528)	(149)	(771)	(150)
Chemicals	(22)	(9)	(37)	(25)	(81)
Coal and Other Minerals	4	—	(6)	(1)	(15)
Corporate and Other <sup>(2)</sup>	(399)	(302)	(167)	(15)	(72)
<b>Total Net Retirements and Sales</b>	<b>(1,191)</b>	<b>(944)</b>	<b>(386)</b>	<b>(1,051)</b>	<b>(1,437)</b>
<b>Net Intersegment Transfers and Other Changes:</b>					
Petroleum:					
Exploration and Production	(10)	(30)	20	4	7
Refining, Marketing and Transportation	(81)	(87)	—	28	(19)
Chemicals	107	88	1	(12)	10
Coal and Other Minerals	1	—	—	—	—
Corporate and Other <sup>(2)</sup>	(6)	28	(20)	(25)	2
<b>Total Net Intersegment Transfers and Other Changes<sup>(3)</sup></b>	<b>11</b>	<b>(1)</b>	<b>1</b>	<b>(5)</b>	<b>—</b>
<b>Net Properties, Plant and Equipment at Year End:</b>					
Petroleum:					
Exploration and Production <sup>(4)</sup>	10,847	10,473	10,700	10,542	10,683
Refining, Marketing and Transportation	7,682	8,194	8,267	7,873	8,003
Chemicals	1,715	1,379	1,293	1,373	1,361
Coal and Other Minerals	373	378	480	498	518
Corporate and Other <sup>(2)</sup>	879	1,272	1,433	1,579	1,623
<b>Total Net Properties, Plant and Equipment at Year End</b>	<b>\$ 21,496</b>	<b>\$ 21,696</b>	<b>\$ 22,173</b>	<b>\$ 21,865</b>	<b>\$ 22,188</b>
<b>Memo: Gross Properties, Plant and Equipment</b>	<b>\$ 46,936</b>	<b>\$ 48,031</b>	<b>\$ 46,810</b>	<b>\$ 44,807</b>	<b>\$ 44,010</b>
Accumulated Depreciation, Depletion and Amortization	(25,440)	(26,335)	(24,637)	(22,942)	(21,822)
<b>Net Properties, Plant and Equipment</b>	<b>\$ 21,496</b>	<b>\$ 21,696</b>	<b>\$ 22,173</b>	<b>\$ 21,865</b>	<b>\$ 22,188</b>

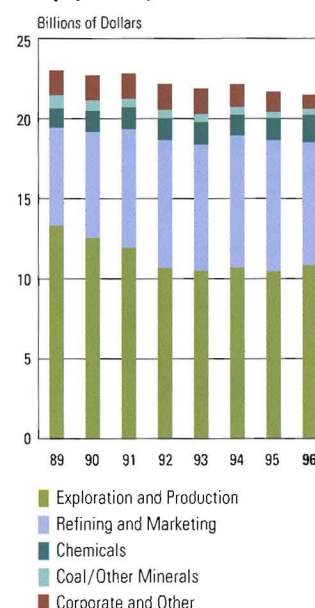
(1) Net of exploratory well write-offs.

(2) Principally includes real estate and management information systems.

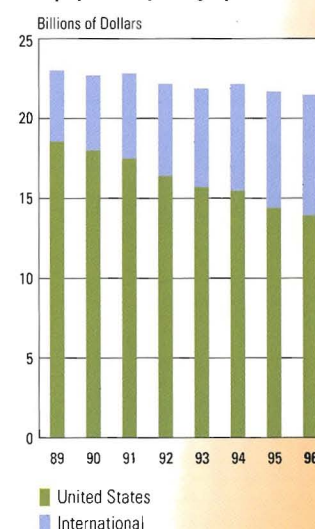
(3) Includes reclassifications to/from other asset accounts.

(4) Includes net investment in unproved oil and gas properties.

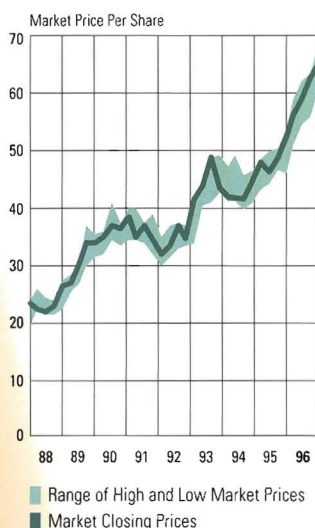
**Net Properties, Plant and Equipment by Function**



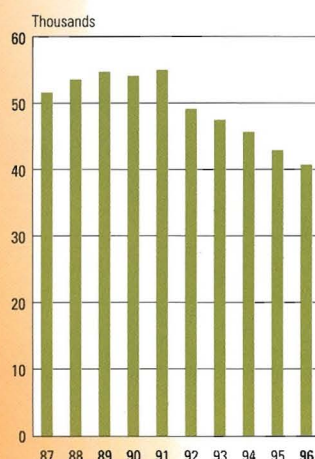
**Net Properties, Plant and Equipment by Geographic Area**



### Stock Price Movements



### Number of Employees at Year End



### MISCELLANEOUS DATA

#### Performance Measures

	1996	1995	1994	1993	1992
Earnings, Excluding Special Items (Millions of Dollars)	\$ 2,651	\$ 1,962	\$ 1,671	\$ 2,148	\$ 1,559
Adjusted Operational Expenses (Millions of Dollars) <sup>(1)</sup>	\$ 7,832	\$ 7,594	\$ 7,565	\$ 7,601	\$ 7,949
Adjusted Operational Expenses per Barrel <sup>(1)</sup>	\$ 6.10	\$ 6.09	\$ 6.07	\$ 6.17	\$ 6.34
Return on Average Capital Employed, Excluding Special Items <sup>(2)</sup>	12.8%	9.8%	8.6%	10.9%	8.4%
Total Stockholder Return <sup>(3)</sup>	28.5%	22.0%	6.8%	30.6%	5.6%

#### Financial Ratios<sup>(4)</sup>

Current Assets to Current Liabilities	0.9	0.8	0.8	0.8	0.9
Interest Coverage Ratio	10.9	4.1	7.6	7.4	8.2
Total Debt/Total Debt Plus Equity	30.0%	36.7%	35.8%	35.0%	36.4%
Return on Average Stockholders' Equity	17.4%	6.4%	11.8%	9.1%	11.0%
Return on Average Capital Employed	12.7%	5.3%	8.7%	6.8%	8.5%
Return on Average Total Assets	7.5%	2.7%	4.9%	3.7%	4.6%
Return on Sales	6.9%	3.0%	5.6%	3.9%	4.6%
Cash Dividends to Net Income (Payout Ratio)	52.1%	135.0%	71.2%	90.0%	71.1%
Cash Dividends to Cash from Operations	23.4%	30.8%	41.6%	27.0%	28.5%

#### Common Stock<sup>(5)</sup>

Number of Shares Outstanding at Year End (Thousands)	653,086	652,327	651,751	651,478	650,348
Weighted Average Shares Outstanding for the Year (Thousands)	652,769	652,084	651,672	650,958	677,954
Number of Stockholders of Record at Year End (Thousands)	131	136	141	145	154
Cash Dividends on Common Stock: Millions of Dollars	\$ 1,358	\$ 1,255	\$ 1,206	\$ 1,139	\$ 1,115
Per Common Share	\$ 2.08	\$ 1.925	\$ 1.85	\$ 1.75	\$ 1.65
Earnings Per Common Share:					
1st Quarter	\$ 0.94	\$ 0.70	\$ 0.60	\$ 0.77	\$ (0.44)
2nd Quarter	1.34	0.93	0.39	0.08	0.46
3rd Quarter	1.00	0.44	0.65	0.64	0.68
4th Quarter	0.71	(0.64)	0.96	0.45	1.65
Year	\$ 3.99	\$ 1.43	\$ 2.60	\$ 1.94	\$ 2.31 <sup>(6)</sup>
Stockholders' Equity Per Common Share at Year End	\$ 23.92	\$ 22.01	\$ 22.40	\$ 21.49	\$ 21.11

#### Personnel, Payroll and Benefits<sup>(7)</sup>

Number of Employees at Year End	40,820	43,019	45,758	47,576	49,245
Payroll Costs (Millions of Dollars)	\$ 2,103	\$ 2,091	\$ 2,138	\$ 2,159	\$ 2,333
Employee Benefit Costs (Millions of Dollars) <sup>(8)</sup>	\$ 546	\$ 576	\$ 530	\$ 548	\$ 601
Investment Per Employee at Year End (Thousands of Dollars) <sup>(9)</sup>	\$ 547	\$ 528	\$ 497	\$ 453	\$ 438
Average Sales Per Employee (Thousands of Dollars) <sup>(10)</sup>	\$ 896	\$ 706	\$ 650	\$ 664	\$ 656
Average Monthly Wage Per Employee	\$ 4,181	\$ 3,934	\$ 3,818	\$ 3,716	\$ 3,725

- (1) 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. Prior years have been restated to conform with 1996 methodology.
- (2) 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).
- (3) Total Stockholder Return = (Stock Price Appreciation + Reinvested Dividends) ÷ Stock Price at the Beginning of the Measurement Period.
- (4) 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).
- (5) Share and per share amounts for all years reflect the two-for-one stock split in May 1994.
- (6) Quarterly amounts do not add to the annual earnings per share for 1992 because of changes in the number of outstanding shares during the year.
- (7) Consolidated companies only.
- (8) Includes provisions for voluntary enhanced early retirement programs in 1992 and employee severance programs in all years.
- (9) Investment = Year-End Capital Employed.
- (10) Average Sales Per Employee = Sales and Other Operating Revenues (Net of Excise Taxes) ÷ Average No. of Employees (Beginning and End of Year).



## Business Description

Chevron is one of the largest natural gas producers in the United States and is among the leaders in worldwide liquids production. In 1996, Chevron's liquids production was at the highest level in 11 years. In addition, worldwide proved reserve additions have outpaced increased production levels for the last four years, allowing Chevron to be well positioned for future growth.

In North America, Chevron's oil and gas operations are located in the major producing areas of the Gulf of Mexico, California, Rocky Mountains, Texas and western Canada. These operations, covering over 400 properties, are a major cash generator and earnings contributor. In the Gulf of Mexico, Chevron is moving forward with the development of major opportunities in deep-water fields, such as Genesis, tapping the

vast natural gas reserves in the Nophlet trend and amassing an inventory of deep-water leases for future exploration. Chevron also expects to commence oil production in late 1997 from the giant Hibernia Field off the east coast of Canada. Also positioned for growth are Chevron's midstream operations. Their merger and alliance with NGC Corporation combined Chevron's substantial resources with NGC's entrepreneurial culture, gas marketing and processing expertise and stake in the electric power market.

Outside North America, Chevron is active in 19 countries and has enjoyed both increased oil and gas production and proved reserves growth for seven consecutive years. Current opportunities include expected increase in production levels of as much as 50 percent for Nigeria and



*Chevron Upstream Operations*

Angola; a pipeline agreement facilitating future increased production and sales from Kazakhstan; development of the huge Britannia gas field in the United Kingdom; progress on a plan to commercialize the undeveloped gas reserves in Australia; developing the Gobe Field in Papua New Guinea and the Boscan Field in Venezuela. Exploration efforts are active in producing areas such as Nigeria, Angola, Australia, Congo, China and in areas new to Chevron – Ireland, Peru and Qatar.

UPSTREAM FINANCIAL AND OPERATING HIGHLIGHTS <sup>(1)</sup>	U.S. Upstream		International Upstream	
	1996	1995	1996	1995
Reported Earnings (Millions of Dollars)	1,087	72	1,211	690
Earnings Excluding Special Items (Millions of Dollars)	1,109	552	1,142	811
Gross Liquids Production (Thousands of Barrels Per Day)	385	397	1,003	944
Net Liquids Production (Thousands of Barrels Per Day)	341	350	702	651
Gross Natural Gas Production (Millions of Cubic Feet Per Day)	2,216	2,207	676	652
Net Natural Gas Production (Millions of Cubic Feet Per Day)	1,875	1,868	584	565
Gross Proved Liquids Reserves (Millions of Barrels)	1,286	1,330	4,534	4,453
Net Proved Liquids Reserves (Millions of Barrels)	1,149	1,187	3,215	3,156
Gross Proved Natural Gas Reserves (Billions of Cubic Feet)	6,209	6,489	5,811	5,247
Net Proved Natural Gas Reserves (Billions of Cubic Feet)	5,275	5,532	5,042	4,538
Natural Gas Sales (Millions of Cubic Feet Per Day)	3,588	2,815	778	564
Natural Gas Liquids Sales (Thousands of Barrels Per Day)	187	213	36	47
Net Exploratory Oil and Gas Wells Completed <sup>(2)</sup>	120	101	35	25
Net Development Oil and Gas Wells Completed <sup>(2)</sup>	485	281	70	48
Net Wells Producing at Year-End <sup>(2)</sup>	11,543	10,133	1,571	1,574
Net Proved and Unproved Acreage (Thousands of Acres) <sup>(2)</sup>	5,131	4,704	48,538	56,711
Exploration Expenditures (Millions of Dollars)	487	341	402	376
Production Expenditures (Millions of Dollars)	681	538	1,452	1,459

(1) Includes equity share of affiliates, unless otherwise noted.

(2) Consolidated companies only.

## North America

### Business Strategies

- ◆ Operate as a leader among oil and gas operators in conducting safe and environmentally sound operations.
- ◆ Generate cash in excess of \$700 million while maintaining value through sustained production levels.
- ◆ Sustain operating cost reductions through best practices, improved processes and energy management.
- ◆ Capitalize on growth opportunities across the portfolio, including accelerating and expanding the deep-water Gulf of Mexico and east coast of Canada programs.
- ◆ Focus exploration in the few basins and trends that demonstrate the potential for large discoveries.
- ◆ Apply cost-effective technology that will provide Chevron with a competitive advantage.
- ◆ Continue to promote changes in work processes, decision making and culture that reflect a profit-driven business orientation.
- ◆ Leverage natural gas and natural gas liquids processing and marketing opportunities through equity interest in NGC Corporation.

### 1996 Accomplishments

- ◆ Generated operating earnings of \$1.2 billion and over \$900 million in net cash flow, while increasing capital and exploratory expenditures on longer-term strategic growth initiatives.
- ◆ Dismantled and removed four platforms in the highly

visible Santa Barbara Channel, ahead of schedule and with no disruption to the community.

- ◆ Bid successfully, alone and with partners, in OCS Lease Sales. In 1996, Chevron acquired rights to 136 deep-water leases in the Gulf of Mexico.
- ◆ Commenced processing of Norphlet gas, averaging 54 million cubic feet of gas per day at year-end 1996, through the newly completed Mobile 864 B Central Processing Facility.
- ◆ Signed a five-year commitment with Global Marine to utilize the Glomar Explorer drill ship. The vessel will be ready for drilling in early 1998 and will have the capability to operate in 9,000 feet of water.
- ◆ Off the east coast of Canada, acquired an interest in the Ben Nevis Field and increased ownership in the Hebron Field.
- ◆ Finalized the merger of Chevron's Natural Gas Business Unit and Warren Petroleum Company with NGC Corporation on August 31, 1996. The new company, in which Chevron has an approximate 28 percent ownership, is one of the largest natural gas and gas liquids marketers in North America.
- ◆ Reached 1 million man hours without a lost-workday injury in aircraft operations for the Gulf of Mexico. During that time, over 790,000 trips were made, carrying 1.3 million passengers over 9.8 million miles.

## International

### Business Strategies

- ◆ Continue to focus on current and planned developments in West Africa, Australia, United Kingdom, Indonesia and Kazakhstan. These projects will 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 purchase 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.

### 1996 Accomplishments

- ◆ Operating earnings in 1996 from international upstream operations exceeded \$1 billion for the first time.
- ◆ Continued to grow, for the seventh consecutive year, international proved reserves and production levels.

- ◆ Produced first oil from the Nkossa Field in the Republic of Congo.
- ◆ Signed the Caspian Pipeline Consortium restructuring agreement in December 1996.
- ◆ Sold Chevron's interests in four mature producing fields in the U.K. North Sea – Ninian, Lyell, Hutton, and Murchison – reducing administrative costs and providing funds for attractive growth projects.
- ◆ Signed operating services agreement and assumed operatorship of Boscan Field in Venezuela on July 1.
- ◆ Signed an exploration/production sharing agreement to explore a 3,100-square-mile concession off the eastern coast of the Qatar peninsula.
- ◆ Discovered sufficient additional geothermal resources to support proceeding with the 70-megawatts Darajat II development in Indonesia.
- ◆ In China, signed new production sharing contracts for Block 63/15 in the gas-prone area offshore Hainan Island in the South China Sea and for Block 02/31 in Liaodong Bay in the Gulf of Bohai.



## United States Production

### Gulf Of Mexico

#### NORPHLET

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

Phase I of Chevron's long-term natural gas development in the Norphlet trend was completed during 1996. At year-end 1996, Chevron's net production had reached 110 million cubic feet of gas per day from seven wells. Additionally, Mobile 863 commenced production in February 1997 and net production is expected to reach 30 million cubic feet per day by mid-1997.

Phase II entails drilling 12 more Norphlet wells (not including Destin Dome) over the next three years which should increase Chevron's net gas production to 185 million cubic feet of gas per day by 2000.

The first well under Phase II was completed in December 1996 with a new field discovery at Mobile Block 819.

In November 1996, Chevron commenced the filing process to develop the Destin Dome Field. Pending approval of the permits, this field could be on stream by 2000. In 1996, Chevron tested its second delineation well in the field at a total rate of 41 million cubic feet of gas per day.

#### GENESIS (FORMERLY GREEN CANYON 205)

Genesis, Chevron's first deep-water (2,600 feet) operation in the Gulf of Mexico and its first using a spar structure, was approved in March 1996. The spar design employs a cylindrical steel structure floating upright, to support drilling and production facilities.

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 commenced in June 1996, while construction of the topside and decks began in November 1996. Total project costs are estimated at \$750 million. Chevron is the unit operator with a 57 percent working interest.

The project execution 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 the year 2000. Recoverable reserves are estimated in excess of 160 million barrels of oil equivalent gas over the 15 to 20 year field life.

#### VERMILION 214

Chevron's Vermilion 214 Field produced 15 million barrels of oil and 69 billion cubic feet of gas from 1975 to 1995. Three-D seismic data obtained in 1994 revealed vast undeveloped potential. In late 1995 and early 1996, Chevron drilled two wells to delineate 20 proved oil and gas reservoirs, nearly doubling the field size. Two additional wells, drilled later in 1996, were also successful. Based on these results, ten new wells and three recompletions are planned for the 1997-1999 period.

Production from the new wells is anticipated to commence in April 1997 and is expected to exceed 10,000 barrels of oil and equivalent gas per day in the first year, with peak production exceeding 14,000 barrels per day in 1998. 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 fourth 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 is 70 percent.

To date, 18 of 44 prospects identified have been drilled. Fifteen wells drilled were successful, of which ten found gas and five discovered oil. The development program added net proved reserves of 35 billion

cubic feet of gas and 4.4 million barrels of oil in 1996. Deliverability from these wells has maintained total field production at 160 million cubic feet of gas and 7,500 barrels of oil per day. Additional deeper pool and sub-salt exploration prospects are in the early stages of evaluation.

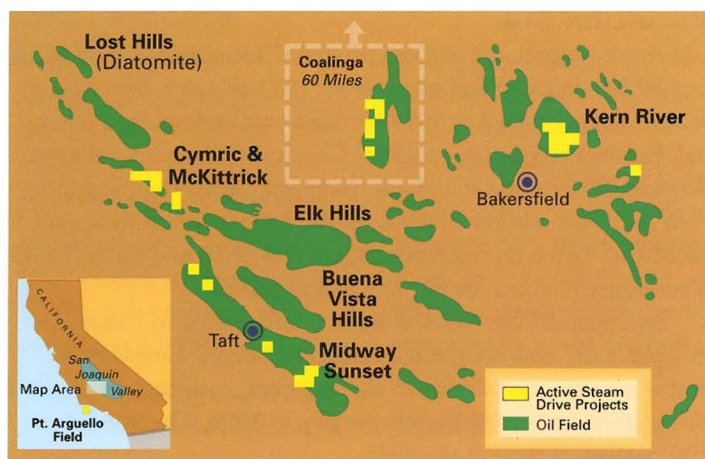
#### SOUTH MARSH ISLAND 66

Chevron's South Marsh Island 66, a 23-year-old field, has also undergone new development activity because of 3-D seismic technology. Eight wells have been successfully drilled since May 1995, adding 68 million cubic feet of gas per day to the field's production. The proposed plan is to drill an additional ten wells in 1997 and 1998, with total recoverable reserves from the 18 wells estimated at 150 billion cubic feet of gas.



Gulf of Mexico





California

## California

### STEAM DRIVE DEVELOPMENT

Net production from Chevron's thermal operations averaged 62,000 barrels of oil per day in 1996, over 18 percent of Chevron's daily U.S. liquids production. Based on the 1996 lifting cost survey conducted by the Conservation Committee of California Oil and Gas Producers, Chevron has the lowest lifting cost in the Kern River Field and second-lowest in other heavy oil fields where it operates. Chevron's heavy oil operations will continue to be a major cash contributor well into the next century.

### DIATOMITE DEVELOPMENT

The development of Chevron's San Joaquin Valley diatomite reserves in Lost Hills Field continued in 1996. Seventy-six new producing wells were drilled. Net Chevron production from the Lost Hills Field reached 23,000 barrels of oil per day in 1996.

Chevron completed its five-year water-injection development project, implemented to boost production and sustain the reservoir pressure, with 208 injectors in place. The combination of reservoir fracturing and water injection is expected to increase the amount of net oil ultimately recovered by 110 million barrels. The field is estimated to hold more than 2 billion barrels of oil in place.

### POINT ARGUELLO

Effective October 1, 1996, the Point Arguello Field, offshore California, was unitized with Chevron assuming operatorship for all three platforms in the field. The unitization should increase the efficiency and the economic life of the field, helping to offset the rapid production decline which has occurred since 1994. Chevron's interest will remain at about 26 percent.

## Texas

### LAREDO LOBO

Chevron continued to develop tight gas reserves in 1996 in the Lobo trend by drilling 34 new wells in the Laredo area of South Texas. This brings Chevron's total wellbore count in the Laredo area to 269, of which 143 have been drilled based on 3-D seismic acquisition and prospecting. The 1996 program resulted in

total new proved gas reserve additions of 88 billion cubic feet. Over the last four years, Chevron has added proved gas reserves of 335 billion cubic feet. Year-end net gas production averaged approximately 140 million cubic feet per day, a level expected to be maintained with continued investment through 1999.

## Oklahoma

### OSAGE

Chevron made an initial commitment of \$7 million to begin 3-D seismic exploration on more than 412,000 acres of tribal land in Osage County, Oklahoma. Seismic surveys have been shot over an 85-square-mile area and potential drilling locations have been identified. A 14-well evaluation program commenced in November 1996. Five wells were drilled by year-end 1996, with the remaining nine wells to be drilled during the first quarter of 1997. After evaluating the results, Chevron will decide how aggressively to pursue shooting 3-D seismic on the remaining acreage.

## Wyoming

### WALTMAN

Chevron continued to add proved gas reserves in 1996 in the central Wyoming Fort Union and Lance trends by drilling eight new wells in the Waltman area. The 1996 drilling program achieved a 75 percent success rate and added new proved gas reserves in excess of 100 billion cubic feet. These new wells were based on the interpretation of 3-D seismic data acquired in 1995.

Waltman Field net production has increased over the last three years from 7 million cubic feet of gas per day to over 50 million

cubic feet per day. Chevron expects a continued increase in gas production with the projected availability of expanded pipeline capacity in mid-1997.



Wyoming, Texas and Oklahoma

## United States Exploration

In 1996, Chevron's exploration efforts were focused in the Gulf of Mexico and several onshore basins in Texas and Alaska. A total of 19 exploratory wells were drilled, including four wells started in 1995.

The program resulted in three discoveries in the Gulf of Mexico and three onshore discoveries. Additionally, a Gulf of Mexico well currently being drilled is a commercial discovery, the first for 1997.



## GEMINI

Chevron and Texaco's 1995 joint discovery at the Gemini Subsalt prospect, located in 3,400 feet of water in the Gulf of Mexico, has entered the delineation phase. A well is currently in progress to evaluate significant deep potential not reached in the original well and to determine the lateral extent of the known reservoirs. The discovery well was located on Mississippi Canyon Block 292. Chevron has a 40 percent interest in this and two other Texaco-operated leases, Mississippi Canyon Blocks 247 and 291.

## GULF OF MEXICO OCS LEASE SALES

Chevron, bidding alone and with partners, was very successful in April 1996's Gulf of Mexico OCS Lease Sale 157. Chevron was high bidder on 114 of 132 blocks, including 85 in deep water. Industry participation in April's sale was the most active since 1970 due to publicity surrounding deep water and shelf sub-salt discoveries.

Chevron was also very successful in September 1996's Gulf of Mexico OCS Lease Sale 161. Bidding alone on 50 blocks and with Texaco on 22 blocks, Chevron had 34 successful 100 percent bids and 17 successful 50 percent bids, all in deep water.

In March 1997 lease sales, Chevron was high bidder on 70 deep-water leases. This will boost Chevron's deep-water lease inventory to a total of over 300 leases.



Canada

## Canada

Chevron Canada Resources' activities are concentrated on core areas in western Canada, covering approximately 85 fields, and on the development of the Hibernia Field off the Canadian east coast.

## WESTERN CANADA DEVELOPMENT AND PRODUCTION

Net production averaged 46,000 barrels of liquids and 222 million cubic feet of natural gas per day in 1996. Successful horizontal drilling programs undertaken at mature fields such as Princess, Bantry, Mitsue and Virden helped maintain production levels.

A pipeline completed between the recently discovered Simonette Field and the flagship Kaybob South gas processing plant enabled processing and sales of Simonette area natural gas. To the north, expansion of the Chinchaga gas plant is under way to double daily processing capacity to 120 million cubic feet per day. This expansion will increase processing of proprietary and third-party volumes.

## HIBERNIA DEVELOPMENT PROJECT

Hibernia development activity was significant in 1996, with construction work on the platform and facilities essentially completed. The next significant activity is to mate topside facilities with the massive gravity base structure (GBS), followed by tow out to the Hibernia Field site by mid-1997. The GBS, a 275-foot-tall concrete caisson, will be positioned on the ocean floor. The topside facilities accommodate all drilling, production and utility equipment. The production capability of the facilities will be 150,000 barrels per day. Chevron has a 26.9 percent interest in Hibernia.

First oil production is expected in late 1997, with peak production in 2000. Transportation system planning continues to move forward with construction of the first of two shuttle tankers well under way and design of transshipment facilities progressing on schedule. The tankers and terminal form the foundation of what could become a larger regional transportation system serving the entire offshore Newfoundland oil-producing region.

## OTHER FRONTIER DEVELOPMENT

Chevron acquired holdings in other east coast offshore properties during 1996. Chevron's acquisition of a 17 percent interest in the Ben Nevis Field and an increase in ownership interest in the Hebron Field to 32 percent provide additional opportunities for future east coast growth.

## EXPLORATION

The Western Canadian Sedimentary Basin, while mature, still offers many unexploited opportunities. Western Canadian exploration activities are centered in the Simonette, Chinchaga and Kaybob core areas, where Chevron has a significant presence. Discoveries in 1996 were made around these areas. Substantial land positions secured in other areas of western Canada provide Chevron the opportunity to develop future core areas – a key strategy of the overall exploration program.

Chevron was the successful bidder on four exploratory tracts off the east coast, two in proximity to Hibernia and two others in wildcat tracts. The goal is to leverage the existing infrastructure at Hibernia for future development.



## 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. CNL operates under a joint venture arrangement with the Nigerian government through its Nigerian National Petroleum Corporation (NNPC) which owns the remaining 60 percent interest in the operation.

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

A third subsidiary, Chevron Petroleum Nigeria Limited (CPNL), oversees and manages new venture projects in Nigeria. CPNL has a 30 percent interest in two deep-water Niger Delta blocks operated by Elf (40 percent), with Exxon (30 percent) also participating. CPNL also holds a 30 percent interest in three inland Benue Basin blocks. A sole interest is held by CPNL in six other Benue Basin blocks through a production sharing contract.

### PRODUCTION

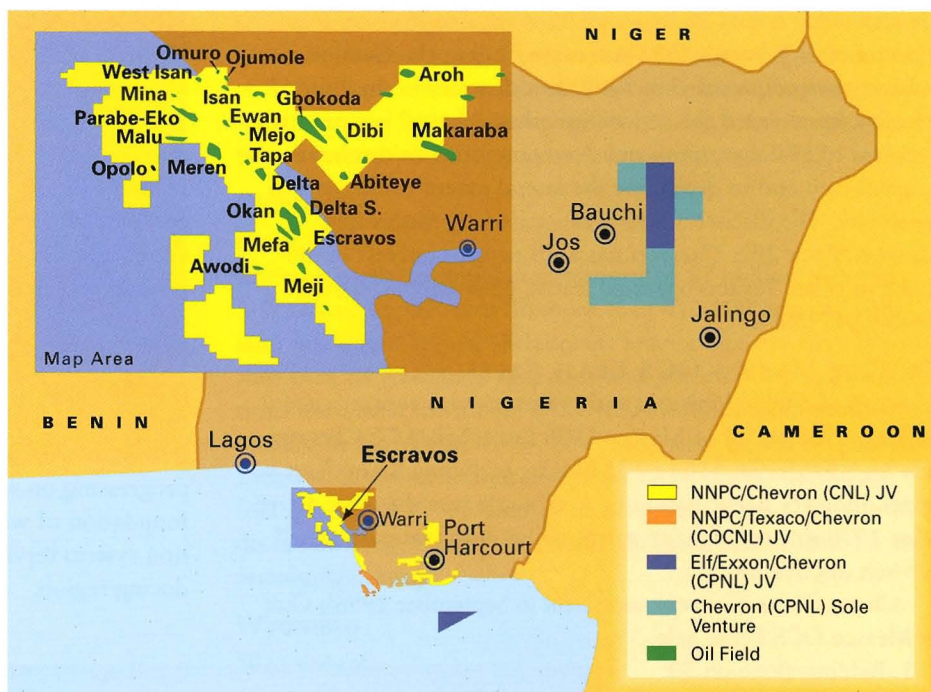
Total 1996 production from the 29 CNL-operated fields averaged 401,000 barrels of oil per day, an increase of 17,000 barrels per day from 1995. The increase was achieved through an active new field development program, development drilling in existing fields and a substantial workover program. The Benin River Field was placed on production in early 1996 and reached a production level of 50,000 barrels of oil per day.

CNL continued its multi-year facility upgrade program. This program began in 1992 and involves the upgrade of 18 of CNL's production facilities. By year-end 1996, 11 facilities have been upgraded with the remaining seven to be completed by 1998. The total cost of the program is estimated at \$310 million.

Production from the COCNL non-operated fields averaged approximately 70,000 barrels of oil per day in 1996, an increase of more than 15,000 barrels per day over 1995. The increased production is primarily due to successful development drilling in existing fields.

### DEVELOPMENT

Engineering and construction work continued on the development of the Dibi, Ewan, Gbokoda and Opolo fields. These fields are scheduled to begin production in 1997 and 1998 with combined peak production from the four fields expected to exceed 175,000 barrels of oil per day. These development projects are part of CNL's plans to achieve a production level of 600,000 barrels per day by 2001.



Nigeria

### ESCRAVOS GAS PROJECT

Construction on the Escravos Gas Project progressed well during 1996 and the project remains on schedule for a mid-1997 start up. By the end of 1996, the fabrication of all equipment and facilities was completed, including the floating storage and off-loading vessel which will arrive offshore Nigeria in the first quarter of 1997. This first phase will cost a total of \$570 million and will utilize gas currently being flared from Okan and Mefa fields. Chevron has signed a letter of intent to supply gas to Ghana via Benin and Togo. This project is part of the Chevron/NNPC joint venture and Chevron's interest is 40 percent.

### EXPLORATION

CNL drilled five exploratory and appraisal wells in 1996 which resulted in one new oil field discovery. CNL's aggressive 3-D seismic acquisition continued with the recording of 272 square miles of data. COCNL, the partner-operated venture, drilled one exploratory well which resulted in a discovery.

CPNL also recorded significant progress with the completion of seismic, gravity and surface geological mapping in six Chevron-operated blocks in the Benue Basin. This work completed the first phase of the exploration program for these leases. In the partner-operated deep offshore blocks, the first phase of seismic acquisition and interpretation is approximately 50 percent complete.

### Angola

Chevron's subsidiary, Cabinda Gulf Oil Company Limited (CABGOC), is the operator of a 2,100-square-mile concession off the coast of Angola's Cabinda exclave. Partners in the venture include Sociedade Nacional de Combustiveis de Angola Limited (Sonangol) - 41 percent, Agip Angola Limited - 9.8 percent, Elf Angola - 10 percent and CABGOC - 39.2 percent.



The concession is divided into Areas A, B, and C. Prior to 1994, Area A generated all the production, with operations divided into two major areas, Malongo and Takula. Area B production commenced in 1994 with the commissioning of installations in the Kokongo Field. Area C production is expected to start up by mid-1997 at the Ndola and Sanha fields.

#### PRODUCTION

Area A includes 19 major fields (eleven in the Malongo Area and eight in the Takula Area). Thirteen of the Area A fields are currently producing.

Area B includes six major fields. Kokongo and Nemba fields began producing in late 1994 and early 1996, respectively, and continue to undergo development.

Area C includes seven major fields, none of which are currently producing. The Ndola and Sanha fields are being actively developed, with start ups scheduled in 1997.

The concession set a new peak production rate of 428,000 barrels per day in September of 1996 and crude oil production for the year averaged 397,000 barrels per day. Along with average liquefied petroleum gas (LPG) production of 4,200 barrels per day, total hydrocarbon liquids production exceeded 400,000 barrels per day for the year.

#### DEVELOPMENT

Although production in Area A is experiencing natural decline, the combination of new developments, exploration discoveries, in-fill drilling, workovers and facility modernization will keep Area A's production decline to a minimum in the immediate future. 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 early stages of development. These projects will initially arrest the decline and eventually move Area A production towards a new peak in 2002.

Areas B and C continue to be the primary focus of major development activity. In Area B, 11 Kokongo wells were drilled and placed on production during 1996. Construction of Area B facilities for further development of the Nemba Field and development of the Lomba Field is currently under way. Start of production from these two fields is scheduled for 1998.

In Area C, three Ndola wells were pre-drilled, completing the well program scheduled prior to platform installation. Installation of the first two platform facilities for the Ndola and Sanha fields will be complete in early 1997 with start-up forecasted for mid-year. These fields will operate as satellites of Kokongo, with all production routed to shore via the East Kokongo Platform.

The combined effect of these development activities and future projects are expected to increase production as much as 50 percent above current levels.

#### EXPLORATION

Two prospects with shallow objectives and one prospect with deep objectives were tested in Area A in 1996. Four exploration wells are planned for Area A in 1997.

In Block 14, a 3-D seismic survey was processed in February 1996. Interpretation resulted in the commencement of drilling in August of the first of four planned exploratory wells. This well tested multiple objectives and reached a total depth of about 16,500 feet. The first objective has oil pay in it and will be tested further. Two additional exploration wells are planned for Block 14 in 1997.

#### 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

In the Haute Mer permit area, the Nkossa Field, in which Chevron has a 30 percent interest, came on stream as scheduled in June 1996. Development drilling of production, gas injection and water injection wells continued through 1996. By year end, production in this field, operated by Elf Congo, averaged 80,000 barrels per day. LPG production commenced in November 1996. A further 12 wells are planned for 1997.

#### DEVELOPMENT

Chevron has a 29.25 percent interest in the Marine VII license, which is operated by Agip and includes the Kitina Field. Drilling of all 14 Kitina development wells was completed ahead of schedule in September 1996. Construction of the Kitina platform and onshore facilities are

on schedule with platform installation and hookup planned for October 1997. First oil is anticipated in late 1997, with peak production of 45,000 barrels per day by 1999.

#### EXPLORATION

West of Nkossa, the Moho Field, located in the Haute Mer permit, was delineated by the successful Moho-2 well in mid-1996. Moho-2 confirmed a separate oil pool to the north of the Moho-1 oil accumulation and tested at a rate of 4,700 barrels per day. Two additional appraisal wells on Moho are planned for 1997 to more accurately establish reserves. Initial facilities design work on Moho, in 2,600 feet of water, is planned for 1997.



Angola, Congo and Zaire



A 3-D survey shot over Moho and surrounding acreage in 1996 has identified several more exploration prospects both in lower Albian-Nkossa type reservoirs as well as in shallower tertiary objectives. One exploration well is planned for 1997.

The Marine IV exploration permit was awarded to Chevron with an 85 percent interest in January 1996. A 3-D survey was acquired in the second quarter of 1996. Following processing and interpretation of the survey in 1997, an exploration well is scheduled for 1998.

## Zaire

Chevron's subsidiary, Zaire Gulf Oil Company Limited (ZAGOC), is the operator of a 390-square-mile concession off the coast of Zaire. The partnership for this venture is ZAGOC (50 percent), Zaire Petroleum Company – Teikoku (32.28 percent), and Unocal International Corporation (17.72 percent). The Concession agreement expires in 2023.

## PRODUCTION

Total crude oil production from eight offshore fields averaged 22,000 barrels per day in 1996, compared to 19,600 barrels per day in 1995.

## DEVELOPMENT

During 1996, three development wells and one water injection well were drilled at Tshiala Field. Additionally, five production wells were brought on-line at Tshiala Field, increasing total concession production to greater than 27,000 barrels of oil per day by year-end 1996. One well workover was performed at Motoba Field to produce gas for gas-lift operations, which should help increase oil production.

## EXPLORATION

Two exploratory wells were drilled in 1996. The first well did not encounter the primary exploratory objective; however, the well was completed as a development well producer within a shallower reservoir. The second well was plugged and abandoned; this well was drilled further offshore from ZAGOC's existing oil fields.



United Kingdom

## Europe

### United Kingdom and Ireland

Chevron holds interests in two producing oil fields: Chevron-operated Alba (33.17 percent) 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. The company has a 19.42 percent equity interest in the Clair Field, west of the Shetland Islands, which is currently under appraisal.

In July 1996, Chevron sold its interests in company-operated Ninian and partner-operated Lyell, Hutton, Murchison and Columba B fields to Oryx U.K. Energy Company. The transfer of operatorship was completed in early 1997.

Chevron's net share of all production in 1996 averaged 62,000 barrels of crude oil and natural gas liquids and 28 million cubic feet of gas per day.

### ALBA PRODUCTION

The Alba Field average total production during 1996 was 70,000 barrels of oil per day. In 1996, Chevron received U.K. Government approval to complete development of the southern portion of the reservoir for Alba Phase II. The project began with the debottlenecking of Alba Northern Platform (ANP) which increased production capacity from 75,000 to 100,000 barrels of oil a day.

The first Alba Southern well was commissioned in March 1996 after achieving an extended horizontal reach of three miles from ANP. Development drilling on the Southern area will continue during the plateau production years. Following plateau production, the Parliament Field is expected to become a satellite to Alba.

### STATFJORD PRODUCTION

Now in its seventeenth year of production, Statfjord is still a significant contributor to Chevron with net production of 25,000 oil equivalent barrels per day. The field has produced over 3.3 billion barrels to date. During 1996, efforts focused on reservoir management to arrest production decline and cost reduction initiatives to shape the future of this mature asset. The respective participants in the U.K. and Norwegian sections of the field have been unable to agree on an equity redetermination of the field.

### BRITANNIA DEVELOPMENT

The Britannia gas field development moved into fabrication in 1996. Manufacture of the platform topsides and subsea system components, jacket, foundation piles and gas export line pipe are under way. Total project development cost is estimated at about \$2 billion.



Installation and the beginning of offshore hook-up and commissioning will take place in 1997. The completion date for the facilities has been advanced to July 1998.

The initial phase drilling program was completed in September 1996 with 17 wells awaiting start up. Proved reserves have increased to 3 trillion cubic feet of natural gas and 145 million barrels of condensate and natural gas liquids. Peak production rates will be 740 million cubic feet of gas and 70,000 barrels of liquids per day. Seventy-five percent of the deliverable gas is currently under long-term contracts. Chevron, with an equity interest of 30.2 percent, shares operatorship of Britannia with Conoco.

#### CLAIR PROJECT

A successful appraisal program was conducted during 1996 on the giant Clair Field which lies 40 miles west of the Shetland Islands. Clair, discovered in 1977, is a highly-fractured complex reservoir with oil in place estimated at 5 billion barrels.

The key objective of the appraisal program was to test sustained productivity. A horizontal producer was drilled and an extended well test produced in excess of 15,000 barrels of oil per day. A second appraisal well was drilled to acquire additional data to support reservoir studies for development planning.

Development option screening studies were also completed during 1996 and helped to shape a forward strategy to address the remaining technical challenges with further appraisal in 1997. If successful, there is potential for Clair to be on stream by 2000.

#### EXPLORATION

Chevron has interests in over 50 blocks in the United Kingdom and Ireland totaling about 2 million acres. 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 and Celtic Sea.

Chevron participated in five exploration wells in 1996 in the United Kingdom and Ireland. The company obtained a 630-square-mile 3-D seismic survey west of Shetlands, centered around Chevron's highly prospective 16th Licensing Round acreage. The survey was acquired on behalf of a number of operators in the area.

### Asia-Pacific

#### Indonesia

Chevron's interests in Indonesia are managed by two affiliate companies, P.T. Caltex Pacific Indonesia (CPI) and Amoseas Indonesia (AI). Both companies are jointly owned 50 percent with Texaco.

During 1996, Chevron relinquished interests in two production sharing contracts (PSCs) in central and eastern Indonesia. In addition, Chevron sold its two-thirds interest in the Natuna Sea Block A PSC, containing the oil-producing Anoa Field. Chevron acquired a 50 percent interest in a new PSC off the coast of Sumatra (Sibolga PSC), immediately adjacent to the existing Nias PSC. Chevron now holds interests in ten contract areas. All interests are held through CPI except for Chevron's interest in the Darajat geothermal contract area, which is held and operated by AI. CPI is currently negotiating with Pertamina, the national oil company, for a 20-year extension to the Coastal Plains Block PSC, located in central Sumatra, currently due to expire in 2001.

#### PRODUCTION

Total CPI crude oil plus condensate production averaged 758,000 barrels per day in 1996. CPI, as a contractor to Pertamina, accounts for almost half of Indonesia's total crude oil production. Chevron's net share of total production in Indonesia averaged 170,000 barrels per day.

#### DURI STEAMFLOOD

The Duri Field in the Rokan Block in central Sumatra contains a heavy waxy crude that is difficult to produce using traditional methods. The largest reservoir, the P/K, has been under steamflood since 1985. The massive Duri project, which is divided into 13 phases, placed Phase Eight into production in 1996, ahead of schedule. Total production in the Duri Field averaged over 285,000 barrels per day in 1996.

Above the massive P/K sands of the Duri Field lies the shallow Rindu reservoir, in which CPI initiated a pilot steamflood project in 1994. The successful pilot has led to Rindu development proceeding in all applicable areas in concert with P/K production.



Indonesia



## SUMATRA PROJECTS

During 1996, CPI continued its efforts to increase recovery from its existing reservoirs through improved oil recovery projects. A modified pattern waterflood project has been designed for the Kotabatak Field and awaits government approvals, while a similar project for the Pedada Field has been approved for implementation in 1997. Installation of the final phase of the four-phase Minas pattern waterflood project began in 1996. The Minas Field has increased production to over 230,000 barrels of oil per day, more than 50 percent of which is attributable to the waterflood project.

In addition to the waterflood project at Minas, CPI is also pursuing tertiary recovery projects for this and other CPI-operated fields. A memorandum of understanding was signed with Pertamina in late 1996 to install, in Area One, a light oil steamflood project in Minas. Installation of the project in a pilot-size area will take place during 1997 and 1998 with first steam injection targeted for early 1999.

CPI is also continuing its technical screening of other tertiary processes, the most advanced being a surfactant-polymer flood using a Lignin-based surfactant. The screening efforts are expected to lead to a field trial of the surfactant process by 1999.

## EXPLORATION

CPI continues to evaluate the natural gas potential off the west coast of Sumatra in the Nias and Sibolga PSCs. An exploratory well is planned to be drilled in Nias during 1997. Gas found in that block would be used by CPI to fuel its own enhanced oil recovery and power generation projects. Within the central Sumatra contract areas, an aggressive multi-year 3-D seismic acquisition effort is under way to evaluate oil and gas potential in the under-explored areas between current producing fields.

## GEOTHERMAL ACTIVITIES

The Darajat geothermal resource had its second full year of steam production. The steam is sold to the national power company, PLN, to generate 55 megawatts (MW) of power. In early 1996, AI completed negotiations to continue to develop Darajat up to 330 MW and build, own and operate its own power plants, selling electricity to PLN. The current delineation of the reservoir, 26,600 Gigawatt-hours, has allowed AI and its national partner, PNJ, to move forward with the design and construction planning of a 70 MW expansion, expected to be on line in 1998.

## Australia

Chevron's primary interests in Australia are two major partner-operated joint ventures: 16.7 percent in the North West Shelf (NWS) Project, and 25.7 to 50 percent in permits operated by West Australian Petroleum Pty Ltd (WAPET). In addition, Chevron holds a 25 percent interest in two 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 70-90 miles offshore. Water depths range from 250 to 500 feet.

Average total production from the North Rankin and Goodwyn fields during 1996 was 1.4 billion cubic feet of gas per day. This resulted in the delivery of 128 cargoes of liquefied natural gas (LNG) to Japan, three cargoes to other markets and 129 billion cubic feet of natural gas to the western Australian domestic gas market. Total condensate production increased to an average of 82,000 barrels per day during 1996 due to Goodwyn debottlenecking.

Production from the Wanaea/Cossack joint development continued to increase, with oil production averaging

71,000 barrels per day. LPG production driven by liquids rich gas from Wanaea/Cossack was 3.7 million barrels in 1996.

## NORTH WEST SHELF DEVELOPMENT

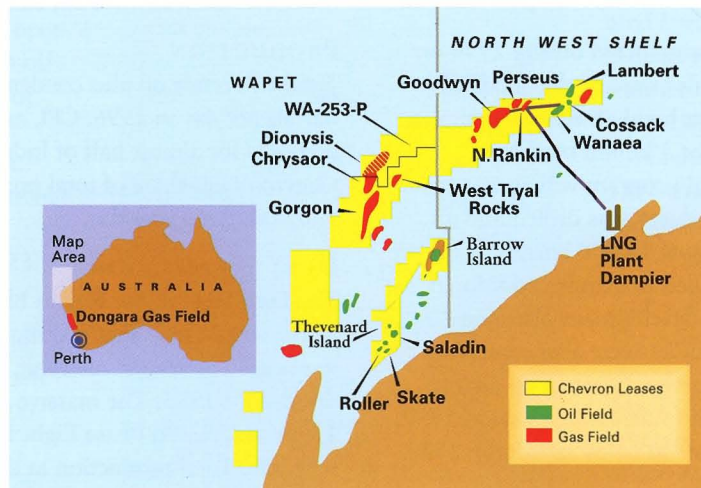
Debottlenecking plans are in place to further lift the average processing capacity of NWS condensate to 96,000 barrels per day, Wanaea/Cossack oil production to 135,000 barrels per day and LPG to 7.8 million barrels per year.

Plans to expand the LNG capacity of the NWS Project moved a step closer during 1996 with a formal proposal being submitted to Japanese buyers outlining plans to almost double the NWS Project's sales capacity. Detailed technical presentations will be made to the Japanese buyers during 1997. The estimated \$5 billion expansion could be ready as early as 2003.

## 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 1996 averaged 12,500 barrels per day from seven fields (Barrow Island, Saladin, Yammaderry, Cowle, Crest, Roller and Skate).

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



Australia



## WAPET DEVELOPMENT

WAPET completed a 20-well in-fill drilling program at Barrow Island. The new wells increased production by approximately 2,000 barrels per day.

Development of a Saladin Field reservoir continued with the drilling of two horizontal wells. The wells had initial production rates in excess of 3,000 barrels of oil per day.

The WAPET partners continue to aggressively pursue options to commercialize the huge Gorgon Field. The field has estimated reserves of 8 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 proceeding. In addition to Gorgon, Chevron has a 28.6 percent interest in the nearby West Tryal Rocks Field, with some 2 trillion cubic feet of recoverable reserves, and a 50 percent interest in another giant gas resource, the adjacent Chrysaor Field discovered in late 1994, which could rival Gorgon in terms of gas reserves.

## EXPLORATION

A 2,700 mile 2-D seismic program was conducted over Browse Basin acreage in which Chevron holds a 25 percent equity interest. Exploration wells in this acreage are planned for early 1997.

During 1996, Lambert 2 was drilled to appraise the Lambert oil discovery made in the mid-1970s. A separate reservoir with estimated recoverable oil reserves of 30 million barrels was encountered. Partners approved development plans to tie this field into the Wanaea/Cossack facilities by late 1997.

In 1996, the Dionysis 1 well discovered a significant new gas field on trend with the Gorgon/Chrysaor gas fields. The well, in which Chevron has a 50 percent interest, tested at 127 million cubic feet of gas per day. This discovery provides further confidence in the size of the gas reserves of the greater Gorgon area and will assist in the expansion of the LNG industry.

Perseus, discovered in 1995, was further appraised during 1996 with the drilling of two wells. The field's recoverable reserves have been increased to over 8 trillion cubic feet of gas and 200 million barrels of condensate.

The NWS Project is currently engaged in an exploration drilling program assessing prospects identified from the huge East Dampier 3-D survey.

## Papua New Guinea

Chevron Niugini Pty Ltd is operator for the Kutubu Project which contains Papua New Guinea's producing oil fields. Chevron holds a 19.38 percent interest in the Kutubu development and surrounding Petroleum Development License (PDL-2).

## PRODUCTION

Chevron's share of production from Kutubu averaged 20,000 barrels per day from 42 wells in 1996. At the end of 1996, total production from the field to date was 184 million barrels.

## DEVELOPMENT

An active development drilling program within the Kutubu fields continued in 1996, resulting in proved reserve increases of 36 million barrels. Successful application of horizontal well technology proved to be a significant contributing factor to the reserve increases achieved. Further programs for increasing reserves should curtail expected production decline in the future.

Chevron was granted a petroleum development license by the Papua New Guinea government to move forward in early 1997 with construction of surface facilities for the Gobe Field. Gobe is located some 30 miles southeast of the Kutubu fields close to the Kutubu export pipeline. The development encompasses the SE Gobe Field and Gobe Main Field. Recoverable reserves are estimated at 100 million barrels. Production is scheduled to commence during first quarter 1998. Peak production of 50,000 barrels per day is scheduled to occur in 1998. Chevron will receive a 15.85 percent share of this production.

During 1996, Chevron weighed various alternative approaches for commercialization of natural gas resources in Papua New Guinea. Papua New Guinea is one of several Asia-Pacific nations with the potential for development of an LNG project. One attractive possibility being pursued by a Chevron-led joint venture is an export pipeline to Queensland,

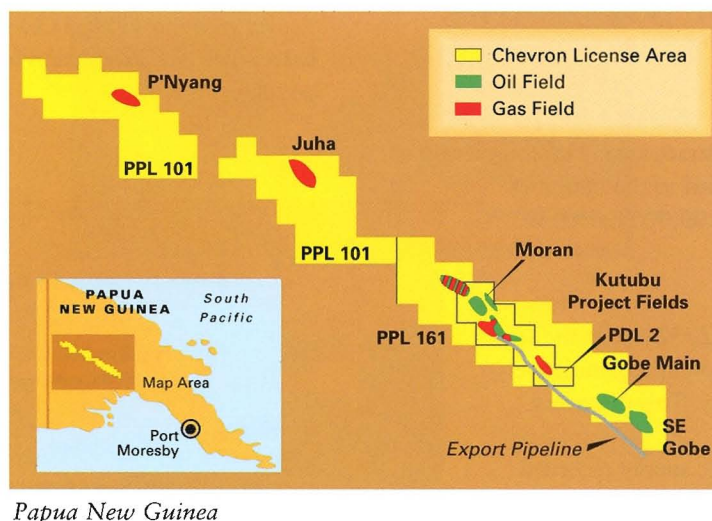
Australia. A decision on the viability of this \$1.3 billion project is expected by the end of 1997.

## EXPLORATION

The exploration program in 1996 was the most successful in recent years. The first prospect in the multi-well program discovered high quality oil at Moran, located within PDL-2 boundaries. Multiple side-tracks in the original well identified at least three oil-bearing sands with recoverable reserves ranging from 50 to 300 million barrels.

Early development strategies are driving rapid delineation and appraisal activity. It is anticipated first oil production will occur in late 1997 and peak production in 1999.

Technology breakthroughs in seismic acquisition have greatly improved the effectiveness of exploration in Papua New Guinea and new seismic programs have been initiated in Chevron's primary exploration and development areas.





## China

Chevron is a partner with Texaco, Agip and the China National Offshore Oil Company (CNOOC) in the Block 16/08 contract area of the Pearl River Mouth Basin in the South China Sea.

Chevron, Texaco and Agip each have a 16.33 percent interest, while CNOOC has a 51 percent interest. In 1996, Chevron, Texaco and Agip entered into an agreement with CNOOC to conduct seismic surveys in Block 16/19, an area adjacent to Block 16/08.

Also in 1996, Chevron (60 percent) and Petronas Carigali, the Malaysia state oil company (40 percent), were awarded a production-sharing contract in Block 02/31 and farmed-in to Block 06/17; both located in the northern portion of the Bohai Gulf. CNOOC also awarded Chevron a production-sharing contract to explore Block 63/15 in the South China Sea.

## PRODUCTION

Four fields, HZ/21-1, HZ/26-1, HZ/32-2 and HZ/32-3, are producing in the Block 16/08 contract area. The completion of HZ/32-2 and HZ/32-3 in 1995 led to the doubling of Block 16/08's total output to 100,000 barrels of oil per day.

## EXPLORATION

During 1996, exploration well HZ/32-5-1 in the Block 16/08 contract area tested oil at a cumulative rate of 6,900 barrels of oil per day. This discovery will be appraised during 1997.

A 350-square-mile 3-D seismic survey recorded in early 1996 will guide future exploration in Block 16/08 and the adjacent Block 16/19. During late 1996, 3-D seismic acquisition began in Block 02/31. Drilling in Blocks 06/17 and 02/31 is currently scheduled for 1998.

A 3-D seismic survey was begun in Block 63/15 and one well is planned for early 1998 in this natural-gas prone area. A 1996 exploratory well in neighboring Chevron Block 62/23 was a dry hole.



China

## TECHNOLOGY AGREEMENT

The first stage of an enhanced oil recovery pilot project at Daqing, China's largest oil field, was completed in 1995 with the drilling of pilot area wells. During 1996, the next stage applied Chevron's Microbial Profile Modification technology which involves microbe injection into these wells. Field tests will continue into 1997.

## Central Asia

### Kazakhstan

The Tengizchevroil (TCO) joint venture was formed in 1993 to develop the Tengiz and Korolev oil fields in Kazakhstan. The Tengiz Field has estimated recoverable reserves of 6 to 9 billion barrels.

Early in 1997, Chevron reached an agreement to sell 10 percent of its 50 percent interest in TCO to an affiliate of the Russian oil company, LUKoil and Arco. Upon completion of this agreement, equity ownership will be: Chevron – 45 percent, Kazakhstan and Mobil – 25 percent each and LUKoil/Arco – 5 percent jointly.

In late 1996, Chevron signed an agreement with a number of partners restructuring the Caspian Pipeline Consortium (CPC). The agreement allows Chevron to acquire a 15 percent equity interest in the crude oil pipeline to be completed from the Tengiz oil field to the Russian Black Sea coast. The CPC pipeline is a key to unlocking the petroleum reserves of the Tengiz Field by providing a major outlet to the world market through the Black Sea. The 900-mile pipeline, estimated to cost a total of \$2 billion, is expected to be commissioned in 1999. Ultimately, 1.5 million barrels of oil per day are expected to be exported through this multi-shipper pipeline, including as much as 750,000 barrels per day from TCO.

At year-end 1996, TCO increased its production to 160,000 barrels per day. Production for the year averaged 112,000 barrels per day.



Central Asia



## Azerbaijan

Chevron signed study agreements in 1993 with the State Oil Company of Azerbaijan Republic to evaluate acreage in the Azerbaijan portion of the Caspian Sea. These studies were completed in 1996. Chevron has begun negotiations for exploration blocks as a result of the studies.

## South America

### Venezuela

In late 1995, Chevron and Maraven S.A., a subsidiary of Petroleos de Venezuela, S.A., formed an alliance to further develop the Boscan oil field and provide heavy crude oil to Chevron in the United States through several independent supply agreements. On July 1, 1996, Chevron became responsible for operations, production and development of the Boscan Field under an operating services agreement. During 1996, the field produced approximately 80,000 barrels of oil per day with plans to increase to 115,000 barrels a day. 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.

### Colombia

Chevron holds a 50 percent interest in the Castilla and Chichimene fields, located in the Llanos Basin area of Colombia. At the end of 1996, these fields were producing 33,000 barrels of oil per day. An exploratory well, the Anaconda-1, in the Rio Blanco Block, was drilled and abandoned as a dry hole. Seismic evaluation of another prospect within the block is currently under way.

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 to the north of Rio Blanco and on trend with discoveries at Florena, Pauto Sur and Volcanera. In addition, Chevron has obtained from Ecopetrol an option for the Rio Guape area to the south and on trend with the Chichimene Field.

## Bolivia

The 1997 work program for the Caipipendi Block in Bolivia consists of drilling the Margarita X1 prospect along with a possible 120-mile seismic program. Chevron has farmed-out an additional 20 percent interest in Caipipendi, reducing its interest to 20 percent, and has transferred operatorship to a partner. The 1997 work program will be funded solely by Chevron's partners.

## Peru

Chevron signed an agreement in late 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. In 1996, 320 miles of seismic data was acquired and the evaluation is currently in progress.



South America

## Middle East

### Qatar

Chevron signed a production-sharing agreement in April 1996 covering Block 1NW, located off-shore Qatar. Chevron is operator with a 60 percent interest. A 3-D seismic survey covering 360 square miles within the block has been completed and processing of the seismic data is underway. The first exploratory well is scheduled for 1998.

## NGC Corporation

### Business Description

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

energy marketing, including electric power, the new company has a strong competitive position in the growing deregulated energy services sector.

In February 1997, NGC signed a merger agreement to acquire Destec Energy, Inc., a leading independent power

barrels per day and sales of 470,000 barrels per day. Also, NGC is one of the leading natural gas marketers in North America with sales of over 8 billion cubic feet per day and one of the top five electric power marketers in the United States.



NGC Corporation – Facility Locations

that provides natural gas, natural gas liquids (NGL), electricity and crude oil. Chevron has a 28 percent ownership interest in NGC. Two other companies, British Gas of the United Kingdom and NOVA Corporation of Canada, each have a voting share equal to Chevron's.

Chevron acquired its interest through the 1996 merger of its natural gas marketing operations and gas liquids gathering, processing and marketing business with NGC Corporation. The merger repositioned Chevron's gas and gas liquids midstream operations into an important growth-oriented, entrepreneurial business with both U.S. and international opportunities. With the advantages of Chevron's assets and experience in processing and marketing natural gas liquids and NGC's leading position in

producer. At the same time, NGC signed an agreement to sell Destec's international assets. Once the transactions are complete, NGC will be a major U.S. power producer with assets that complement and provide a growth platform for NGC's power marketing business. The transaction is expected to close by mid-1997.

NGC's asset base includes interests in approximately 15,000 miles of natural gas gathering and transmission pipelines, 56 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 the largest processor and marketer of natural gas liquids in North America with production of 140,000

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, to own, operate and expand Chevron's Venice gathering, processing, fractionation and storage complex in Louisiana. This premier processing facility will be uniquely positioned to take advantage of growth opportunities resulting from increased production of liquids-rich gas from deep-water projects in the Gulf of Mexico.

### Business Strategies

- ◆ Continue expansion of the "Energy Store" within the United States and internationally, throughout all business segments.
- ◆ Realize expected earnings, cost savings and synergies related to recent business combinations and acquisitions.
- ◆ Enhance profitability of all marketing operations.
- ◆ Expand nationwide electric power marketing franchise.
- ◆ Expand into global markets leveraging off NGC's core competencies and shareholders.
- ◆ Redeploy cash flow through strategic U.S. and international acquisitions, joint ventures and capital projects.
- ◆ Provide annual increases in earnings per share of 15 percent or greater.

### 1996 Accomplishments

- ◆ Completed the strategic combination with Chevron's natural gas marketing operations and Warren Petroleum division on August 31, 1996.
- ◆ Earnings per share almost doubled for the year, which included four months of results with the Chevron midstream businesses.
- ◆ Quadrupled sales volumes in the growing wholesale electric power marketing segment.
- ◆ Following the announcement of the merger between the Chevron units and NGC in January 1996, NGC's stock price had more than doubled by December 1996.



**PROVED RESERVES – CRUDE OIL AND NATURAL GAS LIQUIDS**

Millions of Barrels	At December 31				
	1996	1995	1994	1993	1992
<b>Gross Crude Oil and Natural Gas Liquids</b>					
United States	1,286	1,330	1,343	1,427	1,533
Africa	1,258	1,181	981	842	757
Other International*	565	629	557	546	578
<b>Total - Consolidated Companies</b>	<b>3,109</b>	<b>3,140</b>	<b>2,881</b>	<b>2,815</b>	<b>2,868</b>
<b>Equity Share in Affiliates</b>					
Indonesia	1,350	1,340	1,349	1,450	1,483
Kazakstan	1,361	1,303	1,314	1,322	—
<b>Total - Gross Reserves</b>	<b>5,820</b>	<b>5,783</b>	<b>5,544</b>	<b>5,587</b>	<b>4,351</b>
<b>Net Crude Oil and Natural Gas Liquids</b>					
United States	1,149	1,187	1,200	1,279	1,368
Africa	1,032	969	804	682	615
Other International*	482	538	465	453	472
<b>Total - Consolidated Companies</b>	<b>2,663</b>	<b>2,694</b>	<b>2,469</b>	<b>2,414</b>	<b>2,455</b>
<b>Equity Share in Affiliates</b>					
Indonesia	566	562	603	669	641
Kazakstan	1,135	1,087	1,095	1,102	—
<b>Total - Net Reserves</b>	<b>4,364</b>	<b>4,343</b>	<b>4,167</b>	<b>4,185</b>	<b>3,096</b>

**PROVED RESERVES – NATURAL GAS**

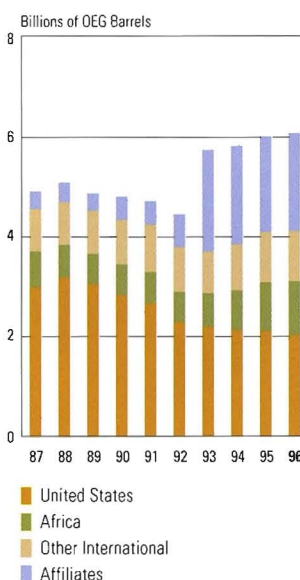
Billions of Cubic Feet

<b>Gross Natural Gas</b>					
United States	6,209	6,489	6,530	6,420	6,445
Africa	359	103	—	—	—
Other International	3,547	3,184	3,112	2,675	2,752
<b>Total - Consolidated Companies</b>	<b>10,115</b>	<b>9,776</b>	<b>9,642</b>	<b>9,095</b>	<b>9,197</b>
<b>Equity Share in Affiliates</b>					
Indonesia	152	155	151	142	158
Kazakstan	1,753	1,805	1,820	1,832	—
<b>Total - Gross Reserves</b>	<b>12,020</b>	<b>11,736</b>	<b>11,613</b>	<b>11,069</b>	<b>9,355</b>
<b>Net Natural Gas</b>					
United States	5,275	5,532	5,576	5,484	5,499
Africa	293	84	—	—	—
Other International	3,135	2,794	2,722	2,257	2,518
<b>Total - Consolidated Companies</b>	<b>8,703</b>	<b>8,410</b>	<b>8,298</b>	<b>7,741</b>	<b>8,017</b>
<b>Equity Share in Affiliates</b>					
Indonesia	152	155	151	142	158
Kazakstan	1,462	1,505	1,518	1,528	—
<b>Total - Net Reserves</b>	<b>10,317</b>	<b>10,070</b>	<b>9,967</b>	<b>9,411</b>	<b>8,175</b>

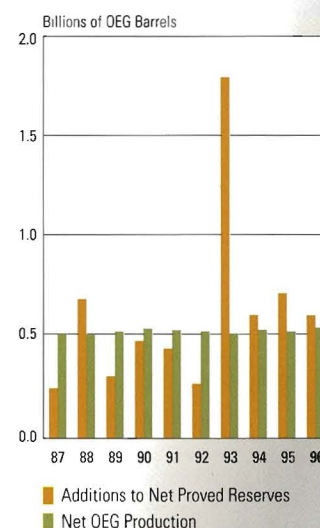
Proved reserves are estimated by the company's asset teams composed of earth scientists and reservoir engineers. These proved reserve estimates are reviewed annually by the corporation's reserves advisory committee to ensure that rigorous professional standards and the reserves definitions prescribed 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.

\*Reserves for the Boscan Field in Venezuela have not been included in the company's reserve quantities because Chevron does not have an equity ownership in the oil reserves.

**Net Proved Reserves\***

\* Natural Gas Converted to Oil Equivalent Gas (OEG) Barrels at 6 MCF = 1 OEG Barrel.

**Changes in Net Proved Reserves**

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

At December 31

Thousands of Acres	1996	1995	1994	1993	1992
<b>United States</b>					
<b>Onshore</b>					
Alaska	308	271	468	740	1,538
California	179	213	410	440	472
Colorado	54	48	47	53	55
Kansas	14	14	15	67	22
Louisiana	127	128	134	183	195
Michigan	39	42	42	20	17
Montana	120	111	111	124	120
Nevada	2	43	83	244	313
New Mexico	170	170	168	171	172
North Dakota	11	11	16	38	48
Oklahoma	104	104	109	131	117
Texas	1,145	1,098	1,109	1,034	1,099
Utah	314	386	359	210	131
Wyoming	192	219	210	182	190
Other States	96	96	97	138	172
<b>Total Onshore</b>	<b>2,875</b>	<b>2,954</b>	<b>3,378</b>	<b>3,775</b>	<b>4,661</b>
<b>Offshore</b>					
Alaska Coast	123	114	97	120	159
Atlantic Coast	72	72	72	72	72
Gulf Coast	1,973	1,481	1,762	1,883	1,908
Pacific Coast	88	83	103	114	132
<b>Total Offshore</b>	<b>2,256</b>	<b>1,750</b>	<b>2,034</b>	<b>2,189</b>	<b>2,271</b>
<b>Total United States</b>	<b>5,131</b>	<b>4,704</b>	<b>5,412</b>	<b>5,964</b>	<b>6,932</b>
<b>Africa</b>					
Angola	855	855	542	541	541
Congo	504	504	161	90	132
Namibia	—	1,072	1,072	1,072	1,608
Nigeria	5,425	5,383	6,289	942	1,519
Somalia	10,010	10,010	10,010	10,010	10,010
Zaire	124	124	124	124	124
<b>Total Africa</b>	<b>16,918</b>	<b>17,948</b>	<b>18,198</b>	<b>12,779</b>	<b>13,934</b>
<b>Other International</b>					
Australia	2,169	1,304	1,463	1,360	1,316
Bolivia	1,008	1,008	2,016	1,680	2,520
Canada	8,187	11,029	10,909	10,757	10,856
China	4,203	2,007	569	778	328
Colombia	250	154	133	133	242
Europe (excluding U.K.)	59	321	320	229	585
Indonesia	10,071	13,085	9,894	14,338	15,642
Japan	—	5,255	5,255	5,255	5,255
Papua New Guinea	523	502	502	502	1,199
Peru	1,777	1,777	—	—	—
Qatar	1,119	—	—	—	—
Thailand	857	857	2,403	2,403	2,403
Turkey	251	251	251	251	588
United Kingdom	1,146	1,113	1,056	977	601
Yemen	—	—	438	438	438
Other	—	100	74	100	515
<b>Total Other International</b>	<b>31,620</b>	<b>38,763</b>	<b>35,283</b>	<b>39,201</b>	<b>42,488</b>
<b>Total International</b>	<b>48,538</b>	<b>56,711</b>	<b>53,481</b>	<b>51,980</b>	<b>56,422</b>
<b>Worldwide Oil and Gas Net Acreage</b>	<b>53,669</b>	<b>61,415</b>	<b>58,893</b>	<b>57,944</b>	<b>63,354</b>

(1) Consolidated companies only.

(2) 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\***

Thousands of Barrels Per Day	1996	1995	1994	1993	1992
<b>Consolidated Companies</b>					
<b>United States</b>					
California — Onshore	100.8	99.9	105.1	106.6	107.7
— Offshore	15.5	20.0	22.7	23.8	21.7
Louisiana — Onshore	4.6	4.6	4.5	5.8	20.8
— Offshore	111.4	112.3	118.2	127.3	118.3
Texas	62.4	65.8	69.4	73.6	89.3
Alaska	4.9	5.3	5.9	10.4	14.3
Colorado	12.5	13.5	14.3	16.6	15.8
Mississippi	3.8	4.1	4.4	4.6	6.8
New Mexico	8.7	8.2	8.5	8.6	10.9
Oklahoma	4.1	3.6	3.0	2.5	3.8
Utah	2.4	2.4	2.5	3.0	3.4
Wyoming	9.9	9.3	9.7	10.6	16.6
Other States	0.3	0.4	0.4	0.8	2.5
<b>Total United States</b>	<b>341.3</b>	<b>349.4</b>	<b>368.6</b>	<b>394.2</b>	<b>431.9</b>
<b>Africa</b>					
Angola	125.9	118.3	99.0	93.6	95.7
Congo	10.1	—	—	—	—
Nigeria	141.8	133.1	129.6	115.9	112.2
Zaire	10.9	9.8	9.0	8.1	9.7
<b>Total Africa</b>	<b>288.7</b>	<b>261.2</b>	<b>237.6</b>	<b>217.6</b>	<b>217.6</b>
<b>Other International</b>					
Australia	35.5	25.1	20.6	17.8	20.5
Canada	45.5	48.3	51.5	49.5	52.3
Colombia	11.5	10.3	9.6	7.8	6.7
Indonesia	21.8	22.6	20.3	31.7	23.8
United Kingdom	62.2	71.2	70.7	49.5	47.9
Papua New Guinea	19.7	23.6	29.8	31.0	13.1
China	13.3	9.0	8.2	8.2	10.3
<b>Total Other International</b>	<b>209.5</b>	<b>210.1</b>	<b>210.7</b>	<b>195.5</b>	<b>174.6</b>
<b>Total International</b>	<b>498.2</b>	<b>471.3</b>	<b>448.3</b>	<b>413.1</b>	<b>392.2</b>
<b>Total - Consolidated Companies</b>	<b>839.5</b>	<b>820.7</b>	<b>816.9</b>	<b>807.3</b>	<b>824.1</b>
<b>Equity Share in Affiliates</b>					
Indonesia	148.5	150.9	153.0	131.5	119.8
Kazakstan	55.5	29.1	22.6	11.4	—
<b>Total - Worldwide</b>	<b>1,043.5</b>	<b>1,000.7</b>	<b>992.5</b>	<b>950.2</b>	<b>943.9</b>

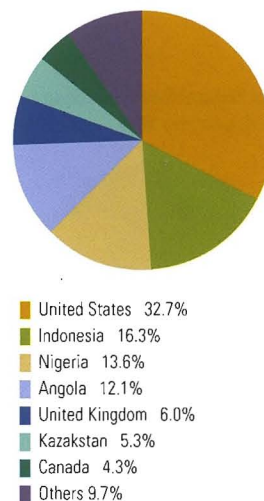
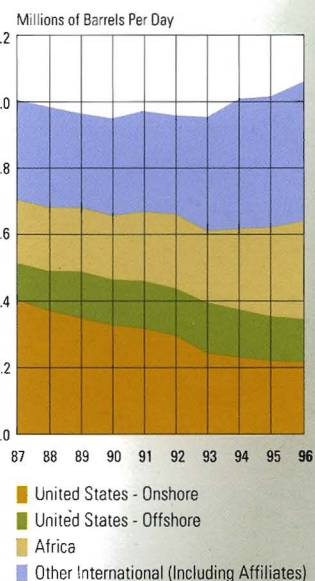
**GROSS LIQUIDS PRODUCTION**

Thousands of Barrels Per Day					
United States	385.2	396.9	417.8	446.7	487.7
Africa	354.7	321.7	292.5	267.8	267.5
Other International	254.5	256.8	251.7	239.6	221.3
<b>Total - Consolidated Companies</b>	<b>994.4</b>	<b>975.4</b>	<b>962.0</b>	<b>954.1</b>	<b>976.5</b>
<b>Equity Share in Affiliates</b>					
Indonesia	337.7	336.7	329.4	306.3	302.3
Kazakstan	55.5	29.1	22.6	11.4	—
<b>Total - Worldwide</b>	<b>1,387.6</b>	<b>1,341.2</b>	<b>1,314.0</b>	<b>1,271.8</b>	<b>1,278.8</b>

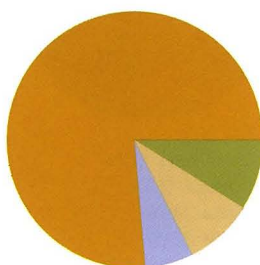
**DAILY NET PRODUCTION OF NATURAL GAS LIQUIDS (INCLUDED ABOVE)**

Thousands of Barrels Per Day					
United States	27.8	28.0	27.2	31.5	32.6
International	19.5	17.7	17.0	11.4	10.8

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

**Net Liquids Production by Country for 1996****Net Liquids Production**

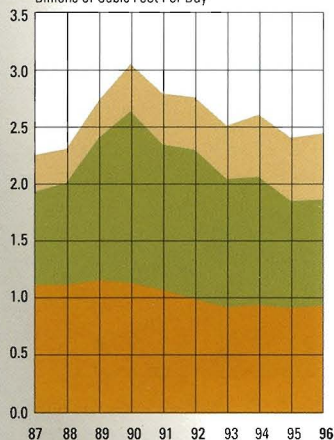
**Net Natural Gas Production  
by Country for 1996**



United States 76.3%  
Canada 9.0%  
Australia 8.7%  
Other 6.0%

**Net Natural Gas Production**

Billions of Cubic Feet Per Day



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

### NET NATURAL GAS PRODUCTION\*

Millions of Cubic Feet Per Day

	1996	1995	1994	1993	1992
<b>Consolidated Companies</b>					
<b>United States</b>					
California – Onshore	101	103	108	112	103
– Offshore	21	22	29	27	42
Louisiana – Onshore	66	50	38	30	65
– Offshore	806	839	1,032	1,045	1,128
Texas – Onshore	394	411	431	404	407
– Offshore	54	41	53	62	125
Alabama – Onshore	30	32	34	31	26
– Offshore	58	44	25	28	20
Alaska	30	33	30	28	31
Michigan	4	1	1	1	2
Mississippi	1	1	4	2	31
New Mexico	89	102	105	95	104
Oklahoma	43	34	35	28	36
Utah	8	9	8	8	9
Wyoming	162	145	152	155	170
Other States	8	1	–	–	14
<b>Total United States</b>	<b>1,875</b>	<b>1,868</b>	<b>2,085</b>	<b>2,056</b>	<b>2,313</b>
<b>International</b>					
Australia	214	208	199	163	166
Canada	222	243	247	218	217
Netherlands	2	3	5	6	19
United Kingdom	28	28	30	28	27
Other Countries	–	1	1	1	1
<b>Total International</b>	<b>466</b>	<b>483</b>	<b>482</b>	<b>416</b>	<b>430</b>
<b>Total - Consolidated Companies</b>	<b>2,341</b>	<b>2,351</b>	<b>2,567</b>	<b>2,472</b>	<b>2,743</b>
<b>Equity Share in Affiliates</b>					
Indonesia	49	40	31	38	33
Kazakhstan	69	42	33	15	–
<b>Total - Worldwide</b>	<b>2,459</b>	<b>2,433</b>	<b>2,631</b>	<b>2,525</b>	<b>2,776</b>

### GROSS NATURAL GAS PRODUCTION

Millions of Cubic Feet Per Day

United States	2,216	2,207	2,441	2,407	2,720
International	558	570	593	519	508
<b>Total - Consolidated Companies</b>	<b>2,774</b>	<b>2,777</b>	<b>3,034</b>	<b>2,926</b>	<b>3,228</b>
<b>Equity Share in Affiliates</b>					
Indonesia	49	40	31	38	33
Kazakhstan	69	42	33	15	–
<b>Total - Worldwide</b>	<b>2,892</b>	<b>2,859</b>	<b>3,098</b>	<b>2,979</b>	<b>3,261</b>

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



**NATURAL GAS REALIZATIONS<sup>(1)</sup>**

Dollars Per Thousand Cubic Feet	1996	1995	1994	1993	1992
United States	\$ 2.28	\$ 1.51	\$ 1.77	\$ 1.99	\$ 1.70
International	1.86	1.73	1.84	2.08	2.07

**CRUDE OIL REALIZATIONS<sup>(2)</sup>**

Dollars Per Barrel	1996	1995	1994	1993	1992
United States	\$ 18.80	\$ 15.34	\$ 13.86	\$ 14.58	\$ 16.50
International	19.48	16.10	14.86	16.09	17.93

**NATURAL GAS SALES<sup>(3)</sup>**

Millions of Cubic Feet Per Day	1996	1995	1994	1993	1992
United States	3,588	2,815	2,598	2,334	2,539
International	778	564	461	462	466
<b>Total</b>	<b>4,366</b>	<b>3,379</b>	<b>3,059</b>	<b>2,796</b>	<b>3,005</b>

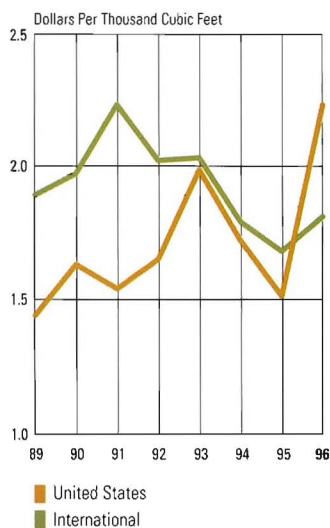
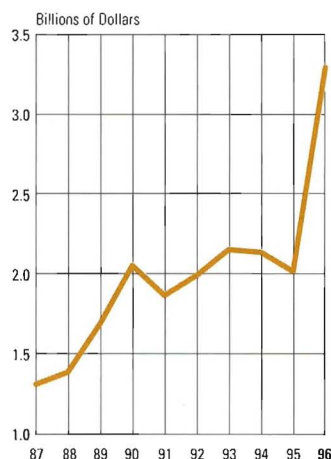
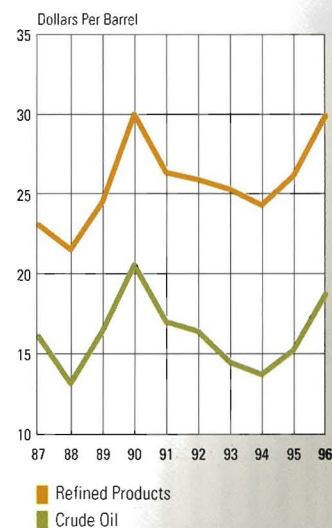
**NATURAL GAS LIQUIDS SALES<sup>(3)</sup>**

Thousands of Barrels Per Day	1996	1995	1994	1993	1992
United States	187	213	215	211	194
International	36	47	34	37	33
<b>Total</b>	<b>223</b>	<b>260</b>	<b>249</b>	<b>248</b>	<b>227</b>

(1) 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.

(2) U.S. realizations are based on crude oil revenues from net production and include intercompany sales at transfer prices which 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.

(3) Beginning in 1996, includes equity share of sales by NGC Corporation.

**Natural Gas Realizations****Crude Oil Realizations****Natural Gas Revenues****U.S. Crude Oil Realizations vs. Refined Product Prices**

NET WELLS COMPLETED <sup>(1)(2)(3)</sup>		1996	1995	1994	1993	1992
<b>United States</b>						
Exploratory	– Oil	44	37	24	27	36
	– Gas	76	64	29	5	6
	– Dry	25	24	17	14	16
<b>Total</b>		<b>145</b>	<b>125</b>	<b>70</b>	<b>46</b>	<b>58</b>
Development	– Oil	306	250	156	240	190
	– Gas	179	31	38	53	27
	– Dry	8	6	5	11	5
<b>Total</b>		<b>493</b>	<b>287</b>	<b>199</b>	<b>304</b>	<b>222</b>
<b>Total United States</b>		<b>638</b>	<b>412</b>	<b>269</b>	<b>350</b>	<b>280</b>
<b>International</b>						
Exploratory	– Oil	20	13	24	26	12
	– Gas	15	12	36	4	6
	– Dry	24	31	44	39	7
<b>Total</b>		<b>59</b>	<b>56</b>	<b>104</b>	<b>69</b>	<b>25</b>
Development	– Oil	63	45	54	60	59
	– Gas	7	3	3	7	6
	– Dry	5	3	4	12	5
<b>Total</b>		<b>75</b>	<b>51</b>	<b>61</b>	<b>79</b>	<b>70</b>
<b>Total International</b>		<b>134</b>	<b>107</b>	<b>165</b>	<b>148</b>	<b>95</b>
<b>Worldwide</b>		<b>772</b>	<b>519</b>	<b>434</b>	<b>498</b>	<b>375</b>

**EXPLORATION AND DEVELOPMENT COSTS<sup>(3)</sup>**

Millions of Dollars

<b>United States</b>						
Exploration Costs		\$ 425	\$ 312	\$ 209	\$ 183	\$ 189
Development Costs		\$ 603	\$ 453	\$ 416	\$ 475	\$ 483
<b>International</b>						
Exploration Costs		\$ 372	\$ 345	\$ 308	\$ 340	\$ 349
Development Costs		\$ 1,059	\$ 1,208	\$ 779	\$ 805	\$ 871

**NET PRODUCING WELLS<sup>(1)(3)</sup>**

At December 31

<b>United States</b>						
Wells	– Oil <sup>(4)</sup>	10,102	8,771	9,208	8,186	8,062
	– Gas	1,441	1,362	1,314	1,236	1,109
<b>Total United States</b>		<b>11,543</b>	<b>10,133</b>	<b>10,522</b>	<b>9,422</b>	<b>9,171</b>
<b>International</b>						
Wells	– Oil	1,417	1,429	1,451	1,453	1,448
	– Gas	154	145	138	121	154
<b>Total International</b>		<b>1,571</b>	<b>1,574</b>	<b>1,589</b>	<b>1,574</b>	<b>1,602</b>
<b>Worldwide</b>		<b>13,114</b>	<b>11,707</b>	<b>12,111</b>	<b>10,996</b>	<b>10,773</b>

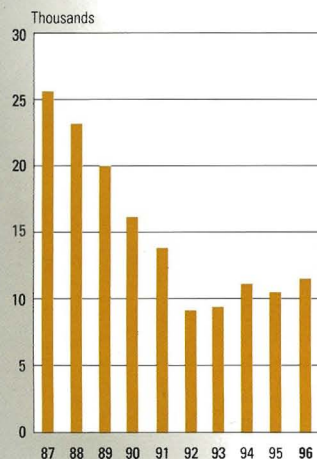
(1) Net wells include all those wholly-owned and the sum of fractional interests in those that are joint venture, unit operations or similar wells. Producing wells exclude shut-in wells.

(2) 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.

(3) Consolidated companies only.

(4) Beginning in 1994, net producing wells include injection wells temporarily functioning as producing wells.

**Net U.S. Wells  
Producing at Year End**





**WORLDWIDE DOWNSTREAM FINANCIAL AND OPERATING HIGHLIGHTS**

(Excludes Equity Interest in Caltex Petroleum Corporation)

	1996	1995
Reported Earnings (Millions of Dollars)	11	(53)
Earnings Excluding Special Items (Millions of Dollars)	330	132
Refinery Inputs (Thousands of Barrels Per Day)	1,116	1,072
Average Refinery Capacity (Thousands of Barrels Per Day)	1,209	1,288
Percentage of Refining Capacity Utilized	92	83
U.S. Mogas/Jet Yields (Percent of U.S. Refinery Production)	65	62
Refined Product Sales (Thousands of Barrels Per Day)	1,472	1,429
Motor Gasoline Sales (Thousands of Barrels Per Day)	645	635
Number of Service Stations at Year End	8,389	8,504
Total Number of Controlled Seagoing Vessels	43	42
Cargo Transported by Controlled Vessels (Millions of Barrels)	312	318
Total Net Pipeline Mileage	10,781	12,984
Refining Capital Expenditures (Millions of Dollars)	179	685
Marketing Capital Expenditures (Millions of Dollars)	237	243
Transportation Capital Expenditures (Millions of Dollars)	71	45

Discussion of Caltex Petroleum Corporation operations can be found on pages 37-39.

## Marketing – United States

### Competitive Position

- ◆ Chevron stations continue to be in the top tier in customer satisfaction surveys.
- ◆ Fifth largest seller of gasoline in the United States. Ranks among top three gasoline marketers in 16 states including number one in California, the largest gasoline market in the United States.
- ◆ Primary markets are located in the fastest growing areas of the United States – the west, southwest and south.
- ◆ The nation's top seller of jet fuel and asphalt.
- ◆ A reorganization of the retail function, completed in 1996, combined several regional offices and consolidated support functions to increase the focus and execution of the *Customer Driven* Vision.

### 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 sunbelt.
- ◆ Build a global, high-value branded lubricants business.
- ◆ Sustain position as the leading marketer of aviation fuels in the west.
- ◆ Lead the industry in safety and reliability while achieving predictability in all operations.
- ◆ Use existing refining system to supply retail gasoline demands with minimal capital additions.

- ◆ Build and acquire the people skills and behaviors needed to achieve the Vision.
- ◆ Redesign key work processes to achieve superior performance at lower cost than competitors.

**1996 Accomplishments**

- ◆ Continued to aggressively expand network of “Fast-Pay” systems, now available at 3,600 stations nationwide. “FastPay” allows credit card customers to pay at the pump with credit authorization completed in about five seconds using satellite data transmission.
- ◆ Expanded educational offerings at Chevron University to include more customer focused programs including consistently outstanding retail practices, best operating practices, brand awareness for retailers, personnel development and Quick Service Restaurant/C-Store operations. Increased emphasis was placed on training personnel for company-operated stations.
- ◆ Created new convenience store retailing group to develop aggressive merchandising programs to meet the consumer’s needs. Increased emphasis on non-fuel revenues at existing stations as food store sales increased and revenues from enhanced car wash facilities grew. The target is to rapidly escalate Chevron’s presence as a bona fide convenience retailer.
- ◆ Began implementation of an alliance with McDonald’s. As of year end, the two companies operated 48 sites together throughout the west and southwest.
- ◆ Direct Mail Marketing revenues increased due to new service and discount programs, and the introduction of insurance products.
- ◆ Improved image and service throughout the retail network by ongoing performance enhancement under the Commitment to Service Excellence program. Friendly service, clean stations, safety and reliability all contributed to increased customer satisfaction.
- ◆ The program to upgrade service stations to the Hallmark 21 image was completed in June 1996. Hallmark 21 is Chevron’s modern visual identity that helps build brand recognition and reputation.
- ◆ Continued the deployment of the Product Integrity initiative to ensure that products marketed by Chevron meet or exceed the highest quality standards.
- ◆ Consolidated domestic fuel terminaling and trucking operations into a single nationwide organization known as Operations Services. The new organization will focus on achieving cost-competitive, incident-free operations in the terminaling, blending, additization and distribution of Chevron motor fuels throughout United States markets.

<b>LIGHT PRODUCT SALES<sup>(1)(2)</sup></b>	<b>1996</b>	<b>1995</b>	<b>% Change</b>
<b>Sales Revenues</b> (Millions of Dollars)			
United States	\$11,127	\$ 9,534	
International	2,567	2,109	
Total Sales Revenues	\$13,694	\$11,643	17.6%
<b>Sales Volumes</b> (Thousands of Barrels Per Day)			
United States	997	989	
International	238	223	
Total Sales Volumes	1,235	1,212	1.9%

(1) Consolidated companies only.

(2) Light products include motor gasoline, jet fuel, aviation gasoline and mid-distillates.



## Marketing – Canada

### Competitive Position

- ◆ Chevron Canada Limited markets in western Canada, primarily British Columbia.
- ◆ Market leader for 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

- ◆ Continue branded marketing for all retail and commercial sales through the value chain, from refinery to end-user.
- ◆ Continued focus on environmental safety in the marketing networks.
- ◆ Increase use of information technology for customer service and operating efficiency.
- ◆ Increase market share for retail and jet volumes while maintaining or increasing margins.

### 1996 Accomplishments

- ◆ Continued strong earnings performance in the face of higher crude prices and volatile margins.
- ◆ Increased sales volumes of jet fuel by 15 percent and retail gasoline by 2 percent to ensure the company's continued position as industry leader.
- ◆ Recorded an outstanding 66 percent improvement in safety performance over the last three years.
- ◆ Maintained number one position in a customer satisfaction survey of retail gasoline customers.

## Marketing – United Kingdom

### Competitive Position

- ◆ Gulf Oil (Great Britain) has approximately 450 service stations and other outlets selling petroleum products.
- ◆ Marketing margins in the United Kingdom were severely depressed in 1996 as a result of competitor strategy to recapture market share by dropping prices. Margins recovered somewhat during the fourth quarter in spite of the campaign.

### Business Strategies

- ◆ Continue to build an effective retail network by shedding low volume/non-core sites and replacing them with high volume stations close to major supply points.
- ◆ Be environmentally responsible while maintaining competitive position.

### 1996 Accomplishments

- ◆ Announced intent to merge operations with the U.K. downstream businesses of Elf Oil U.K. Limited and Murco Petroleum Limited. In March 1997, Murco elected to withdraw from the proposed merger. Chevron and Elf intend to proceed with the merger.
- ◆ Accelerated the implementation of retail strategy in response to the pressure in the marketplace, closing or selling almost 13 percent of the stations.
- ◆ Operating costs declined to the lowest level in five years.

## 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 the southeast.
- ◆ Pascagoula, El Segundo and Richmond, Chevron's three larger refineries, benchmark among the top operational performers in their respective areas. In early 1996, the west coast facilities reliably introduced California cleaner burning gasoline.



Refineries

- ◆ El Paso, Hawaii and Salt Lake, the three smaller U.S. 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.
- ◆ In the United Kingdom, Chevron's Milford Haven Refinery and its 50 percent interest in the Pembroke Cracking Facility operate in

an environment struggling with excess refining capacity. The industry has announced plans to close more than 400,000 barrels per day of refining capacity in northwest Europe since mid-1995. Refining margins in northwest Europe improved slightly in 1996 over the depressed levels of 1995 although they remained below historical levels.

### Business Strategies

- ◆ Committed to meet the needs of the core customer driven businesses – quality gasoline, lubricants and aviation fuel. These products will be provided on-test the first time, delivered on-time and in 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.
- ◆ 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.

### 1996 Accomplishments

- ◆ Began producing California-mandated cleaner burning gasoline in early 1996, after completing major upgrades at the two west coast refineries in late 1995. All Chevron commitments were met while others in the industry experienced process and equipment difficulties. The new Alkylation plants and upgraded Fluid Cat Crackers (FCC) at Richmond and El Segundo improved efficiency and reduced operating costs.
- ◆ Continued to improve relations with communities in which refineries operate through comprehensive community outreach programs.
- ◆ Reduced injuries to 60 percent of the level of the previous three-year average. Refining continues to sustain earlier gains in safety performance and is currently performing near the pacesetter level with the objective to make even further improvements.



## **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 low-cost, low-quality crude oil into valuable light products. Pascagoula's competitive position is enhanced by a strong value-added relationship with Chevron Chemical and its petrochemical production facilities at the refinery, which produce high valued benzene (a chemical building block) from lower valued refining feedstocks. The refinery also produces paraxylene.

### **EL SEGUNDO, CALIFORNIA**

The El Segundo Refinery has a rated capacity of 258,000 barrels per day and continues as a top competitor in the Los Angeles Basin, the world's largest gasoline market. In 1995, this refinery completed a multi-year construction program totaling about \$700 million to meet regional clean air requirements and to produce California-mandated cleaner burning motor gasoline and diesel fuel. Upgrades include a new Continuous Catalytic Reformer, a new Alkylation plant, and most recently, an FCC 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.

Projects totaling \$700 million were completed in late 1995 to upgrade and expand the facility's aging Alkylation and FCC units, enabling production of California cleaner burning gasoline in early 1996. The new 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 have continued 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 Hawaiian 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 high-value products from total input.

### **BURNABY, BRITISH COLUMBIA, CANADA**

The 50,000-barrel-per-day Burnaby Refinery maintained crude runs at an average of 48,700 barrels per day in 1996, the highest in its history, while maintaining a high-value product yield of 91 percent. The refinery produces light products and asphalt for the British Columbia and Yukon markets. Major upgrades at the refinery in 1996 included a state-of-the-art secondary water treatment plant. Over the next two years the refinery is planning to spend \$30 million to upgrade facilities to achieve government clean fuel standards. Upgrades are also planned for the 50 percent-owned Alberta Envirofuels MTBE plant in Edmonton, Alberta, which operated at 12,400 barrels per day in 1996. The plan is to increase the capacity to 18,000 barrels per day by the end of 1997.

### **MILFORD HAVEN, WALES, UNITED KINGDOM**

The 115,000-barrel-per-day Milford Haven Refinery and its nearby jointly-owned Pembroke Cracking facility produce motor gasoline for sale in both the United Kingdom and export markets. Also produced are other light products, distillates and fuel oil. Refinery utilization improved in 1996 as a result of virtually trouble-free operation.

In November 1996, the company announced its intent to merge its refining and marketing operations in the United Kingdom with those of Elf Oil U.K. Limited and Murco Petroleum Limited. In March 1997, Murco withdrew from the proposed merger. Chevron and Elf intend to proceed with the merger of their U.K. refining and marketing operations.

## Global Lubricants

### Business Strategies

- ◆ Continue to grow strong North American business.
- ◆ Aggressively grow the lubricants business in Latin America.

### 1996 Accomplishments

- ◆ Implemented strategies to expand the leading western North American market share position in Heavy Duty Motor Oils and Industrial Oils.
- ◆ Richmond Lube Oil Plant was recommended for ISO certification, including Quality Control Division and Blending and Shipping Division as it applies to Lube Oils.
- ◆ Marine Lubricants successfully completed its six-year plan and realized a 155 percent increase in worldwide sales during the period. During 1996, Chevron marine lubricants were delivered in over 50 countries throughout the world.
- ◆ Continued strong improvement toward incident-free operations; on-the-job OSHA reportable rate showed a dramatic drop from the 1995 record setting performance to one of the lowest rates in the industry.

## Technology Marketing

### Business Strategies

- ◆ Be the most efficient and successful supplier of high quality Hydroprocessing Plant designs in the industry.
- ◆ Continue to enhance position as one of the largest suppliers of Hydroprocessing catalyst in the world.

### 1996 Accomplishments

- ◆ Continued leadership in licensing Hydroprocessing technology (for cleaner fuels and higher quality base oils). Awarded six new licenses worldwide, with three in India and one each in Poland, Egypt and Russia.

Some notable licensing successes are:

- Bharat-Oman Refineries Ltd. in India awarded Chevron a license for the first and only integrated ISOCRACKING (Chevron's patented Hydrocracking technology) and ISODE-WAXING (Chevron's patented lube base oil production technology) units with a total combined processing capacity of nearly 44,000 barrels per day.
- Indian Oil Company selected Chevron technology for a planned 25,000-barrel-per-day ISOCRACKING unit to be built at its Mathura refinery. One of the main drivers for the project was to reduce emissions in and around the Taj Mahal, thereby reducing the level of environmental degradation. Mathura is located about 18 miles from the Taj Mahal.
- Rafineria Gdanska S.A., neighboring the 1,000-year-old city of Gdansk, Poland, awarded Chevron the technology license for their planned 27,300-barrel-per-day ISOCRACKING unit which will be part of their refinery modernization project. This unit is planned to start up in the summer of 1999.
- Nasr Petroleum Company of Egypt selected Chevron technology for a planned 35,000-barrel-per-day ISOCRACKING unit which will be part of the Suez Refinery expansion project. This unit is expected to come on stream around the year 2000.
- The Russian oil company, Sidanco, selected Chevron's ISOCRACKING technology to modernize its largest and most advanced refinery, located in Angarsk. Sidanco plans to install a new 42,500-barrel-per-day hydrocracker and other associated units to convert heavy vacuum gas oil and other heavy-oil fractions into high-quality gasoline, diesel and jet fuel. This project also offers environmental benefits to the region. Angarsk is the second hydrocracking technology awarded to Chevron in Russia.
- ◆ Successfully completed the consolidation of Chevron Research and Technology Company's Hydroprocessing Unit with Technology Marketing.



## Caltex Petroleum Corporation

### Business Description

Chevron owns a 50 percent interest in Caltex Petroleum Corporation, with Texaco, Inc. owning the other 50 percent. Caltex companies operate in more than 60 countries in Africa, Asia, Australia, New Zealand and the Middle East. Caltex sales of petroleum products were 1.2 million barrels per day in 1996.

Caltex is involved in all aspects of the downstream business: refining, distribution, shipping, storage, marketing, supply and trading operations. The company markets products through 7,900 retail outlets, 3,500 of which are company controlled. Caltex also operates 425 convenience stores.

Caltex has equity interests in 13 fuel refineries, pending sale of its interest in the Bahrain Refinery on April 1, 1997. The refining capacity approximates 900,000 barrels per day. Additionally, it has interests in two lubricant refineries, six asphalt plants, 17 lubricating oil blending plants and more than 500 ocean terminals and depots.

Caltex's international supply and trading organization is headquartered in Singapore.

This organization provides 24-hour service to the Caltex system and third parties who require crude oil, feedstocks, base oils and refined products. Caltex and its affiliates control ocean-going vessels and own or have equity interests in pipelines, terminals and depots.

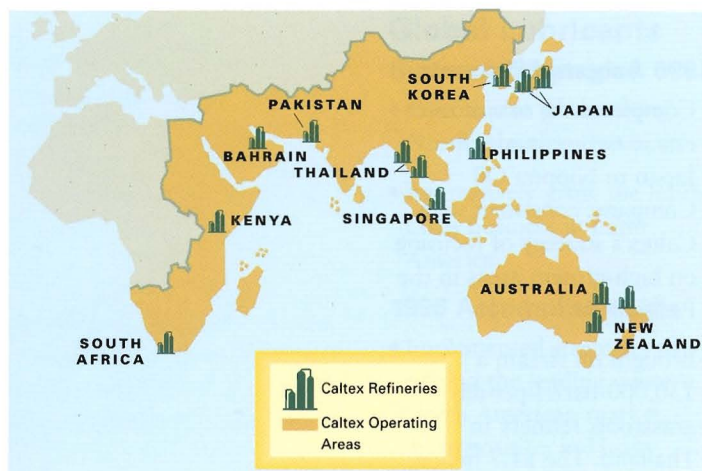
Caltex's affiliates in Japan and South Korea are active in the petrochemicals business. Their plants convert lower-value refinery output into products such as polypropylene, benzene and paraxylene, thus providing Caltex the opportunity to market a wider-range of higher value products.

### Business Strategies

- ◆ Actively manage the portfolio to increase shareholder value.
- ◆ Diversify portfolio by pursuing new growth opportunities.
- ◆ Allocate resources for maximum value generation.
- ◆ Aggressively build on existing strong positions in rapidly growing markets.
- ◆ Build upon the retail foundation and redefine the Caltex brand.
- ◆ Minimize operating expenses to secure high net margins in each market.

### 1996 Accomplishments

- ◆ Completed the sale of interests in two refineries in Japan to Nippon Oil Company, consistent with Caltex's strategy of focusing on high-growth areas in the Pacific Rim.
- ◆ Brought on stream a 130,000-barrel-per-day grassroots refinery in Thailand. The \$1.7 billion project was completed on time and under budget.
- ◆ Launched new brand image program with the goal to re-image 3,000 sites by 2000.
- ◆ Completed expansion of the Yocheon Refinery in South Korea, from 380,000 to 600,000 barrels per day, making it one of the largest refineries in the world.



*Caltex Operations*

## Asia-Pacific

The Asia-Pacific region continues to be a high-growth area. In addition, there continues to be a regional deficit of petroleum product supplies. Caltex plans call for investments of \$5 billion over the next five years to promote and participate in the growth of this area.

### Thailand

Thailand's demand for petroleum products is projected to grow at about eight percent per year. Caltex plans to phase in a new image program and has set aggressive targets to focus on increasing retail effectiveness by selectively upgrading its existing network of over 500 retail outlets.

In 1996, Caltex increased its capability to supply the Asia-Pacific region with the start up of the 130,000-barrel-per-day Star Refinery at Map Ta Phut. Caltex owns 64 percent of this refinery, a joint venture with the Thai government.

### 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. A \$1 billion expansion and upgrade of LG-Caltex's Yocheon Refinery in 1996, adding crude and desulfurization capacity, has raised the overall capacity from 380,000 to 600,000 barrels per day. This expansion has made the Yocheon Refinery the largest refinery in the Caltex system and one of the largest in the world. Investment for 1997 will be directed to comply with South Korea's environmental regulations to reduce sulfur content in petroleum products.

LG-Caltex is one of Korea's largest marketers with 2,300 service stations and a retail market share of 30 percent. The company has earmarked \$1.2 billion over the next five years for marketing projects including the construction of new retail outlets and re-imaging of existing service stations.

### Japan

Caltex sold its 50 percent interest in Nippon Petroleum Refining Co. (NPRC) to its partner, Nippon Oil Co. (NOC) in 1996 for \$2 billion. NPRC operates two refineries, Negishi and Muroran, with a total capacity of 510,000 barrels per day and markets refined products through more than 10,000 NOC service stations.

Caltex continues to conduct its other businesses in Japan, including its interest in Koa Oil Co. and its oil trading activities. Koa's two refineries, Marifu and Osaka, have a total capacity of 231,000 barrels per day. Koa's focus will be to fully utilize refining capacity and accelerate ongoing cost reduction programs.

### Philippines

Caltex is a major retailer in the Philippines, with over 900 retail outlets and a 33 percent market share for motor fuels. Marketing will focus on continued upgrading and standardizing of retail sites through the implementation of the new brand image program. Current plans include the construction of over 200 retail outlets and convenience stores by 2000.

The company operates a wholly-owned 71,500-barrel-per-day refinery at Batangas. An instrument modernization project currently underway will accelerate efficiency and productivity improvements in refinery operations. Additional planned investments through 2001 will enable the refinery to meet the more stringent motor gasoline and diesel product quality requirements.

### China

Caltex is currently engaged in marketing activities in southern China. The company operates 13 gasoline service stations, five lubricant service centers, and a product depot in the Shenzhen Special Economic Zone (SEZ) near Hong Kong, and another depot in the Zhuhai SEZ near Macau. Caltex also participates in lube blending and marketing through a joint venture with the Shanghai Gaoqiao Refinery.

Current major projects include the construction of a breakbulk cavern storage terminal for imported LPG in Shantou to be completed by year-end 1998. Plans call for construction of several LPG depots/bottling plants and an additional lubricant blending facility. Caltex is also considering the addition of 150 retail outlets in the Guangdong province and 20 more in strategic locations.



## Malaysia

Malaysia is experiencing high economic growth and demand for petroleum products is expected to grow by 11 percent in 1997.

Caltex has a market share of 18 percent in this growing market through 270 retail outlets selling gasolines, diesels and lubricants. The company is planning an aggressive retail investment program involving the re-imaging of selected existing retail outlets, expanding the Star Mart convenience store activity and selective partnering with Quick Service Restaurants.

## Singapore

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

The company holds a one-third interest in Singapore Refining Company (SRC) which operates a 285,000-barrel-per-day refinery. Caltex markets gasoline and diesel through 33 service stations and plans to re-image its network over 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

Caltex has been active in Australia for over fifty years. In 1995, Caltex merged its operations with Ampol Limited to form Australian Petroleum Pty Ltd (APPL), the country's largest oil company with a market share of 30 percent.

The company has a network of over 2,000 retail outlets and two refineries – a 109,000-barrel-per-day refinery near Sydney and a 100,000-barrel-per-day refinery near Brisbane. With the goal of becoming the country's low cost supplier, APPL plans to enhance refinery performance, rationalize its retail network while maintaining market share and focus on cost control.

## Middle East and Africa

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

## South Africa

Caltex has been the brand leader in gasoline sales for many years, with about 1,000 retail outlets. Caltex operates a wholly-owned 112,000-barrels-per-day refinery in Capetown. Refining investments will be aimed at enhancing existing operations. Retail investment will be directed toward protecting market share through development of new sites, renovating and re-imaging existing sites and building Star Marts.

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

## Emerging Markets

Caltex continues to move into emerging markets by exploring opportunities to develop business in countries that are now open to outside investment as a result of favorable political changes. Some of the planned developments are as follows:

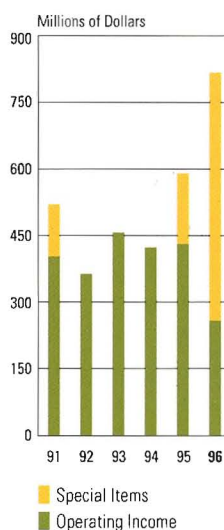
### Vietnam

Caltex's plans in this market call for joint venture investment in two bulk pressurized LPG receiving and storage terminals and bottling facilities, one in the north and the other in the south. In the retail fuels sector, service station sites will be constructed in targeted high-density markets.

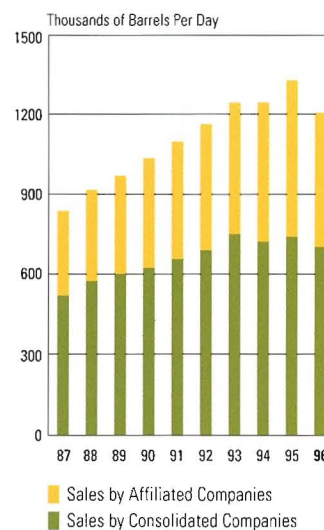
### India

Caltex operates a lube blending facility on the east coast, in partnership with Indo-Burma Petroleum (IBP). Future plans include upgrading and adding to the existing blending facility and expanding the distributor network. Caltex also plans to construct refrigerated LPG terminals on the east and west coasts.

**Caltex Earnings**



**Caltex Refined Product Trade Sales**



## Shipping

### Business Description

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, Far East, West Africa, Caribbean, and the east, gulf and west coasts of the United States.

Chevron's proprietary fleet consists of 35 owned and bareboat chartered vessels of which 29 carry international flags. Chevron also charters 25-35 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 with the building of two 308,500 DWT double hull tankers for delivery in 1999. As part of its tanker acquisition strategy, these vessels will be leased for eight years with extension options to provide flexible coverage of shipping requirements while hedging asset value risk. These two additions will raise the proportion of double hull vessels from one third of the proprietary fleet to 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 1996. Of the half a billion barrels of crude and product carried by ships operated or chartered by the company, only a total of four barrels were spilled overboard.

The tanker fleet again had an excellent year in safety, achieving one of the lowest levels of both casualty costs and lost-time injury rates ever. The foundations for this excellent record are the daily emphasis on safety from operating management and extensive training throughout the shipping company.

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

VESSELS	1996		1995		1994		1993		1992	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
Number of Controlled Seagoing Vessels by Size, DWT <sup>(1)(2)</sup>										
Company-Operated <sup>(3)</sup>										
Up to 25,000	–	–	–	–	–	–	–	–	–	1
25,000 – 45,000	5	6	5	6	5	6	5	6	5	6
45,000 – 80,000	1	2	1	2	2	4	2	4	2	4
80,000 – 160,000	–	14	–	14	–	12	–	12	–	11
VLCCs: 160,000 – 320,000	–	6	–	6	–	7	–	9	–	9
ULCCs: Above 320,000	–	1	–	1	–	1	–	1	–	3
Total Company-Operated	6	29	6	29	7	30	7	32	7	34
Time-Chartered										
Up to 25,000	–	3	–	3	–	2	–	2	–	2
25,000 – 45,000	–	1	–	–	–	1	–	1	–	2
45,000 – 80,000	–	3	–	3	–	3	–	3	–	3
80,000 – 160,000	–	1	–	1	–	2	–	3	–	2
VLCCs: 160,000 – 320,000	–	–	–	–	–	–	–	–	–	1
Total Time-Chartered	–	8	–	7	–	8	–	9	–	10
Total Controlled Seagoing Vessels	6	37	6	36	7	38	7	41	7	44
Cargo Transported <sup>(2)(4)</sup>										
Millions of Barrels	71	241	70	248	82	253	75	271	74	317
Thousands of Barrels Per Day	194	657	191	680	224	695	205	744	202	866
Billions of Ton Miles	7	186	7	176	9	207	8	261	9	259

(1) Consolidated companies only.

(2) Excludes six bareboat and two time-chartered LNG vessels employed in the Australian North West Shelf Project, in which Chevron owns a one-sixth interest.

(3) Includes owned and bareboat-chartered.

(4) Includes cargo carried by company-operated and time-chartered vessels; excludes single voyage charters.



**NET PIPELINE MILEAGE<sup>(1)(2)</sup>**

Includes Equity in Affiliates (except NGC Corporation)

	1996	1995	1994	1993	1992
<b>Crude Oil Lines</b>					
United States	4,333	5,794	5,770	6,320	6,588
International	801	772	785	747	722
<b>Worldwide - Crude Oil Lines</b>	<b>5,134</b>	<b>6,566</b>	<b>6,555</b>	<b>7,067</b>	<b>7,310</b>
<b>Natural Gas Lines</b>					
United States	594	437	445	613	438
International	227	228	205	197	197
<b>Worldwide - Natural Gas Lines</b>	<b>821</b>	<b>665</b>	<b>650</b>	<b>810</b>	<b>635</b>
<b>Product Lines</b>					
United States	4,845	5,737	5,513	5,319	5,291
International	98	96	121	142	130
<b>Worldwide - Product Lines</b>	<b>4,943</b>	<b>5,833</b>	<b>5,634</b>	<b>5,461</b>	<b>5,421</b>
<b>Total Pipeline Mileage</b>	<b>10,898</b>	<b>13,064</b>	<b>12,839</b>	<b>13,338</b>	<b>13,366</b>

(1) Partially-owned pipelines are included at the company's equity percentage of total pipeline mileage.

(2) Includes net pipeline mileage under transportation function. Excludes gathering pipelines relating to U.S. production function.



Chevron Pipe Line Company Owned and/or Operated Pipelines

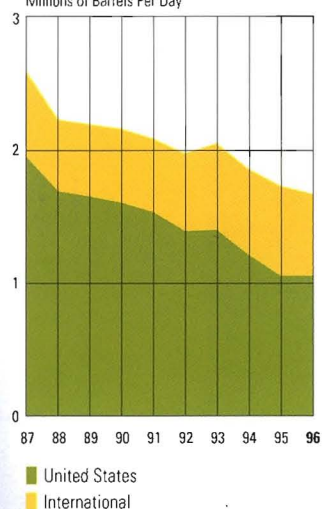
## REFINING CAPACITIES AND INPUTS

(Includes Equity in Affiliates)

Thousands of Barrels Per Day	Capacity 12/31/96	Refinery Inputs				
		1996	1995	1994	1993	1992
<b>United States</b>						
Pascagoula, Mississippi	295.0	312.9	281.8	324.1	282.7	293.9
El Segundo, California	258.0	222.9	220.8	227.1	233.4	235.2
Richmond, California	225.0	220.3	202.4	220.3	228.6	228.3
Port Arthur, Texas <sup>(1)</sup>	—	—	26.1	158.0	176.6	189.1
Philadelphia, Pennsylvania <sup>(2)</sup>	—	—	—	93.5	183.8	163.5
Perth Amboy, New Jersey <sup>(3)</sup>	80.0	32.1	32.6	24.0	43.0	30.6
El Paso, Texas <sup>(4)</sup>	65.0	60.4	57.6	59.1	62.8	61.9
Honolulu, Hawaii	54.0	53.9	54.7	55.5	47.5	52.2
Salt Lake City, Utah	45.0	39.6	40.9	42.8	42.2	46.2
Portland, Oregon <sup>(3)</sup>	16.0	6.1	5.3	5.5	3.7	6.7
Richmond Beach, Washington <sup>(3)</sup>	6.0	2.8	2.6	2.9	3.1	3.7
<b>Total United States</b>	<b>1,044.0</b>	<b>951.0</b>	<b>924.8</b>	<b>1,212.8</b>	<b>1,307.4</b>	<b>1,311.3</b>
<b>International</b>						
Burnaby, B.C., Canada	50.0	48.7	46.7	47.1	42.9	40.5
Milford Haven, Wales, U.K.	115.0	116.7	100.1	116.0	120.5	103.2
<b>Total International</b>	<b>165.0</b>	<b>165.4</b>	<b>146.8</b>	<b>163.1</b>	<b>163.4</b>	<b>143.7</b>
<b>Caltex Refineries (Includes Equity in Affiliates)<sup>(5)</sup></b>						
Japan-Negishi [50%] <sup>(6)</sup>	—	39.4	158.3	151.9	143.6	142.0
Japan-Muroran [50%] <sup>(6)</sup>	—	19.2	59.3	67.6	57.4	66.3
Japan-Marifu [50%]	63.5	50.7	55.8	49.9	51.0	48.1
Japan-Osaka [50%]	52.0	39.3	38.0	45.3	38.0	38.6
South Korea-Yochon [50%]	300.0	186.7	179.2	185.4	185.6	177.9
Philippines-Batangas [100%]	71.5	69.0	66.3	60.1	56.4	61.9
Singapore-Pualau Merlimau [33.3%] <sup>(7)</sup>	105.8	101.3	71.9	72.8	72.5	55.5
Australia-Sydney [37.5%] <sup>(8)</sup>	40.9	44.4	52.3	82.7	83.7	78.1
Australia-Brisbane [37.5%] <sup>(9)</sup>	37.5	33.8	23.3	—	—	—
New Zealand-Whangarei [12.27%] <sup>(10)</sup>	12.9	10.5	9.5	9.8	9.4	7.2
Thailand-Map Ta Phut [64%]	83.2	39.4	—	—	—	—
Thailand-Sriracha [4.75%]	10.5	9.4	10.3	8.9	3.8	6.6
Bahrain [40%] <sup>(11)</sup>	—	26.6	100.4	99.0	98.9	103.9
Pakistan-Karachi [12%]	5.2	5.6	6.0	5.6	5.5	6.1
Kenya-Mombasa [11.75%]	9.0	4.2	4.4	5.0	5.2	5.5
South Africa-Capetown [100%] <sup>(12)</sup>	112.0	63.6	67.8	77.6	58.0	N/A
<b>Total Caltex</b>	<b>904.0</b>	<b>743.1</b>	<b>902.8</b>	<b>921.6</b>	<b>869.0</b>	<b>797.7</b>
<b>Equity in Caltex Refineries</b>	<b>452.0</b>	<b>371.6</b>	<b>451.4</b>	<b>460.8</b>	<b>434.5</b>	<b>398.9</b>
<b>Total Worldwide</b>	<b>1,661.0</b>	<b>1,488.0</b>	<b>1,523.0</b>	<b>1,836.7</b>	<b>1,905.3</b>	<b>1,853.9</b>

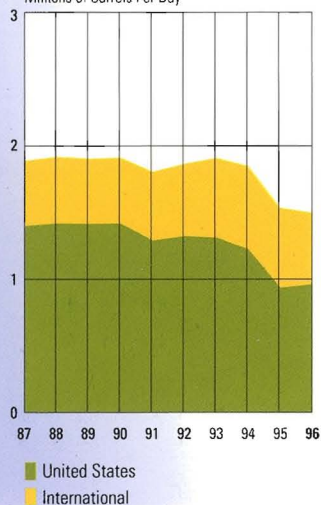
## Refinery Capacity

Millions of Barrels Per Day



## Refinery Inputs

Millions of Barrels Per Day



(1) The Port Arthur Refinery was sold in February 1995.

(2) The Philadelphia Refinery was sold in August 1994.

(3) Refineries are primarily asphalt plants.

(4) The El Paso Refinery capacity and input represent only the Chevron share.

(5) Figures in brackets denote Caltex's ownership percentage at year end. Only Caltex's equity share of capacity and inputs is shown.

(6) The Negishi and Muroran Refineries were sold in April 1996.

(7) Caltex equity reflects 33.3% interest in original refinery capacity (220,000 barrels per day) and 50% interest in RFCCU capacity (65,000 barrels per day).

(8) Caltex equity share decreased from 75% to 37.5% after merger with Ampol Ltd. in May 1995.

(9) Refinery acquired May 1995 in merger with Ampol Ltd.

(10) Caltex equity share increased to 12.27% in 1995 from 10.63%.

(11) In April 1996, Caltex ceded its throughput rights in the Bahrain Refinery. Caltex interest in the refinery will be sold effective April 1, 1997.

(12) Due to government restrictions, refinery statistics were not disclosed prior to 1993.



**REFINERY UTILIZATION<sup>(1)</sup>**

Percent of Capacity	1996	1995	1994	1993	1992
United States	91.1	82.4	93.4	94.2	90.3
Canada	97.4	93.4	99.2	95.3	90.0
United Kingdom	101.5	87.0	100.9	104.8	91.7
Caltex	77.0	89.8	93.7	94.8	96.8
Worldwide	87.9	85.1	94.1	95.0	91.7

**UTILIZATION OF CRACKING AND COKING FACILITIES<sup>(2)</sup>**

Percent of Capacity	1996	1995	1994	1993	1992
United States	82.3	79.0	90.0	88.0	88.0

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

Percent of Total Purchased	1996	1995	1994	1993	1992
Alaska North Slope	30.5	30.1	20.1	18.8	18.9
United States - Other	18.8	21.7	26.9	29.1	33.6
Arabian	25.4	18.4	12.6	12.2	13.0
Indonesian	2.5	4.0	3.5	2.9	3.2
Nigerian	0.7	0.1	4.8	10.1	6.6
Mexican	14.0	13.8	13.1	10.0	10.0
Other International	8.1	11.9	19.0	16.9	14.7
<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	1996	1995	1994	1993	1992
Mogas	417.0	398.2	537.3	566.5	566.7
Jet Fuel	218.6	195.4	229.1	229.4	229.1
Gas Oil	165.2	164.3	246.1	276.8	300.8
Fuel Oil	63.1	59.1	87.0	108.2	91.1
Other	111.6	133.8	200.7	188.7	197.2
<b>Total</b>	<b>975.5</b>	<b>950.8</b>	<b>1,300.2</b>	<b>1,369.6</b>	<b>1,384.9</b>

**PETROLEUM INVENTORIES**Millions of Barrels at December 31<sup>(3)(4)</sup>

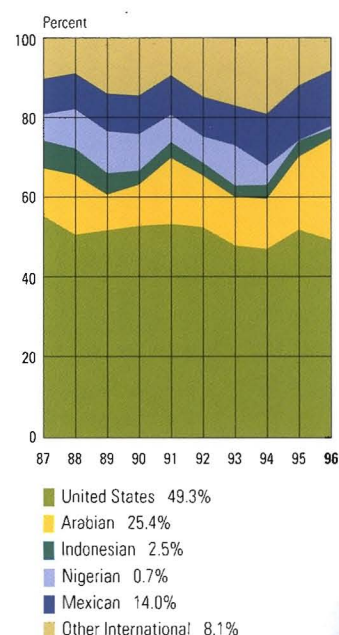
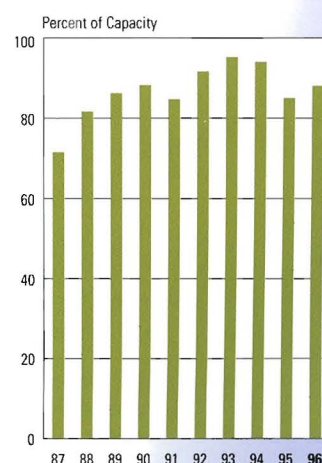
	1996	1995	1994	1993	1992
Raw Stocks	35	41	42	42	45
Unfinished Stocks	18	17	20	19	23
Finished Products	30	35	37	38	37
<b>Total</b>	<b>83</b>	<b>93</b>	<b>99</b>	<b>99</b>	<b>105</b>

(1) Percentage of capacity utilized is based on average annual capacity (beginning and end of year).

(2) Hydrocrackers, catalytic crackers and coking facilities are the primary facilities used to convert heavier products into gasoline and other light products.

(3) Consolidated companies only.

(4) 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	1996	1995	1994	1993	1992
<b>United States</b>					
Gasoline	556	552	615	652	646
Jet Fuel	255	241	260	247	252
Gas Oils and Kerosene	186	196	277	325	347
Residual Fuel Oil	39	38	65	94	110
Other	86	90	97	105	115
<b>Total United States</b>	<b>1,122</b>	<b>1,117</b>	<b>1,314</b>	<b>1,423</b>	<b>1,470</b>
<b>International</b>					
Gasoline	89	83	98	90	86
Jet Fuel	36	39	39	48	34
Gas Oils and Kerosene	113	101	93	107	95
Residual Fuel Oil	100	77	69	69	67
Other	12	12	15	15	12
	350	312	314	329	294
Equity Share of Affiliate	594	657	620	594	565
<b>Total International</b>	<b>944</b>	<b>969</b>	<b>934</b>	<b>923</b>	<b>859</b>
<b>Worldwide</b>					
Gasoline	645	635	713	742	732
Jet Fuel	291	280	299	295	286
Gas Oils and Kerosene	299	297	370	432	442
Residual Fuel Oil	139	115	134	163	177
Other	98	102	112	120	127
<b>Total Consolidated Companies</b>	<b>1,472</b>	<b>1,429</b>	<b>1,628</b>	<b>1,752</b>	<b>1,764</b>
Equity Share of Affiliate	594	657	620	594	565
<b>Total Worldwide</b>	<b>2,066</b>	<b>2,086</b>	<b>2,248</b>	<b>2,346</b>	<b>2,329</b>

**TOTAL REFINED PRODUCT REALIZATIONS\***

Dollars Per Barrel

<b>United States</b>	<b>\$ 29.94</b>	<b>\$ 26.19</b>	<b>\$ 24.37</b>	<b>\$ 25.35</b>	<b>\$ 25.96</b>
<b>International</b>	<b>27.26</b>	<b>24.49</b>	<b>22.98</b>	<b>24.37</b>	<b>26.53</b>
<b>Worldwide</b>	<b>29.30</b>	<b>25.82</b>	<b>24.10</b>	<b>25.17</b>	<b>26.05</b>

**MAJOR REFINED PRODUCT REALIZATIONS\***

Dollars Per Barrel

<b>United States</b>					
Gasoline	\$ 32.68	\$ 29.13	\$ 27.34	\$ 28.38	\$ 29.82
Jet Fuel	27.87	23.35	22.71	25.05	25.81
Gas Oils and Kerosene	27.54	22.56	21.60	23.27	23.86
Residual Fuel Oil	17.66	15.67	14.72	14.16	14.34
<b>International</b>					
Gasoline	\$ 30.55	\$ 28.79	\$ 26.25	\$ 28.99	\$ 32.78
Jet Fuel	31.18	26.62	23.92	27.38	28.97
Gas Oils and Kerosene	28.05	23.28	22.83	24.82	26.89
Residual Fuel Oil	18.29	16.31	14.02	12.65	14.30
<b>Worldwide</b>					
Gasoline	\$ 32.39	\$ 29.09	\$ 27.19	\$ 28.45	\$ 30.17
Jet Fuel	28.28	23.80	22.87	25.43	26.19
Gas Oils and Kerosene	27.73	22.80	21.91	23.66	24.51
Residual Fuel Oil	18.11	16.10	14.36	13.53	14.34

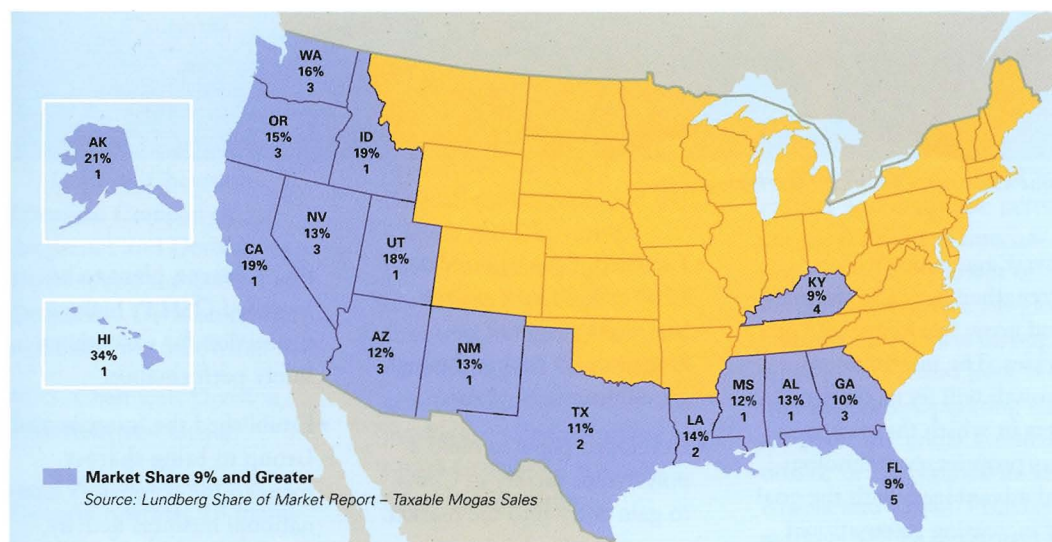
\*Consolidated companies only; excludes excise taxes.



OUTLETS AT YEAR END <sup>(1)</sup>	1996		1995		1994		1993		1992	
	Company	Other	Company	Other	Company	Other	Company	Other	Company	Other
<b>Service Stations<sup>(2)</sup></b>										
United States	1,854	5,892	1,920	5,868	2,037	5,866	2,415	5,925	2,513	6,219
Canada	189	—	193	—	200	—	214	—	219	16
Central America	—	—	—	—	—	—	—	—	150	39
United Kingdom	194	260	208	315	233	265	230	237	241	205
<b>Total Service Stations</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>3,123</b>	<b>6,479</b>
<b>Aircraft and Marine</b>										
United States	—	599	—	638	—	680	—	705	—	799
Canada	—	13	—	13	—	17	—	17	—	22
<b>Total Aircraft and Marine</b>	<b>—</b>	<b>612</b>	<b>—</b>	<b>651</b>	<b>—</b>	<b>697</b>	<b>—</b>	<b>722</b>	<b>—</b>	<b>821</b>

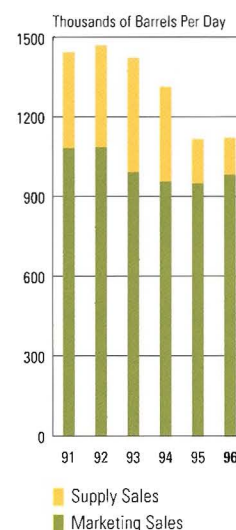
(1) Includes consolidated companies only.

(2) 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 consists of all remaining branded outlets that are owned by others and supplied with branded products.

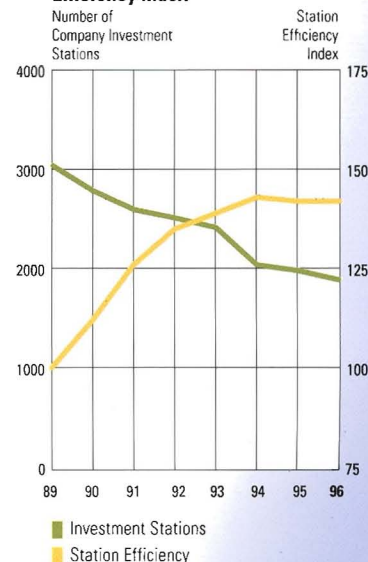


Chevron – Motor Gasoline Sales – Market Share Percent and Ranking

### U.S. Refined Product Sales



### 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.

## 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.

### 1996 Accomplishments

- ◆ The U.S. Chemicals Division set an annual olefins production record.

- ◆ Achieved record safety performance for the second consecutive year. The St. James facility became the



*Major Chevron Chemical Marketing Areas*

- ◆ Invest aggressively to strengthen the U.S. platform and grow international businesses. The international growth will focus on products in which the company has proprietary technological advantages, with the goal of increasing international assets from 12 percent to 30 percent of Chemical assets.
- ◆ Focus on improving efficiencies and managing costs in all aspects of the business.
- ◆ Strengthen product application and development capabilities to maximize value added.
- ◆ Continue to monitor and improve customer satisfaction.
- ◆ Finalized plans to build a \$200 million lube oil and fuel additives plant in Singapore to supply the high growth markets of Asia.
- ◆ Developed plans to build a polystyrene facility in China to gain entry into the market.
- ◆ Formed joint venture to build a \$650 million world-class Aromax complex in Saudi Arabia.
- ◆ Began major expansion and debottleneck projects to increase ethylene, polyethylene, paraxylene, and polystyrene production capacities at the Port Arthur, Orange, Pascagoula and Marietta plants in the United States.
- ◆ first Chevron plant to be awarded OSHA's highest distinction for exceptional safety performance.
- ◆ Established the International Group to bring sharper focus to the company's international business activity and development efforts.



## Major Operating Divisions

### U.S. Chemicals

Manufactures, markets, and distributes aromatic hydrocarbon-based chemical intermediates, polystyrene, olefin products (ethylene and propylene), key ethylene derivatives (high density, low density, linear low density, specialty polyethylenes, and normal alpha olefins), acetylene black, and fabricated products such as high density polyethylene pipe and fittings. 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.

In 1996, Chevron Chemical Company's Aromatics and Derivatives Division and the Olefins and Derivatives Division reorganized into the following:

- ♦ U.S. Chemicals Division
- ♦ International Group

The U.S. Chemicals Division operates 13 manufacturing facilities in the

### U.S. CHEMICALS

Manufacturing Locations	Annual Production Capacity (Millions of Pounds)	Major Products
St. James, LA	1,700	Styrene
Pascagoula, MS <sup>(1)</sup>	1,689	Paraxylene, Benzene
Marietta, OH <sup>(2)</sup>	520	Polystyrene
Cedar Bayou, TX	4,360	Ethylene, Propylene, Low Density Polyethylene, Linear Low Density Polyethylene, High Density Polyethylene, Normal Alpha Olefins, Acetylene Black
Port Arthur, TX <sup>(3)</sup>	3,497	Benzene, Cumene, Toluene, Cyclohexane Ethylene, Propylene
Orange, TX <sup>(4)</sup>	1,180	High Density/Low Density Polyethylenes
Plexco Operation (seven locations)	232	High Density Polyethylene Pipe, Pipe Coatings, Fittings and Custom Extrusions

(1) Expansion project to increase paraxylene production capacity by 500 million pounds in 1998.

(2) Expansion project to increase polystyrene production capacity by 250 million pounds in 1997.

(3) Expansion project to increase ethylene production capacity by 700 million pounds in 1997.

(4) Expansion project to increase polyethylene production capacity by 330 million pounds in 1999.

United States. Prior to 1996, the former Aromatics and Derivatives Division and the Olefins and Derivatives Division marketed product in the United States and 55 countries. After the reorganization, the U.S. Chemicals group will focus on domestic markets, while the International Group will oversee non-U.S. operations.

### International Group

The International Group will market and distribute petrochemical products internationally with the intent of developing a significant global manufacturing base through wholly owned and joint venture facilities. Operating sites are presently under construction or being planned in Saudi Arabia and China. Primary markets will be developed in Europe, Africa, the Middle East, Asia and the Far East.

### Oronite Additives

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.

The Oronite Additives Division is global in scope and operates three manufacturing facilities in the United States and one each in Japan, Brazil, and France. The division markets its products in over 80 countries.

### ORONITE ADDITIVES

Manufacturing Locations	Annual Production Capacity (Millions of Gallons)	Major Products
Richmond, CA	22	Propylene Tetramer
Belle Chase, LA	82	Lube Oil Additives, Gasoline Additives, Succinimides, Phenates, Sulfonates
Cedar Bayou, TX	12	Polyalphaolefins
Sao Paulo, Brazil	10	Lube Oil Additives
Gonfreville, France	67	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)

## Chevron Chemical Expands Overseas

In 1996, Chevron Chemical Company's Aromatics and Derivatives Division and the Olefins and Derivatives Division reorganized into the following:

- ◆ U.S. Chemicals Division
- ◆ International Group

The International Group was established to bring focus to the company's international business activity and to seek and develop business opportunities overseas.

In 1996, Chevron Chemical Company developed and finalized plans for three such opportunities, including construction of production facilities in Saudi Arabia (benzene and cyclohexane), Singapore (lube oil and fuel additives), and China (polystyrene). These plans are the first steps in achieving the company's goal of increasing the international asset base to 30 percent of the chemical company total.

The project in Saudi Arabia employs the company's low-cost Aromax technology

and will manufacture 480,000 tons of benzene per year and 220,000 tons of cyclohexane in a joint venture with the Saudi Investment Venture Capital Group. Construction of the complex should be complete by 1999.

The Singapore additives project is expected to be on-line by the latter half of 1998 for the growing Asia-Pacific region. Locating the plant in Singapore will optimize supply and logistics costs and enable the company to deliver product to Asia in a more cost-competitive manner.

Chevron also plans to build a polystyrene plant, with an initial capacity of 40,000 tons, in China with the intention of developing a successful manufacturing, marketing and distribution capability to serve as a platform for future expansion in that part of the world. Construction of this plant should be completed by 1999.

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

Millions of Dollars	1996	1995	1994	1993	1992
United States	\$ 2,936	\$ 3,332	\$ 2,801	\$ 2,459	\$ 2,676
International	605	621	561	518	476
<b>Total Worldwide</b>	<b>\$ 3,541</b>	<b>\$ 3,953</b>	<b>\$ 3,362</b>	<b>\$ 2,977</b>	<b>\$ 3,152</b>

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

Millions of Dollars	1996	1995	1994	1993	1992
United States	\$ 175	\$ 459	\$ 160	\$ (8)	\$ (19)
International	53	65	55	39	55
<b>Total Worldwide</b>	<b>\$ 228</b>	<b>\$ 524</b>	<b>\$ 215</b>	<b>\$ 31</b>	<b>\$ 36</b>

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

Millions of Dollars	1996	1995	1994	1993	1992
<b>Consolidated Companies</b>					
U.S. Chemicals <sup>(3)</sup>	\$ 2,484	\$ 2,868	\$ 2,298	\$ 1,867	\$ 1,915
Additives	988	995	941	854	814
Other Revenues <sup>(4)</sup>	69	90	123	256	423
<b>Total Consolidated Companies</b>	<b>\$ 3,541</b>	<b>\$ 3,953</b>	<b>\$ 3,362</b>	<b>\$ 2,977</b>	<b>\$ 3,152</b>

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

Millions of Pounds (Gallons)	1996	1995	1994	1993	1992
U.S. Chemicals – Millions of Pounds <sup>(3)</sup>	9,924	9,774	8,809	7,887	8,273
Additives – Millions of Gallons	165	151	143	138	130

(1) Includes third-party sales and sales to other Chevron companies.

(2) See Page 5 for reported earnings.

(3) 1995 and prior years amounts restated to conform with 1996 presentation.

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



## Coal

### Competitive Position

- ♦ The Pittsburgh & Midway Coal Mining Co. (P&M), a wholly-owned Chevron subsidiary, ranks among the top 20 coal companies in the United States.

### Business Strategies

- ♦ Mine coal in a safe and environmentally responsible manner.
- ♦ Continue to improve productivity by applying new mining technologies, exploiting

### 1996 Accomplishments

- ♦ Reduced lost time incidents by 70 percent, resulting in P&M's lowest lost time incident rate in 12 years.
- ♦ Received awards for reclamation work at the McKinley mine and the closed Midway mine.
- ♦ Continued to reduce operating costs, with a reduction of nine percent from 1995 level.
- ♦ Established an alliance with a major supplier of mining equipment.

- ♦ Over 1 billion tons of coal were produced in 1996 by the U.S. coal industry, the third consecutive year at this level of production. Coal industry productivity, measured by tons per miner-hour, has increased at an average rate of more than five percent per year since 1990.



Coal

- ♦ Eighty-five percent of P&M's sales are to electric utilities. Based on original contract terms, more than 50 percent are covered by contracts of ten years or longer and 20 percent have terms of three to ten years.

- ♦ P&M holds low-sulfur coal reserves in major U.S. coal producing regions.

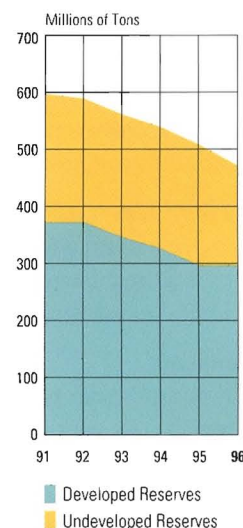
economies of scale, improving processes and retaining flexibility in mine planning.

- ♦ Negotiate long-term commitments for unsold mine capacity. Seek extensions of existing long-term sales agreements.
- ♦ Proactively seek investments that strengthen current competitive position.
- ♦ Position reserves and production capacity to participate in fast growing regional markets.

### U.S. Coal Business Environment

- ♦ The U.S. coal industry is highly competitive; markets are dominated by the electric utility industry, which consumed more than 80 percent of all the coal produced in the United States in 1996.
- ♦ Tightening sulfur dioxide emissions standards are increasing demand for low-cost, low-sulfur coals.
- ♦ Deregulation of the electric utility industry will put a premium on low-cost generation, which should provide excellent opportunities for growth in coal production.

P&M Coal Reserves



### P&M Operations

Mine Name	State	Principal Operation	Sulfur Content	Estimated Annual Capacity <sup>(1)</sup>	Annual Sales <sup>(1)</sup>				
					1996	1995	1994	1993	1992
Kemmerer	WY	Truck-and-Shovel	Low	4.5	3.7	3.6	3.9	3.6	3.8
McKinley	NM	Dragline/T&S	Low	8.3	5.3	6.8	8.2	8.2	6.6
North River	AL	Longwall	Medium	2.4	2.2	1.9	1.6	2.4	2.1
Sebree	KY	Continuous Miner	High	1.0	0.9	0.5	0.4	0.4	0.2
York Canyon (2)	NM	Dragline	Low	1.5	1.3	2.0	2.3	2.3	0.9
Black Beauty (33.3%)(3)	IN/IL	Truck-and-Shovel	Various	3.6	2.6	2.5	3.4	3.4	2.5
Closed/Sold	Various	—	—	—	—	—	0.6	0.5	0.4
Total Sales				21.3	16.0	17.3	20.4	20.8	16.5

(1) Millions of Tons

(2) One of the two York Canyon mines was closed in late 1995

(3) Interest changed from 50 percent to 33.3 percent in August 1994. Sales and capacity are P&M's share.

## Glossary of 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 (injectants) 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 distribution 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 manufacturing of plastics, adhesives, synthetic fibers and household detergents, **Olefins** – used in the manufacturing 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 land owner'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, based on a federal mandate. **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 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. **Probable reserves** are less certain than Proved reserves, but can be estimated with a degree of certainty indicating they are more likely recoverable than not under specified economic conditions.

**Possible reserves** are less certain than Probable reserves and can be estimated with a low degree of certainty, insufficient to indicate whether they are more likely to be recovered than not under specified economic conditions. **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 in an existing reservoir in a proved oil or gas producing area. **Completed wells** are wells in which drilling work has been completed and are capable of producing. **Dry wells** are wells completed as dry holes – wells not capable of producing in commercial quantities.



Organizations	Principal Business	Principal Areas of Activity
<b>Operating</b>		
Chevron U.S.A. Production Company	Exploration and Production	United States
Chevron Products Company	Refining and Marketing	Worldwide
Chevron Asiatic Limited	Exploration and Production	International
Chevron Canada Limited	Refining and Marketing	Western Canada
Chevron Canada Resources	Exploration and Production	Canada
Chevron Chemical Company	Industrial Chemicals	Worldwide
Chevron Chemical S.A.	Industrial Chemicals	International
Chevron International Limited	Exploration and Financing	International
Chevron International Sales Company, Inc.	Sale/Trading of Crude Oil and Refined Products	International
Chevron International Trading Company	Sale/Trading of Crude Oil and Refined Products	International
Chevron Nigeria Limited	Exploration and Production	Nigeria
Chevron Oil Trading Company	Liquefied Natural Gas Marketing	International
Chevron Overseas Petroleum Inc.	Exploration and Production	International
Chevron Pipe Line Company	Crude Oil, Petroleum Products and Natural Gas Transportation	United States
Chevron Shipping Company	Marine Management	Worldwide
Chevron Transport Corporation	Marine Transportation	Worldwide
Chevron U.K. Limited	Exploration and Production	North Sea
Cabinda Gulf Oil Company Limited	Exploration and Production	Angola
Gulf Oil (Great Britain) Limited	Refining and Marketing	United Kingdom
The Pittsburg & Midway Coal Mining Company	Coal	United States
Amoseas Indonesia, Inc. (50%)	Exploration and Production	Indonesia
Caltex Petroleum Corporation (50%)	Refining and Marketing	International
P.T. Caltex Pacific Indonesia (50%)	Exploration and Production	Indonesia
Tengizchevroil (50%)	Exploration and Production	Kazakstan
NGC Corporation (28%)	Midstream Operations	Worldwide
<b>Service</b>		
Chevron Information Technology Company	Communications, Data Processing and Advanced Office Systems	Worldwide
Chevron Petroleum Technology Company	Oil Field Technical Services, Research and Development	Worldwide
Chevron Real Estate Management Company	Property Management	United States
Chevron Services Company	Administrative Services	Worldwide
<b>Finance</b>		
Chevron Canada Enterprises Limited	Commercial Paper Issuer	Canada
Chevron Capital U.S.A. Inc.	Debt Financing	United States
Chevron Oil Finance Company	Commercial Paper Issuer	United States
Chevron U.K. Investment PLC	Commercial Paper Issuer	United States
Chevron Hibernia Limited	Commercial Paper Issuer	Canada
Chevron Canada Finance Limited	Debt Financing	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.



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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.

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