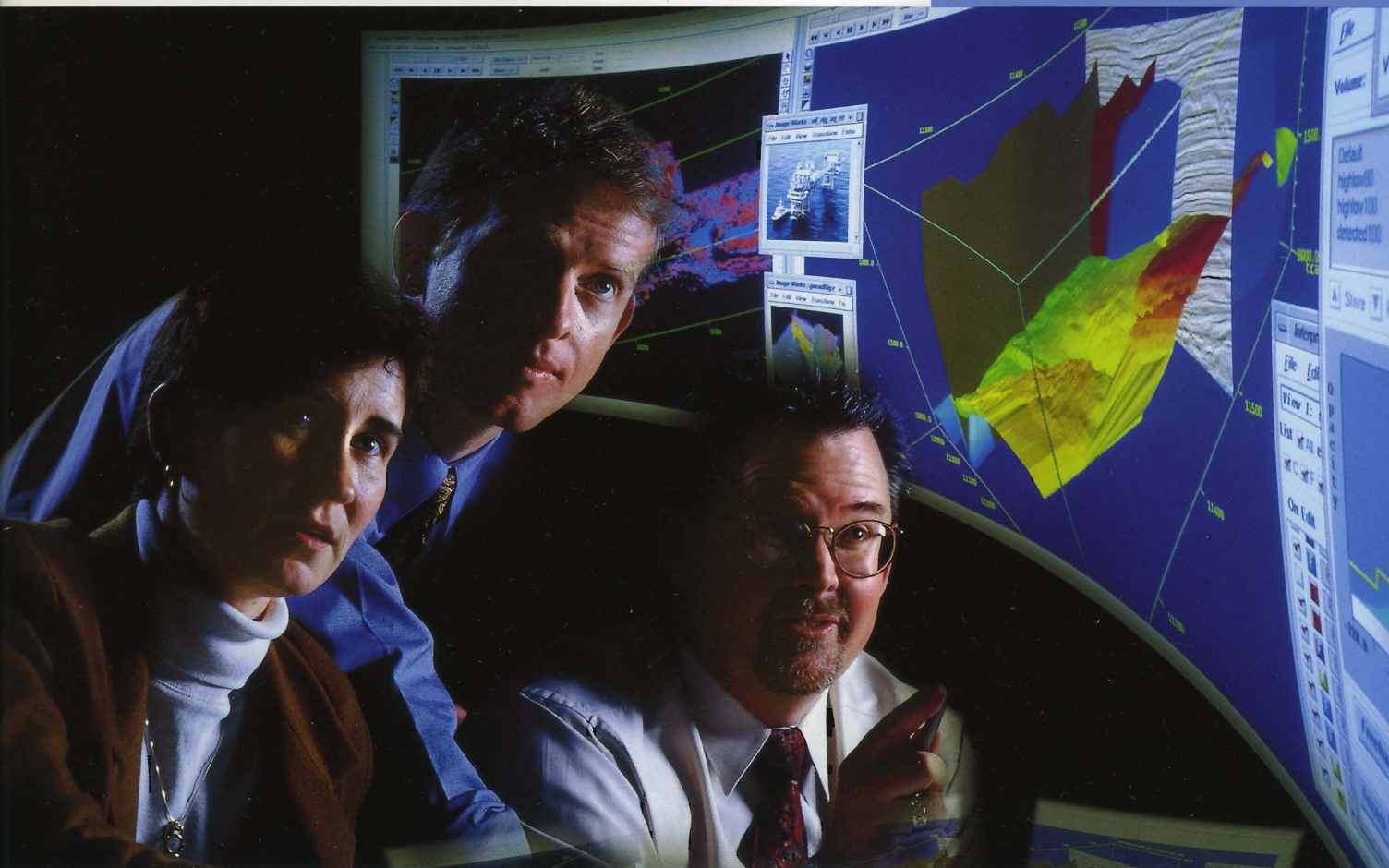


CHEVRON CORPORATION

Supplement to the 1998 Annual Report



CHEVRON CORPORATION STRATEGIC INTENTS

- ▶ Build a committed team to accomplish the Corporate Mission.
- ▶ Focus on reducing costs across all activities.
- ▶ Accelerate Upstream growth in international areas.
- ▶ Accelerate the growth of our Caspian area earnings by cooperatively applying the skills and talents of all Chevron organizations.
- ▶ Generate cash from North American Upstream operations.
- ▶ Achieve top financial performance and generate cash from North American Downstream.
- ▶ Caltex should achieve superior competitive financial performance while minimizing operating expenses and capital spending.
- ▶ Improve financial performance in Chemicals.

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in about 90 countries through more than 500 subsidiaries, partnerships,

affiliates and other entities. These organizations engage in all phases of

the petroleum industry. CHEVRON CORPORATION Overview

CHEVRON TODAY

Exploration and Production (Upstream) Chevron produced 1.5 million barrels per day of oil and equivalent gas in 1998, with international liquids production outside North America increasing for the ninth straight year. Chevron has major operations in Africa, the Asia-Pacific region, Central Asia, Europe and South America. In Africa, liquids production in Angola and Nigeria exceeded 400,000 barrels per day. Two large discoveries in Block 14, in deepwater offshore Angola, in addition to the large Kuito Field, present excellent future opportunities. The Escravos Gas Plant is in its second phase to almost double capacity, and a plan to build a gas-to-liquids plant will permit additional utilization of Chevron's significant gas reserves in Nigeria. In Central Asia, construction of the long-awaited Caspian pipeline is expected to be completed by 2001, hence opening the door to significant increases in oil production from the giant Tengiz Field in Kazakhstan. In Europe, the Britannia gas field came on stream in 1998, and the newly acquired interest in the Draugen Field in Norway performed above expectation. In Venezuela, Chevron successfully increased production in the Boscan Field to 105,000 barrels per day. In the Middle East, Chevron secured various exploration opportunities in Bahrain and Qatar.

Chevron's North American operations focused on major producing areas of the Gulf of Mexico, California, the Rocky Mountains, Texas and western and offshore East Coast Canada. Production came on stream in January 1999 from Genesis, Chevron's first deepwater project in the Gulf of Mexico. In the Permian Basin, Chevron and ARCO agreed to combine their producing assets to create one of the largest operators in the area. The Hibernia Field, offshore East Coast Canada, is expected to reach peak production of 150,000 barrels of oil per day in 1999. Chevron's affiliate, Dynegy Inc., established itself as a major player in the electric power market in addition to being a force in the natural gas marketing and gas processing areas.

Refining and Marketing (Downstream) One of the largest marketers of petroleum products in the United States, Chevron has a market share of 9 percent or more in 16 states. In 1998, Chevron's downstream operations continued its excellent performance by increasing branded gasoline sales 5 percent and company-operated convenience stores sales a strong 31 percent. In Canada, Chevron continued to be a market leader in the British Columbia area in spite of increased competition. Chevron owns and operates six refineries in the United States and one refinery in Canada.

Chevron's affiliate, Caltex Corporation, has businesses in about 60 countries in Africa, the Middle East and the Asia-Pacific area. In 1998, Caltex focused on a corporate wide reorganization modeled along major functional business lines. The headquarters were relocated from Dallas to Singapore in 1998 to capitalize on growing business opportunities and to be closer to its customer base. Caltex continues to focus on stimulating retail growth, reimagining stations and investing in frontier markets such as China, India and Vietnam.

Logistics and Trading (Downstream) Chevron purchases, sells, trades and transports crude oil, liquefied natural gas, refined and other products by vessels and pipeline. Chevron operates a fleet of 35 vessels that continued their excellent safety records in 1998. The company owns interests in 11,500 miles of crude oil, natural gas and petroleum product pipelines.

Chemicals Chevron Chemical Company produces commodity petrochemicals, plastics, and additives in plants in nine U.S. states and in Brazil, France, Japan and Mexico. In 1998, the U.S. Chemicals Division completed plant expansions at Pascagoula, Mississippi and Cedar Bayou, Texas. Additional expansion of polyethylene capacity at Orange, Texas and an ethylbenzene project at Pascagoula will be completed in 1999. Chevron Chemical's international presence received a boost with the opening of an additives plant in Singapore in January 1999. Also, a benzene and cyclohexane plant in Saudi Arabia will come on stream in mid-1999 and a polystyrene plant in China will commence production in 2000.

Other Operations One of the top 15 coal producers in the United States, Chevron operates coal mines in major coal producing areas and has equity interests in other mines, including a mine in Venezuela. In 1998, Chevron announced its plan to sell the coal operations.

FUTURE OUTLOOK

Chevron, in spite of the lowest crude oil prices in 12 years, is focused on maintaining its investment strategy for international upstream through these difficult times while reducing spending in international chemicals and downstream businesses. This strategy, coupled with the goal to remove an additional \$500 million from the cost structure in 1999, will position the company for a strong rebound when the eventual improvement in crude oil and natural gas prices occurs.

History

- 1879** Incorporated in San Francisco, California, as the Pacific Coast Oil Company.
- 1900** Acquired by the West Coast operations of John D. Rockefeller's original Standard Oil Company.
- 1911** Emerged as an autonomous entity, Standard Oil Company (California), following U.S. Supreme Court decision to divide Standard Oil into 34 independent companies.
- 1926** Merged with Pacific Oil Company to become Standard Oil Company of California.
- 1920s-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 through Texaco's European markets.
- 1940s-1960s** Continued expansion that eventually led to participation in a number of major discoveries, such as the North West Shelf in Australia, the Ninian Field in the North Sea and development of the Gulf of Mexico.
- 1961** Acquired Standard Oil Company (Kentucky), a major petroleum products marketer in five southeastern states, to provide outlets for crude oil from southern Louisiana and the Gulf of Mexico, where the company was a major producer.
- 1984** Acquired Gulf Corporation - nearly doubling the size of oil and gas activities - and gained significant presence in industrial chemicals, natural gas liquids and coal. Changed name to Chevron Corporation to closely identify with the name under which most products were marketed.
- 1988** Purchased Tenneco Inc.'s Gulf of Mexico oil and gas properties, becoming one of the largest U.S. natural gas producers.
- 1993** Entered into a joint venture with the Republic of Kazakhstan to develop and produce the giant Tengiz Field, estimated to hold at least 6 billion barrels of recoverable crude oil.
- 1997** Reported earnings of \$3.256 billion, highest in company history.

FINANCIAL INFORMATION

Eleven-Year Financial Summary

FINANCIAL HIGHLIGHTS¹

Millions of Dollars, Except Per-Share Amounts

	1998	1997	1996
Income Before Cumulative Effect of Changes in Accounting Principles	\$ 1,339	\$ 3,256	\$ 2,607
Cumulative Effect of Changes in Accounting Principles	—	—	—
Net Income	\$ 1,339	\$ 3,256	\$ 2,607
Comprehensive Income ²	1,326	3,083	2,529
Sales and Other Operating Revenues	29,943	40,596	42,782
Cash Dividends	1,596	1,493	1,358
Capital and Exploratory Expenditures ³	5,314	5,541	4,840
Equity Share of Affiliates' Capital and Exploratory Expenditures, Included Above	994	1,174	983
Cash Provided by Operating Activities	3,731	4,880	5,947
Working Capital at December 31	(869)	60	(965)
Total Assets at December 31	36,540	35,473	34,854
Total Debt at December 31	7,558	6,068	6,694
Stockholders' Equity at December 31	17,034	17,472	15,623
Market Value of Common Shares at December 31	54,160	50,507	42,451
Common Shares Outstanding at December 31 (Thousands) ⁴	653,026	655,931	653,086
Per Share Data ⁴			
Income Before Cumulative Effect of Changes in Accounting Principles – Basic	\$ 2.05	\$ 4.97	\$ 3.99
Income Before Cumulative Effect of Changes in Accounting Principles – Diluted	2.04	4.95	3.98
Cumulative Effect of Changes in Accounting Principles	—	—	—
Net Income – Basic	\$ 2.05	\$ 4.97	\$ 3.99
Net Income – Diluted	2.04	4.95	3.98
Cash Dividends	2.44	2.28	2.08
Stockholders' Equity at December 31	26.08	26.64	23.92
Market Price: December 31	82 ¹⁵ / ₁₆	77	65
High	90 ³ / ₁₆	89 ³ / ₁₆	68 ³ / ₈
Low	67 ³ / ₄	61 ³ / ₄	51
Key Financial Ratios			
Current Ratio	0.9	1.0	0.9
Interest Coverage Ratio	5.1	14.3	10.9
Total Debt/Total Debt Plus Equity	30.7%	25.8%	30.0%
Return on Average Stockholders' Equity	7.8%	19.7%	17.4%
Return on Average Capital Employed	6.7%	15.0%	12.7%

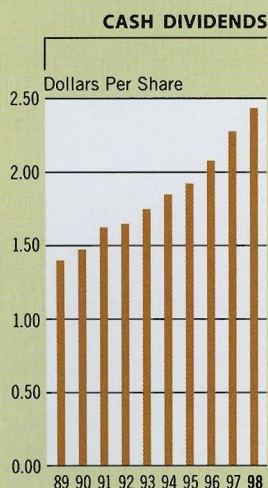
¹ Reflects the adoption of certain accounting standards that may affect comparability between years.

- Statement of Financial Accounting Standards (SFAS) No. 130 – "Reporting Comprehensive Income" adopted in 1998.
- SFAS No. 128 – "Earnings Per Share" adopted in 1997.
- SFAS No. 121 – "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" adopted in 1995.
- SFAS No. 106 – "Employers' Accounting for Postretirement Benefits other than Pensions" and SFAS No. 109 – "Accounting for Income Taxes" adopted in 1992.
- 1989 through 1994 includes adoption of a change for impairment of proved non-producing oil and gas properties.
- 1988 through 1991 reflect SFAS No. 96 – "Accounting for Income Taxes."

² Data not presented prior to 1996. SFAS No. 130 – "Reporting Comprehensive Income" does not require disclosure for these earlier periods.

³ Includes the 1988 acquisition of Tenneco Inc.'s Gulf of Mexico properties for \$2,512.

⁴ Share and per-share amounts for all years reflect the two-for-one stock split in May 1994.

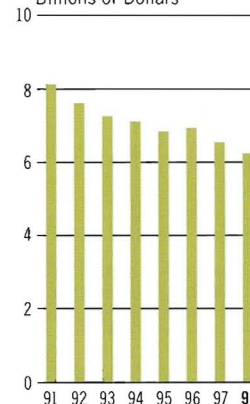


1995	1994	1993	1992	1991	1990	1989	1988
\$ 930	\$ 1,693	\$ 1,265	\$ 2,210	\$ 1,293	\$ 2,157	\$ 251	\$ 1,768
-	-	-	(641)	-	-	-	-
\$ 930	\$ 1,693	\$ 1,265	\$ 1,569	\$ 1,293	\$ 2,157	\$ 251	\$ 1,768
36,310	35,130	36,191	38,212	38,118	41,540	31,916	27,722
1,255	1,206	1,139	1,115	1,139	1,043	953	869
4,800	4,819	4,440	4,423	4,787	4,269	3,982	5,853
912	846	701	621	498	433	389	337
4,057	2,891	4,186	3,914	3,278	4,727	3,046	2,993
(1,578)	(1,801)	(1,924)	(1,063)	(449)	1,072	1,037	938
34,330	34,407	34,736	33,970	34,636	35,089	33,884	33,924
8,327	8,142	7,538	7,841	7,697	6,769	7,516	7,302
14,355	14,596	13,997	13,728	14,739	14,836	13,980	14,744
34,166	29,084	28,380	22,600	23,924	25,477	24,053	15,595
652,327	651,751	651,478	650,348	693,444	701,600	710,048	681,750
\$ 1.43	\$ 2.60	\$ 1.94	\$ 3.26	\$ 1.85	\$ 3.05	\$ 0.37	\$ 2.59
1.43	2.59	1.94	3.26	1.85	3.05	0.37	2.59
-	-	-	(0.95)	-	-	-	-
\$ 1.43	\$ 2.60	\$ 1.94	\$ 2.31	\$ 1.85	\$ 3.05	\$ 0.37	\$ 2.59
1.43	2.59	1.94	2.31	1.85	3.05	0.37	2.59
1.925	1.85	1.75	1.65	1.625	1.475	1.40	1.275
22.01	22.40	21.49	21.11	21.25	21.15	19.69	21.63
52 ³ / ₈	44 ⁵ / ₈	43 ⁹ / ₁₆	34 ³ / ₄	34 ¹ / ₂	36 ⁵ / ₁₆	33 ⁷ / ₈	22 ⁷ / ₈
53 ⁵ / ₈	49 ³ / ₁₆	49 ³ / ₈	37 ¹¹ / ₁₆	40 ¹ / ₁₆	40 ¹³ / ₁₆	36	25 ⁷ / ₈
43 ³ / ₈	39 ⁷ / ₈	33 ¹¹ / ₁₆	30 ¹ / ₁₆	31 ³ / ₄	31 ⁹ / ₁₆	22 ⁷ / ₈	19 ¹³ / ₁₆
0.8	0.8	0.8	0.9	0.9	1.1	1.1	1.1
4.1	7.6	7.4	8.2	5.1	7.6	2.9	5.4
36.7%	35.8%	35.0%	36.4%	34.3%	31.3%	35.0%	33.1%
6.4%	11.8%	9.1%	11.0%	8.7%	15.0%	1.8%	12.4%
5.3%	8.7%	6.8%	8.5%	7.5%	11.9%	3.2%	10.1%

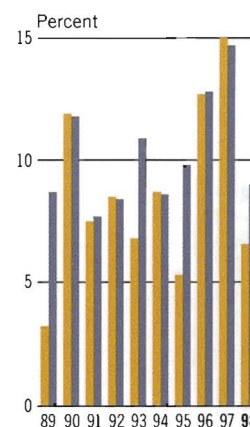
This publication supplements Chevron Corporation's 1998 Annual Report to stockholders and should be read in conjunction with it. The financial information contained in this Supplement is expressly qualified by reference to the Annual Report, which contains complete audited financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations, and other supplemental financial data.

OPERATING, SELLING AND ADMINISTRATIVE EXPENSES, ADJUSTED FOR SPECIAL ITEMS

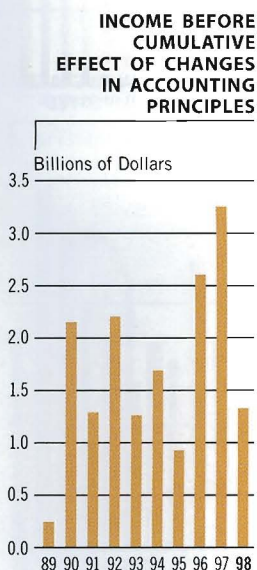
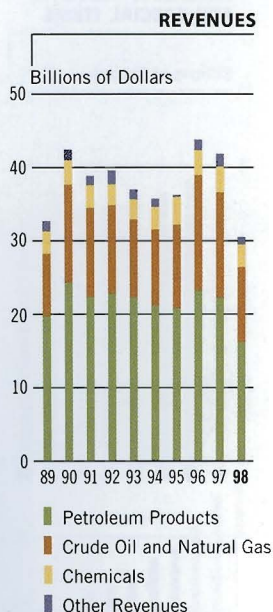
Billions of Dollars



RETURN ON AVERAGE CAPITAL EMPLOYED



On Net Income
On Net Income Excluding Special Items

**CONSOLIDATED STATEMENT OF INCOME**

Millions of Dollars

Year Ended December 31

Revenues:**Sales and Other Operating Revenues:**

	1998	1997	1996	1995	1994
Gasolines	\$ 6,196	\$ 7,938	\$ 7,650	\$ 6,746	\$ 7,080
Jet Fuel	1,960	2,802	3,013	2,429	2,497
Gas Oils and Kerosene	1,714	2,848	3,030	2,468	2,958
Residual Fuel Oils	519	837	923	681	707
Other Refined Products	1,072	1,161	1,169	1,147	1,086

Total Refined Products

Crude Oil	7,781	11,296	12,397	9,376	8,249
Natural Gas	2,104	2,568	3,299	2,019	2,138
Natural Gas Liquids	322	553	1,167	1,285	1,180
Other Petroleum Revenues	1,063	1,118	1,184	1,144	944
Petroleum Excise Taxes	3,716	5,574	5,190	4,976	4,774

Total Petroleum

Chemicals	3,054	3,520	3,422	3,758	3,065
Chemicals Excise Taxes	40	13	12	12	16

Total Chemicals

All Other	402	368	326	269	436
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Total Sales and Other Operating Revenues**Income From Equity Affiliates**

Other Income	386	679	344	219	284
---------------------	-----	-----	-----	-----	-----

Total Revenues**Costs and Other Deductions:**

Purchased Crude Oil and Products	14,036	20,223	22,826	18,033	16,990
Operating Expenses	4,834	5,280	6,007	5,974	6,383
Exploration Expenses	478	493	455	372	379
Selling, General and Administrative Expenses ¹	2,239	1,533	1,377	1,384	963
Depreciation, Depletion and Amortization ²	2,320	2,300	2,216	3,381	2,431
Taxes Other Than on Income:					
Excise Taxes	3,756	5,587	5,202	4,988	4,790
Other Taxes	655	733	706	760	769
Interest and Debt Expense	405	312	364	401	346

Total Costs and Other Deductions**Income Before Income Tax Expense**

Income Tax Expense	495	2,246	2,133	859	1,110
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Net Income

Net Income	\$ 1,339	\$ 3,256	\$ 2,607	\$ 930	\$ 1,693
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Currency Translation Adjustment	(1)	(173)	(54)		
Unrealized Holding Gain (Loss) on Securities	3	(4)	(20)		
Minimum Pension Liability Adjustment	(15)	4	(4)		

Other Comprehensive Income, Net of Tax

Comprehensive Income³	\$ 1,326	\$ 3,083	\$ 2,529		
---	----------	----------	----------	--	--

Retained Earnings at January 1

Net Income	1,339	3,256	2,607	930	1,693
Cash Dividends	(1,596)	(1,493)	(1,358)	(1,255)	(1,206)
Tax Benefit from Dividends Paid on Unallocated ESOP Shares	14	14	13	14	15

Retained Earnings at December 31

	\$ 16,942	\$ 17,185	\$ 15,408	\$ 14,146	\$ 14,457
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¹ In 1994, includes a reversal of excess interest reserves of \$319 million resulting from a settlement with the IRS for several open tax years.² In 1995, includes \$985 million of asset impairment charges resulting from the adoption of SFAS No. 121.³ Data not presented prior to 1996. SFAS No. 130 - "Reporting Comprehensive Income" does not require disclosure for these earlier periods.

Net Income by Major Areas of Operation

NET INCOME BY MAJOR AREAS OF OPERATION

		Year Ended December 31				
Millions of Dollars		1998	1997	1996	1995	1994
Exploration and Production	– United States	\$ 365	\$ 1,001	\$ 1,087	\$ 72	\$ 518
	– International	707	1,252	1,211	690	539
	– Total	1,072	2,253	2,298	762	1,057
Refining, Marketing and Transportation	– United States	572	601	193	(104)	40
	– International	28	298	226	345	239
	– Total	600	899	419	241	279
Chemicals		122	228	200	484	206
All Other ^{1, 2}		(455)	(124)	(310)	(557)	151
Net Income		\$ 1,339	\$ 3,256	\$ 2,607	\$ 930	\$ 1,693

NET INCOME BY MAJOR AREAS OF OPERATION, EXCLUDING SPECIAL ITEMS

Millions of Dollars						
Exploration and Production	– United States	\$ 381	\$ 972	\$ 1,109	\$ 552	\$ 584
	– International	717	1,197	1,142	811	519
	– Total	1,098	2,169	2,251	1,363	1,103
Refining, Marketing and Transportation	– United States	633	662	290	75	325
	– International	123	367	167	283	249
	– Total	756	1,029	457	358	574
Chemicals		151	224	228	524	215
All Other ^{1, 2}		(60)	(242)	(285)	(283)	(221)
Net Income, Excluding Special Items		1,945	3,180	2,651	1,962	1,671
Special Items ³		(606)	76	(44)	(1,032)	22
Net Income		\$ 1,339	\$ 3,256	\$ 2,607	\$ 930	\$ 1,693

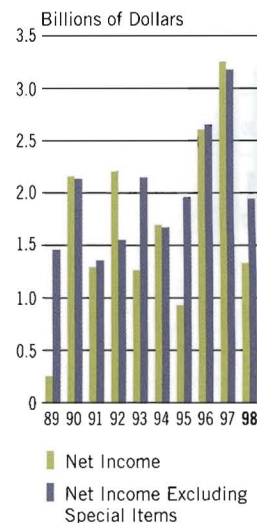
¹ "All Other" includes interest expense, interest income on cash and marketable securities, corporate center items, coal operations, real estate and insurance activities.

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 necessarily representative of, the company's ongoing operations. These transactions, defined by Chevron management and designated "special items," can obscure the underlying results of operations for a year as well as affect comparability of results between years. Such items have been excluded from net income by major areas of operation to indicate the underlying trends of operational results:

Asset Dispositions	\$ (9)	\$ 183	\$ 391	\$ 7	\$ 48
Asset Write-Offs and Revaluations	(159)	(86)	(337)	(304)	–
Initial Implementation of SFAS No. 121	–	–	–	(659)	–
Environmental Remediation Provisions, Net	(39)	(35)	(54)	(90)	(304)
Prior-Year Tax Adjustments	271	152	52	(22)	344
Restructurings and Reorganizations	(43)	(60)	(14)	(50)	(45)
LIFO Inventory (Losses) Gains	(25)	5	(4)	2	(10)
Other, Net	(602)	(83)	(78)	84	(11)
Total Special Items	\$ (606)	\$ 76	\$ (44)	\$ (1,032)	\$ 22

NET INCOME VS. NET INCOME EXCLUDING SPECIAL ITEMS*



* Before Cumulative Effect of Changes in Accounting Principles.

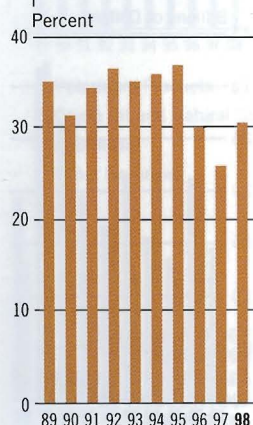
CONSOLIDATED BALANCE SHEET

Millions of Dollars

At December 31

	1998	1997	1996	1995	1994
Assets					
Cash and Cash Equivalents	\$ 569	\$ 1,015	\$ 892	\$ 621	\$ 413
Marketable Securities	844	655	745	773	893
Accounts and Notes Receivable	2,813	3,374	4,035	4,014	3,923
Inventories:					
Crude Oil and Petroleum Products	600	539	669	822	1,036
Chemicals	559	547	507	487	391
Materials, Supplies and Other	296	292	255	289	283
	1,455	1,378	1,431	1,598	1,710
Prepaid Expenses and Other Current Assets	616	584	839	861	652
Total Current Assets	6,297	7,006	7,942	7,867	7,591
Long-Term Receivables	872	471	261	149	138
Investments and Advances	4,604	4,496	4,463	4,087	3,991
Properties, Plant and Equipment, at Cost	51,337	49,233	46,936	48,031	46,810
Less: Accumulated Depreciation, Depletion and Amortization	27,608	26,562	25,440	26,335	24,637
Net Properties, Plant and Equipment	23,729	22,671	21,496	21,696	22,173
Deferred Charges and Other Assets	1,038	829	692	531	514
Total Assets	\$ 36,540	\$ 35,473	\$ 34,854	\$ 34,330	\$ 34,407
Liabilities and Stockholders' Equity					
Short-Term Debt	\$ 3,165	\$ 1,637	\$ 2,706	\$ 3,806	\$ 4,014
Accounts Payable	2,170	2,735	3,502	3,294	2,990
Accrued Liabilities	1,202	1,450	1,420	1,257	1,274
Federal and Other Taxes on Income	226	732	745	558	624
Other Taxes Payable	403	392	534	530	490
Total Current Liabilities	7,166	6,946	8,907	9,445	9,392
Long-Term Debt and Capital Lease Obligations	4,393	4,431	3,988	4,521	4,128
Deferred Credits and Other Non-Current Obligations	2,560	1,745	1,858	1,992	2,043
Non-Current Deferred Income Taxes	3,645	3,215	2,851	2,433	2,674
Reserves for Employee Benefit Plans	1,742	1,664	1,627	1,584	1,574
Total Liabilities	19,506	18,001	19,231	19,975	19,811
Stockholders' Equity	17,034	17,472	15,623	14,355	14,596
Total Liabilities and Stockholders' Equity	\$ 36,540	\$ 35,473	\$ 34,854	\$ 34,330	\$ 34,407

**TOTAL DEBT/
TOTAL DEBT
PLUS EQUITY**



CONSOLIDATED ASSETS¹

Millions of Dollars

Exploration and Production	\$ 16,820	\$ 15,678
Refining, Marketing and Transportation	11,643	11,895
Chemicals	3,873	3,518
All Other ²	4,204	4,382
Total	\$ 36,540	\$ 35,473

¹ Prior to 1997, data not disclosed in this format. Does not include intercompany investments or receivables.

² Includes cash, cash equivalents and marketable securities, real estate, coal assets and management information systems.

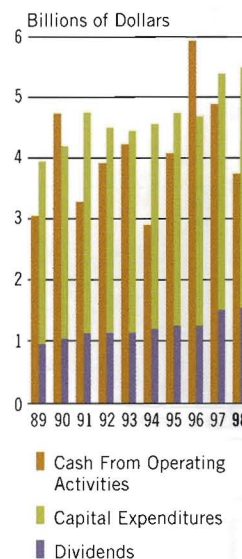
Consolidated Statement of Cash Flows

CONSOLIDATED STATEMENT OF CASH FLOWS¹

	Year Ended December 31				
Millions of Dollars	1998	1997	1996	1995	1994
Operating Activities:					
Net Income	\$ 1,339	\$ 3,256	\$ 2,607	\$ 930	\$ 1,693
Adjustments:					
Depreciation, Depletion and Amortization	2,320	2,300	2,216	3,381	2,431
Dry Hole Expense Related to Prior Years' Expenditures	40	31	55	19	53
Distributions Greater (Less) Than Income From Equity Affiliates	25	(353)	83	(129)	(55)
Net Before-Tax (Gains) Losses on Asset Sales and Retirements	(45)	(344)	207	164	(83)
Net Foreign Exchange (Gains) Losses	(20)	(69)	(10)	47	40
Deferred Income Tax Provision	266	622	359	(258)	110
(Increase) Decrease in Operating Working Capital Composed of:					
Decrease in Accounts and Notes Receivable	552	474	38	(62)	(44)
(Increase) Decrease in Inventories	(116)	(11)	60	(162)	(57)
(Increase) Decrease in Prepaid Expenses and Other Current Assets	(23)	59	15	(148)	4
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(807)	(685)	369	428	(1,510)
(Decrease) Increase in Income and Other Taxes Payable	(415)	(90)	167	(16)	(166)
Net (Increase) Decrease in Operating Working Capital	(809)	(253)	649	40	(1,773)
Other, Net	615	(310)	(219)	(137)	475
Net Cash Provided by Operating Activities	3,731	4,880	5,947	4,057	2,891
Investing Activities:					
Capital Expenditures ²	(3,880)	(3,899)	(3,424)	(3,529)	(3,405)
Proceeds from Asset Sales	434	1,235	778	581	731
Purchases of Marketable Securities	(2,679)	(2,724)	(3,443)	(2,759)	(1,943)
Sales of Marketable Securities	2,496	2,825	3,487	2,903	1,398
Other, Net	(230)	(297)	(177)	-	-
Net Cash Used for Investing Activities	(3,859)	(2,860)	(2,779)	(2,804)	(3,219)
Financing Activities:					
Net Borrowings (Repayments) of Short-Term Obligations	1,713	(163)	(1,179)	(227)	466
Proceeds from Issuances of Long-Term Debt	224	26	95	536	436
Repayments of Long-Term Debt	(388)	(421)	(476)	(103)	(588)
Cash Dividends Paid	(1,596)	(1,493)	(1,358)	(1,255)	(1,206)
Net (Purchases) Sale of Treasury Shares	(261)	173	23	14	-
Net Cash Used for Financing Activities	(308)	(1,878)	(2,895)	(1,035)	(892)
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	(10)	(19)	(2)	(10)	(11)
Net Change in Cash and Cash Equivalents	(446)	123	271	208	(1,231)
Cash and Cash Equivalents at January 1	1,015	892	621	413	1,644
Cash and Cash Equivalents at December 31	\$ 569	\$ 1,015	\$ 892	\$ 621	\$ 413

¹ Certain amounts were reclassified to conform to 1998 presentation.² Capital expenditures exclude the equity share of affiliates.

CASH FROM OPERATING ACTIVITIES COMPARED WITH CAPITAL EXPENDITURES AND DIVIDENDS



Capital and Exploratory Expenditures

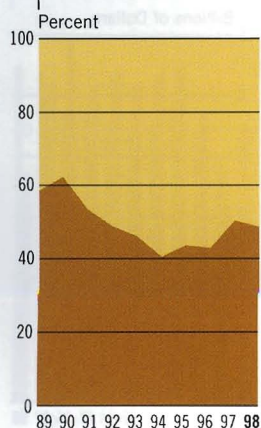
CAPITAL AND EXPLORATORY EXPENDITURES - INCLUDES AFFILIATES

Year Ended December 31

Millions of Dollars

	1998	1997	1996	1995	1994
United States					
Exploration	\$ 503	\$ 463	\$ 487	\$ 341	\$ 223
Production	817	1,196	681	538	584
Refining	264	188	150	646	639
Marketing	343	255	204	201	209
Transportation	47	77	75	45	37
Chemicals	385	470	377	172	109
All Other	223	140	101	150	153
Total United States	2,582	2,789	2,075	2,093	1,954
International					
Exploration	462	447	402	376	353
Production	1,480	1,456	1,452	1,459	1,578
Refining	124	177	384	567	510
Marketing	239	396	396	271	238
Transportation	68	29	1	1	142
Chemicals	359	194	120	32	29
All Other	-	53	10	1	15
Total International	2,732	2,752	2,765	2,707	2,865
Worldwide					
Exploration	965	910	889	717	576
Production	2,297	2,652	2,133	1,997	2,162
Refining	388	365	534	1,213	1,149
Marketing	582	651	600	472	447
Transportation	115	106	76	46	179
Chemicals	744	664	497	204	138
All Other	223	193	111	151	168
Total Worldwide	\$ 5,314	\$ 5,541	\$ 4,840	\$ 4,800	\$ 4,819
Memo: Affiliates' Expenditures Included Above	\$ 994	\$ 1,174	\$ 983	\$ 912	\$ 846

CAPITAL AND EXPLORATORY EXPENDITURES BY GEOGRAPHIC AREA



■ United States
■ International

EXPLORATION COSTS EXPENSED¹

Millions of Dollars

Geological and Geophysical	\$ 195	\$ 124	\$ 123	\$ 76	\$ 72
Unproductive Wells Drilled	126	200	217	176	183
Oil and Gas Lease Rentals	5	5	14	11	9
Other ²	152	164	101	109	115
Total Exploration Expenses	\$ 478	\$ 493	\$ 455	\$ 372	\$ 379
Memo: United States	\$ 213	\$ 227	\$ 172	\$ 102	\$ 134
International	\$ 265	\$ 266	\$ 283	\$ 270	\$ 245

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.

Properties, Plant and Equipment

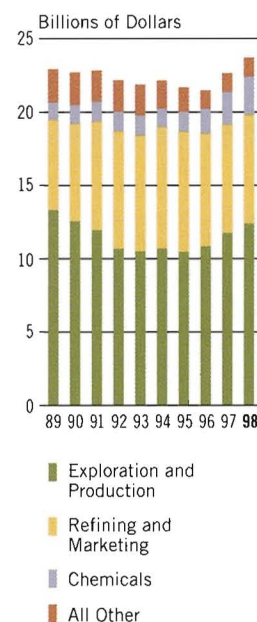
PROPERTIES, PLANT AND EQUIPMENT – INCLUDING CAPITAL LEASES

At December 31

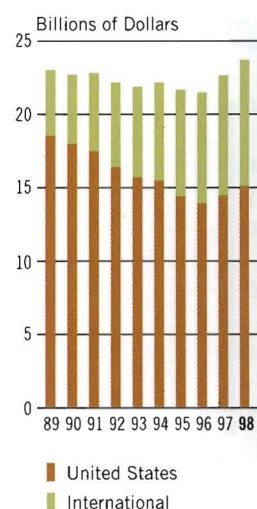
Millions of Dollars	1998	1997	1996	1995	1994
Net Properties, Plant and Equipment at January 1	\$ 22,671	\$ 21,496	\$ 21,696	\$ 22,173	\$ 21,865
Additions at Cost:					
Exploration and Production ¹	2,221	2,451	2,195	2,197	1,726
Refining, Marketing and Transportation	715	595	485	1,222	1,117
Chemicals	501	627	413	194	114
All Other ²	202	135	103	236	167
Total Additions at Cost	3,639	3,808	3,196	3,849	3,124
Depreciation, Depletion and Amortization Expense:					
Exploration and Production	(1,548)	(1,521)	(1,366)	(2,289)	(1,561)
Refining, Marketing and Transportation	(564)	(575)	(587)	(680)	(574)
Chemicals	(119)	(104)	(162)	(186)	(158)
All Other ²	(89)	(100)	(101)	(226)	(138)
Total Depreciation, Depletion and Amortization Expense	(2,320)	(2,300)	(2,216)	(3,381)	(2,431)
Net Retirements and Sales:					
Exploration and Production	(33)	(92)	(445)	(105)	(27)
Refining, Marketing and Transportation	(127)	(197)	(329)	(528)	(149)
Chemicals	3	(5)	(22)	(9)	(37)
All Other ²	(91)	(36)	(395)	(302)	(173)
Total Net Retirements and Sales	(248)	(330)	(1,191)	(944)	(386)
Net Intersegment Transfers and Other Changes:					
Exploration and Production	2	6	(10)	(30)	20
Refining, Marketing and Transportation	(13)	(109)	(81)	(87)	–
Chemicals	–	7	107	88	1
All Other ²	(2)	93	(5)	28	(20)
Total Net Intersegment Transfers and Other Changes³	(13)	(3)	11	(1)	1
Net Properties, Plant and Equipment at December 31:					
Exploration and Production ^{3, 4}	12,385	11,691	10,847	10,473	10,700
Refining, Marketing and Transportation	7,407	7,396	7,682	8,194	8,267
Chemicals	2,625	2,240	1,715	1,379	1,293
All Other ^{2, 3}	1,312	1,344	1,252	1,650	1,913
Total Net Properties, Plant and Equipment at December 31	\$ 23,729	\$ 22,671	\$ 21,496	\$ 21,696	\$ 22,173
Memo: Gross Properties, Plant and Equipment	\$ 51,337	\$ 49,233	\$ 46,936	\$ 48,031	\$ 46,810
Accumulated Depreciation, Depletion and Amortization	(27,608)	(26,562)	(25,440)	(26,335)	(24,637)
Net Properties, Plant and Equipment	\$ 23,729	\$ 22,671	\$ 21,496	\$ 21,696	\$ 22,173

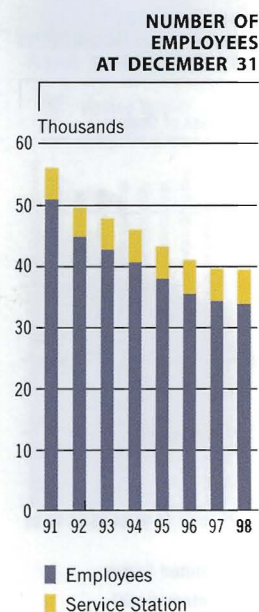
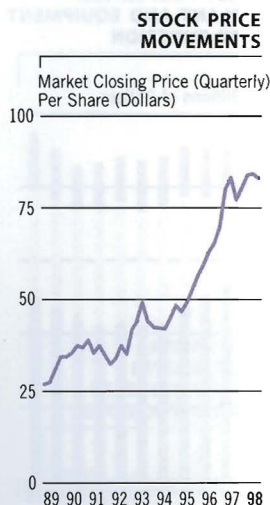
¹ Net of exploratory well write-offs.² Principally includes real estate, coal assets and management information systems.³ Includes reclassifications to/from other asset accounts.⁴ Includes net investment in unproved oil and gas properties. \$ 373 \$ 371 \$ 295 \$ 238 \$ 255

NET PROPERTIES, PLANT AND EQUIPMENT BY FUNCTION



NET PROPERTIES, PLANT AND EQUIPMENT BY GEOGRAPHIC AREA





MISCELLANEOUS DATA

Performance Measures

	1998	1997	1996	1995	1994
Earnings, Excluding Special Items (Millions of Dollars)	\$ 1,945	\$ 3,180	\$ 2,651	\$ 1,962	\$ 1,671
Adjusted Operational Expenses (Millions of Dollars) ¹	\$ 6,989	\$ 7,406	\$ 7,610	\$ 7,594	\$ 7,565
Adjusted Operational Expenses Per Barrel ¹	\$ 5.24	\$ 5.69	\$ 6.12	\$ 6.09	\$ 6.07
Return on Average Capital Employed, Excluding Special Items ²	9.2%	14.7%	12.8%	9.8%	8.6%
Total Stockholder Return ³	11.0%	22.1%	28.5%	22.0%	6.8%

Financial Ratios⁴

Current Assets to Current Liabilities	0.9	1.0	0.9	0.8	0.8
Interest Coverage Ratio	5.1	14.3	10.9	4.1	7.6
Total Debt/Total Debt Plus Equity	30.7%	25.8%	30.0%	36.7%	35.8%
Return on Average Stockholders' Equity	7.8%	19.7%	17.4%	6.4%	11.8%
Return on Average Capital Employed	6.7%	15.0%	12.7%	5.3%	8.7%
Return on Average Total Assets	3.7%	9.3%	7.5%	2.7%	4.9%
Return on Sales	5.1%	9.3%	6.9%	3.0%	5.6%
Cash Dividends to Net Income (Payout Ratio)	119.2%	45.9%	52.1%	135.0%	71.2%
Cash Dividends to Cash from Operations	42.8%	32.6%	23.5%	30.9%	41.7%

Common Stock⁵

Number of Shares Outstanding at December 31 (Thousands)	653,026	655,931	653,086	652,327	651,751
Weighted Average Shares Outstanding for the Year (Thousands)	653,667	654,991	652,769	652,084	651,672
Number of Stockholders of Record at December 31 (Thousands)	126	122	131	136	141
Cash Dividends on Common Stock:					
Millions of Dollars	\$ 1,596	\$ 1,493	\$ 1,358	\$ 1,255	\$ 1,206
Per Common Share	\$ 2.44	\$ 2.28	\$ 2.08	\$ 1.925	\$ 1.85
Earnings Per Common Share – Diluted:					
First Quarter	\$ 0.77	\$ 1.27	\$ 0.94	\$ 0.70	\$ 0.59
Second Quarter	0.88	1.25	1.33	0.93	0.39
Third Quarter	0.70	1.10	1.00	0.44	0.65
Fourth Quarter	(0.31)	1.33	0.71	(0.64)	0.96
Year	\$ 2.04	\$ 4.95	\$ 3.98	\$ 1.43	\$ 2.59
Stockholders' Equity Per Common Share at December 31	\$ 26.08	\$ 26.64	\$ 23.92	\$ 22.01	\$ 22.40

Personnel, Payroll and Benefits⁶

Number of Employees at December 31	39,191	39,362	40,820	43,019	45,758
Payroll Costs (Millions of Dollars) ⁷	\$ 1,940	\$ 1,891	\$ 1,965	\$ 2,044	\$ 2,138
Employee Benefit Costs (Millions of Dollars)	\$ 564	\$ 499	\$ 546	\$ 576	\$ 530
Investment Per Employee at December 31 (Thousands of Dollars) ⁸	\$ 629	\$ 599	\$ 547	\$ 528	\$ 497
Average Sales Per Employee (Thousands of Dollars) ⁹	\$ 667	\$ 873	\$ 896	\$ 706	\$ 650
Average Monthly Wage Per Employee	\$ 4,117	\$ 3,931	\$ 3,906	\$ 3,837	\$ 3,818

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. Years prior to 1997 have not been restated to conform with this methodology.

² Return on Average Capital Employed, Excluding Special Items = (Net Income, Excluding Special Items + Interest Expense After Tax) ÷ Average Capital Employed (Average of 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 Consolidated companies only.

⁷ Payroll costs do not include incentive bonuses.

⁸ Investment = Year-End Capital Employed.

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

and is among the leaders in worldwide liquids production. Chevron's

international liquids production increased for the ninth consecutive

year. Chevron's worldwide liquids production in 1998 exceeded 1.1

million barrels per day. WORLDWIDE UPSTREAM Business Description

The North America operations focused its attention on prospects in deepwater Gulf of Mexico and offshore East Coast Canada. Production came on stream from Genesis, Chevron's first deepwater project in the Gulf of Mexico. First production from the second deepwater project, Gemini, is scheduled for mid-1999. The giant Hibernia Field off East Coast Canada is on track to reach peak production of 150,000 barrels of oil per day in 1999, while Chevron continues to increase acreage and exploration activity in surrounding areas in the Jeanne d'Arc Basin. In 1999, Chevron and ARCO announced the formation of a joint venture to combine oil and gas producing properties in the Permian Basin in West Texas and southeast New Mexico. Chevron's affiliate, Dynegy Inc., has established itself as a major player in the electric power market. Dynegy has also expanded gas processing capabilities to take advantage of increased deepwater production from the Gulf of Mexico and to re-establish its Canadian base.

Outside North America, Chevron is active in 24 countries. In Africa, liquids production in Angola and Nigeria exceeded 400,000 barrels per day in each country. Two large discoveries (Benguela and Belize) in Block 14, in deepwater offshore Angola, in addition to the large Kuito Field discovered in 1997, present excellent future growth opportunities. The Escravos Gas Plant in Nigeria, commissioned in 1997, is now in the second phase of construction to increase capacity to 285 million cubic feet per day. Construction on the Caspian pipeline is expected to commence in 1999 and be completed by 2001. The pipeline will contribute to future significant increases in oil production from the giant Tengiz Field in Kazakhstan. In December 1998, liquids production from the Tengiz Field reached 218,000 barrels per day. In Europe, the Britannia gas field came on stream in 1998, and the Draugen Field in Norway performed above expectation. Chevron signed an agreement to acquire an interest in a block in the Gulf of Thailand. In Venezuela, where Chevron has successfully increased production in the Boscan Field to 105,000 barrels per day, Chevron assumed operatorship of the LL-652 Field.



CHEVRON

UPSTREAM OPERATIONS

UPSTREAM FINANCIAL AND OPERATING HIGHLIGHTS ¹	U.S. Upstream		International Upstream	
	1998	1997	1998	1997
Reported Earnings (Millions of Dollars)	\$ 365	\$ 1,001	\$ 707	\$ 1,252
Earnings Excluding Special Items (Millions of Dollars)	\$ 381	\$ 972	\$ 717	\$ 1,197
Gross Liquids Production (Thousands of Barrels Per Day)	366	388	1,065	1,037
Net Liquids Production (Thousands of Barrels Per Day)	325	343	782	731
Gross Natural Gas Production (Millions of Cubic Feet Per Day)	2,061	2,192	737	673
Net Natural Gas Production (Millions of Cubic Feet Per Day)	1,739	1,849	654	576
Gross Proved Liquids Reserves (Millions of Barrels)	1,272	1,329	4,686	4,573
Net Proved Liquids Reserves (Millions of Barrels)	1,148	1,196	3,549	3,310
Gross Proved Natural Gas Reserves (Billions of Cubic Feet)	5,271	5,855	5,437	5,709
Net Proved Natural Gas Reserves (Billions of Cubic Feet)	4,497	4,991	4,806	4,972
Natural Gas Sales (Millions of Cubic Feet Per Day)	3,303	3,400	1,504	1,209
Natural Gas Liquids Sales (Thousands of Barrels Per Day)	130	133	53	69
Net Exploratory Oil and Gas Wells Completed ²	46	56	15	17
Net Development Oil and Gas Wells Completed ²	324	617	71	89
Net Wells Producing at Year End ²	10,850	10,919	1,666	1,805
Net Proved and Unproved Acreage (Thousands of Acres) ²	5,775	6,521	48,249	50,864
Exploration C&E Expenditures (Millions of Dollars)	\$ 503	\$ 463	\$ 462	\$ 447
Production C&E Expenditures (Millions of Dollars)	\$ 817	\$ 1,196	\$ 1,480	\$ 1,456

¹ Includes equity share of affiliates, unless otherwise noted.

² Consolidated companies only.

NORTH AMERICA

BUSINESS STRATEGIES

- ▶ Operate as a leader in conducting safe and environmentally sound operations and achieve Y2K strategies.
- ▶ Invest people, technology, and capital to generate cash to the corporation (greater than \$500 million per year) and achieve significant operating cost reductions.
- ▶ Commit resources to be a leader in the emerging areas of deepwater Gulf of Mexico and East Coast Canada and a top competitor in the important producing areas of the Gulf of Mexico shelf and California's San Joaquin Valley.
- ▶ Capitalize on U.S. and international energy opportunities through the equity interest in Dynegy.
- ▶ Continue to achieve strong cash flow from all onshore producing areas in the United States and Canada.
- ▶ Invest in and apply technologies that support our portfolio strategies and create a competitive advantage for Chevron.
- ▶ Maintain a diverse, skilled work force to meet Upstream's needs.

1998 ACCOMPLISHMENTS

- ▶ Achieved an OSHA recordable rate for injuries and illnesses of 1.04 per 200,000 hours, the lowest ever for Chevron upstream operations in the United States. Chevron's Canadian upstream operations achieved a rate of 0.79 for recordable injuries.
- ▶ Attained Star Status from OSHA in recognition of safe operations in the Painter Reservoir Unit in Wyoming (a first for upstream operations and the first for any oil company in the state).
- ▶ Bid successfully in Gulf of Mexico OCS lease sales, acquiring rights to 66 deepwater leases.
- ▶ Installed the 705-foot Genesis floating spar facility, including three separate decks – production, drilling and utility.
- ▶ Set a world record for deepwater drilling with a Gulf of Mexico well in 7,700 feet of water.
- ▶ Completed first full year of production at Hibernia, averaging 65,000 barrels of oil per day with peaks well over 100,000 by year-end 1998. Received first shipment of Hibernia crude at the 1.5 million-barrel Newfoundland transshipment facility that became operational in 1998.
- ▶ Cut production expenses by \$123 million, or 28 cents a barrel from 1997 levels.
- ▶ Continued to high-grade Chevron's North American portfolio by divesting mature, higher-cost assets.
- ▶ Initiated the formation of a joint venture with ARCO to combine oil and gas producing assets in the Permian Basin of West Texas and southeast New Mexico.

INTERNATIONAL

BUSINESS STRATEGIES

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

1998 ACCOMPLISHMENTS

- ▶ Increased international liquids production for the ninth consecutive year, up 7 percent from 1997. International natural gas production also increased by 14 percent from 1997.
- ▶ Announced the discovery of the Benguela and Belize oil fields, the third and fourth significant discoveries in deepwater Block 14 in Angola.
- ▶ Won exploration rights to high-potential areas in Bahrain and Qatar, and announced a three-and-a-half-year extension of the Technical Services Agreement with Kuwait Oil Co.
- ▶ Announced a new crude oil discovery, Bilondo Marine, in the Haute Mer deepwater area offshore Congo.
- ▶ Took over operation and future development of the LL-652 oil field in Venezuela.
- ▶ Completed debottlenecking of existing process trains in Kazakhstan's Tengiz Field, enabling production to grow from 155,000 barrels per day in 1997 to 188,000 barrels per day in 1998. Also obtained final Russian and Kazakhstan approvals for an export pipeline from Tengiz to the Russian Black Sea port of Novorossiysk.
- ▶ Completed a 3-D seismic survey of the Absheron Block, offshore Azerbaijan, potentially one of the Caspian Sea's most prolific fields.
- ▶ Signed agreements to acquire the Rutherford-Moran Oil Corporation, which owned an interest in Block B8/32 in the Gulf of Thailand.

UNITED STATES EXPLORATION AND PRODUCTION

United States exploration and production activities are concentrated in 340 fields in the Gulf of Mexico area, Texas, the Rocky Mountains, California and Alaska.

GULF OF MEXICO – DEEP WATER

Genesis (formerly Green Canyon 205) Genesis is Chevron's first deepwater (2,600 feet) operation in the Gulf of Mexico. The floating-spar platform is the first in the gulf to accommodate both drilling and production facilities. The hull, installed in 1998, is tethered to the gulf floor by 14 mooring lines extending a half-mile from the structure. The spar has slots to drill up to 20 wells. Total project costs are estimated to be \$750 million. Chevron is the unit operator with a 57 percent interest.

First production occurred in January 1999, with peak total production expected to reach 55,000 barrels of oil and 72 million cubic feet of gas per day by 2000. Recoverable reserves are estimated in excess of 160 million barrels oil and equivalent gas over the 15- to 20-year field life.

Gemini Gemini is a deepwater, subsalt development located in Mississippi Canyon Block 292, located 90 miles southeast of New Orleans in a water depth of 3,400 feet. The project is a subsea development tied back to Chevron's Viosca Knoll 900 Platform, 27 miles northwest of Mississippi Canyon 292. Total project costs are estimated to be \$180 million. Initial production is scheduled for mid-1999, with peak rates of more than 150 million cubic feet of gas, and over 2,000 barrels of condensate per day. Chevron has a 40 percent interest in this project.

GULF OF MEXICO – SHELF

Viosca Knoll Viosca Knoll is contiguous to, and lies due south of, the giant Norphlet natural gas trend, operated in part by Chevron. Chevron's 1998 focus in Viosca Knoll centered on establishing production from gas reservoirs in the James Carbonate formation. Two wells were completed in 1998 and produced at a combined rate of 30 million cubic feet of gas per day. Also completed in 1998 was a delineation well, which further defined the extent of the carbonate reservoir discoveries, and the successful testing of an exploratory well.

Chevron's drilling results over the last two years have included four wildcat discoveries of new fields. In addition, Chevron acquired 16 additional lease blocks, which increased the Gulf of Mexico Shelf's largest contiguous leasehold to 75 blocks (approximately 350,000 acres).

The 1999 planned program includes three exploration wells, one exploration test, two delineation wells and accompanying facilities. The 2000 and 2001 programs will provide continued exploration and development of the substantial leasehold in the Viosca Knoll area.

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

Chevron is the largest leaseholder in the federal offshore portion of the Norphlet Trend – offshore Mississippi and Alabama. Chevron's Norphlet wells produced at a total combined rate of 159 million cubic feet of gas per day in 1998, with Chevron's share at 95 million cubic feet per day.

The Mobile 918 #1 development well was completed in 1998 and brought on production in mid-March. It is expected that the Mobile 873 #1 exploration well will be finished in May 1999 and, if successful, will be brought on line in late 1999. Development plans and regulatory approvals are in progress for Destin Dome.



Main Pass 299 Main Pass 299 is a large salt dome field roughly 20 miles east of the mouth of the Mississippi River. The field has nearly 50 million barrels of reserves remaining and produces about 7,000 barrels of oil equivalent gas per day.

A key development during 1998 enables Chevron to utilize excess capacity at Freeport-Sulphur's processing facilities to sweeten oil and gas. Because of the new availability of sour treating capacity, four wells will be drilled during 1999 to exploit sour reserves previously bypassed in the field. Another three-well drilling program will target new sweet oil development opportunities.

South Timbalier 135 South Timbalier 135 is a salt dome field located 90 miles south of New Orleans in 125 feet of water on the Louisiana continental shelf. The field was discovered in 1956. Production from the field exceeds 10,000 barrels of oil equivalent gas per day.

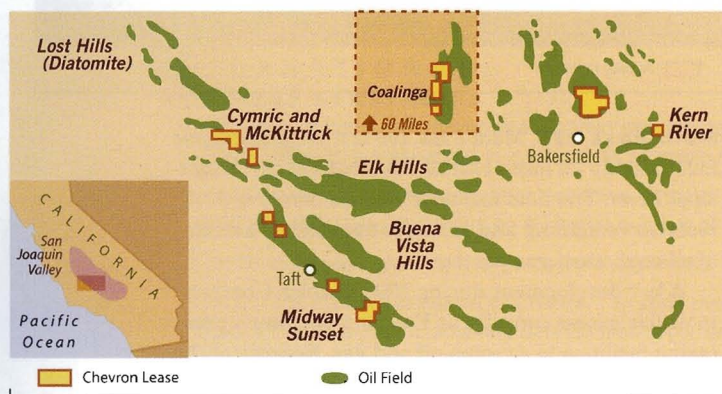
The South Timbalier 135 revitalization project, scheduled to start in 1999, consists of 15 wells to be drilled over the next three years. This program is a mix of oil and gas prospects that includes both development and delineation opportunities.

OCS Lease Sales Chevron continued to build Gulf of Mexico leaseholds, primarily in the deep water, with more successful bids in 1998. In the March 1998 Central Gulf of Mexico OCS Lease Sale, Chevron was the high bidder on 83 of 104 tracts. Of the high bids, 63 are in the deep water and 20 in shelf tracts. In the August 1998 Western Gulf of Mexico OCS Lease Sale, Chevron's entire focus was in the deep water. Chevron was the high bidder on three of the four tracts bid, boosting Chevron's deepwater lease inventory to 428 leases.

CALIFORNIA

San Joaquin Valley The San Joaquin Valley delivered 120,000 barrels of oil per day in 1998, of which approximately 70,000 barrels were heavy oil. Chevron is a leader in low-cost operations in this area. Increased production in 1998 was primarily due to significant increases from the Cymric heavy oil development project. Stable production from the San Joaquin Valley's three other heavy oil fields, Kern River, Midway Sunset and Coalinga, contributed a combined heavy oil production rate of 43,000 barrels per day.

Lost Hills Diatomite Fifty-eight economically attractive primary well locations were drilled in 1998. Production averaged 21,000 barrels of oil equivalent per day. Projects to test the potential for increasing recovery from the remaining 2 billion barrels of oil in place continued in 1998.



Elk Hills The Department of Energy sold its interest in the Elk Hills Field to Occidental Petroleum Company, which took over operatorship in February 1998. Occidental immediately pursued an aggressive production enhancement program by drilling over 120 development wells, which more than doubled gas sales – by reducing gas injection for pressure maintenance – and reduced field operating costs significantly.

Although the capital program for 1999 will be reduced due to low prices, investment opportunities remain economic even in a low-price scenario.

Chevron's interest in three of the unit zones is approximately 23 percent, with current net production of 13,600 barrels of oil, approximately 70 million cubic feet of gas and 2,400 barrels of natural gas liquids per day.

California OCS Basin Chevron has signed an agreement to sell California coastal assets to Venoco, Inc., signaling its intent to permanently exit from California offshore operations. The sales include interests in five offshore platforms, two onshore plants and associated pipelines. Portions of these assets were sold in February 1999 and the sale of the remaining coastal assets is expected to close second quarter 1999.



PERMIAN BASIN

Chevron and Atlantic Richfield Company (ARCO) have agreed to exclusively pursue a combination of the two companies' oil and gas producing assets in the Permian Basin of West Texas and southeast New Mexico. When final

agreement is reached, ARCO and Chevron will each own 50 percent of the new company.

The new entity will conduct oil and natural gas development and production and will market crude oil, natural gas, natural gas liquids and related products in the Permian Basin. In addition, the company will produce, transport and market carbon dioxide (CO₂) from assets contributed by ARCO and Chevron in Colorado and will operate other CO₂ assets such as the Sheep Mountain Pipeline.

The new company will become one of the largest operators in the Permian Basin, producing over 170,000 barrels of oil equivalent gas per day, owning 600 million barrels of proved reserves and operating over 7,000 wells and 150 fields.

ALASKA

Prudhoe Bay Satellites Chevron participated in drilling six appraisal wells targeting shallow oil accumulations within the giant Prudhoe Bay Field. Known as satellite developments, these smaller accumulations are expected to yield up to a total of 200 million barrels of recoverable oil (70 million barrels Chevron's share). First oil is planned for 2001.

Eastern North Slope Chevron and BP Exploration (Alaska) continue to align their leasehold interests in the Point Thompson area, east of Prudhoe Bay. The alignment area, covering more than 450,000 acres, encompasses the Point Thompson Unit and the Sourdough and Flaxman discoveries. BP holds a 56 percent interest in the joint lease holdings and Chevron holds the remaining 44 percent. In June 1998, Chevron, BP and the Arctic Slope Regional Corporation (ASRC) finalized a long-term lease agreement for oil and gas mineral rights owned by ASRC underlying the coastal plain of the Arctic National Wildlife Refuge (ANWR).

CANADA

Chevron Canada Resources (CCR) continued to aggressively grow its significant position in Canada's East Coast offshore, while maintaining focus on core areas in western Canada. Led by growing production from Hibernia, CCR's production in 1999 is forecast to reach its highest level in more than 15 years.

Western Canada Chevron's western Canada operations produced 43,600 barrels per day of crude and natural gas liquids, and 185 million cubic feet of natural gas per day in 1998.

Chevron's major development efforts in 1998 were focused on natural gas, primarily in the area west of Kaybob in Alberta and Fort Liard in the Northwest Territories. CCR's natural gas focus capitalized on higher western Canada gas prices resulting from additional export pipeline capacity to the United States. Increasing gas exports from western Canada are also expected to benefit CCR's gas processing business.

Chevron continued sales of non-core assets in western Canada in 1998.

Hibernia Development Project The Hibernia Development Project successfully completed the first full year of production, averaging 65,000 barrels of oil per day, with peaks well over 100,000 barrels per day by year-end 1998. Additional development drilling and gas injection is expected to increase production to 150,000 barrels per day in 1999. Future Hibernia development also includes the Avalon reservoir and its 2 billion barrels of oil in place. Chevron holds a 26.9 percent interest in Hibernia.

In October 1998, the 1.5 million-barrel Newfoundland transshipment facility became operational, receiving the first shipment of Hibernia crude. Chevron has a 30 percent interest in the facility which will help lower the cost of moving offshore Newfoundland crude oil to world markets. The facility is designed for expansion to accommodate future developments.

East Coast Offshore Activities The East Coast of Canada provides one of the major growth opportunities in North America. Delineation drilling of the Hebron Field commenced in December 1998 and achieved encouraging results in the first delineation well (Hebron D-94). Oil has already been discovered to the southwest and northeast. Continued successful delineation efforts will lead to development of the field, in which Chevron has an interest of approximately 30 percent.



Chevron plans to commence an exploration drilling program in the Jeanne d'Arc Basin in 1999. The Geological Survey of Canada estimates potential oil reserves in the basin at up to 5 billion barrels.

Construction of the Terra Nova floating production system continued in 1998. The 400 million-barrel field is scheduled for production in 2000, with Chevron holding a 1 percent interest.

Chevron continued to grow the offshore lease position in the East Coast. In April 1998, CCR acquired 100 percent interest in a 740,000-acre deepwater license offshore Nova Scotia. Chevron also acquired four parcels totaling 737,000 acres in offshore Newfoundland in September 1998. CCR's interest in the parcels ranges from 30 to 50 percent. Two parcels are located near existing Chevron assets in the Jeanne d'Arc Basin, while the others are in a new deepwater area.

AFRICA

NIGERIA

Chevron's principal subsidiary in Nigeria, Chevron Nigeria Limited (CNL) operates and holds a 40 percent interest in concessions totaling 2.2 million acres, predominantly in the swamp and near offshore regions of the Niger Delta. CNL operates under a joint venture arrangement with the Nigerian government through the 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, 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 deepwater Niger Delta blocks and three inland Benue Basin blocks operated by Elf. A sole interest is held by CPNL in six other Benue Basin blocks through a production-sharing contract.

Production Total 1998 production from the 33 CNL-operated fields averaged 418,000 barrels of liquids per day. Production curtailments by OPEC that began in April 1998 prevented achieving production targets of 470,000 barrels per day. Start-up of Gbokoda/Dibi fields occurred in 1998. Additional production facilities are planned for installation in

1999 due to the significant oil discovery at Dibi. Gbokoda/Dibi is expected to reach a peak production of 160,000 barrels per day by 2000.

CNL continued upgrading its facilities. By year-end 1998, 14 platforms had been completely upgraded, two others were partially completed and design work had begun on the remaining two.

Total production from the COCNL fields averaged approximately 61,000 barrels of oil per day in 1998, a decrease of 11,000 barrels from 1997. The decreased production is primarily due to a combination of OPEC curtailment, community disruption, and lower-than-anticipated drilling and well work-over activity.

Escravos Gas Project The construction of Escravos Gas Project Phase 2 is well under way and scheduled for completion in second quarter 2000. Phase 2 will expand the gas processing capacity to 285 million cubic feet per day. Liquefied petroleum gas (LPG) and condensate exports will increase to 14,000 barrels per day. Design is already under way for Phase 3 of the gas plant.

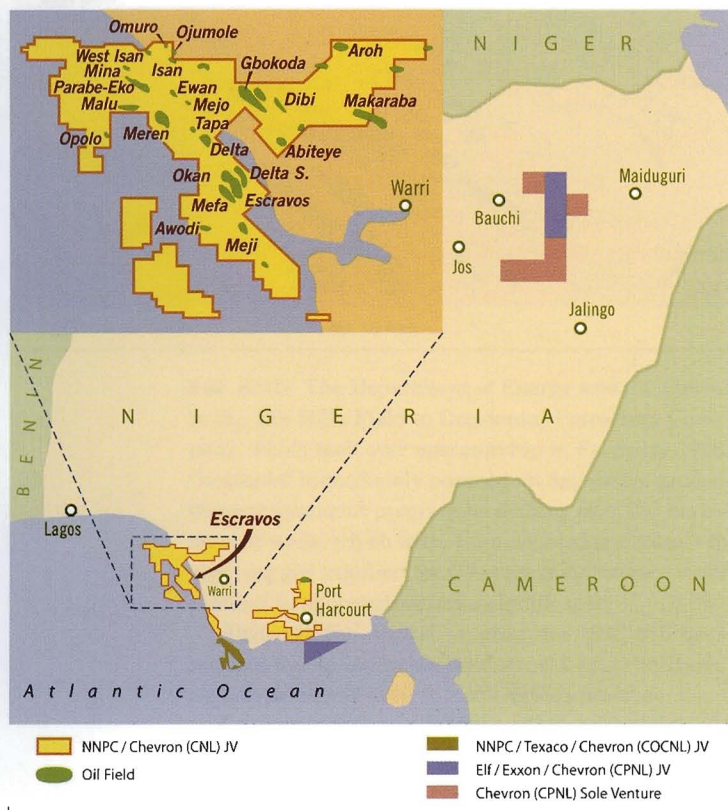
Gas-to-Liquids Project Discussions are under way between CNL and SASOL of South Africa to begin design and engineering for construction of a 30,000-barrel-per-day gas-to-liquids product plant in Escravos. This could lead to technology with world-wide potential that could ultimately mean a huge boost in value for Chevron's significant reserves of natural gas.

West African Gas Pipeline Project CNL, Ghana Petroleum Corporation, Nigeria Gas Company, Shell, Societe Beninoise de Gaz and Societe Togolese de Gaz formed a sponsor consortium to fund and administer preparation of a feasibility study in 1998 to develop a gas pipeline to serve the West African sub-region (Nigeria, Ghana, Togo and Benin). The feasibility study was completed in first quarter 1999.

Exploration Four exploration wells were drilled in CNL's operations in 1998. The same level of drilling activity is planned for 1999.

CPNL prepared for the drilling of the Benue Trough obligation well (Chevron 100 percent) in 2000 by completing the processing and interpreting of recently acquired 2-D seismic data.

Deepwater Exploration During 1998, CPNL participated in three exploratory wells in deepwater blocks OPL-222 and -223. Two of these wells discovered oil, and at year-end, analysis of the economic feasibility of pursuing commercial development was being carried out. Drilling of an exploration well in which CPNL holds a 30 percent interest is expected in late 1999 or early 2000.





ANGOLA

Chevron's subsidiary, Cabinda Gulf Oil Company Limited (CABGOC), is the operator of two concessions, Blocks 0 and 14, off the coast of Angola's Cabinda exclave.

Block 0 is a 2,100-square-mile concession adjacent to the Cabinda coastline. Partners include the Angola national oil company, Sociedade Nacional de Combustíveis de Angola Limited (Sonangol) 41 percent, and CABGOC 39.2 percent. The concession is divided into Areas A, B and C.

Block 14, acquired in 1995, is a 1,560-square-mile deepwater concession located west of Block 0. Partners include Sonangol 20 percent, and CABGOC 31 percent.

Production - Block 0 Area A includes 19 major fields, 11 in the Malongo Area and eight in the Takula Area. Fifteen of the Area A fields are currently producing.

Area B includes six major fields. In Area B, hook-up of wells to the Nemba Platform and commencement of production occurred in 1998. Nemba peaked at over 70,000 barrels per day in November 1998. Additionally, Lomba production commenced in 1998 with the field achieving the forecasted peak rate of 25,000 barrels per day in September 1998.

Area C includes seven major fields. In Area C, Sanha Field production increases were provided by a pioneering "fracture well stimulation" technique. Sanha peaked at 35,000 barrels per day in 1998.

The concession set a single-day peak production rate of over 510,000 barrels per day in late 1998. Crude oil production for the year averaged 420,000 barrels per day after a year of continuous growth in production capability.

Development - Block 0 In Area A, 22 development wells were drilled in 1998. Thirteen wells were in the Takula Area and nine were in the Malongo Area. Several new waterflood projects, including optimization projects at the Numbi and Takula fields and a major new project in the Malongo Area, are under development. These projects will eventually raise Area A production rates to new peaks early in the next decade.

Areas B and C continue to be the primary areas of major new development activity in the Block 0 concession. In Area B, additional field infill opportunities are envisioned for the coming years. For Area C, the Sanha Field drilling program will continue through 1999. Sanha and Ndola fields are operated as satellites of Kokongo. All production is routed to shore via the East Kokongo Platform, making for quick, cost-effective additions to Area C production capability.

Deepwater Development - Block 14 Four fields have been discovered in Block 14. The first production from Block 14 is expected to begin in late 1999 from the initial phase of the Kuito Field development. Production from the initial phase, Phase 1A, is expected to peak at a rate of over 70,000 barrels per day in 1999. Phase 1 (A, B and C) will peak at over 100,000 barrels per day in 2001.

Landana was the second Block 14 field discovered. Further appraisal and study are required prior to development planning.

Benguela and Belize fields, discovered in 1998, are adjacent to the Kuito Field. Development plan submittal is targeted for late 1999. Appraisal well drilling and exploration of surrounding prospects are being conducted concurrently. Since both fields are immediately south of Kuito Field, joint development with Kuito is being evaluated. Project authorization is targeted for early 2000.

Exploration - Block 0 The 1998 exploration and appraisal well program in Area A consisted of a four-well effort targeting open water prospects and extension of established fields. All four exploratory wells were discoveries. In Areas B and C, three exploration wells were drilled, one of which discovered oil.

Deepwater Exploration - Block 14 The Block 14 exploration program continued to be very successful in 1998 with four exploration wells resulting in four discoveries, including the two significant commercial finds, Benguela and Belize. The Block 14 partnership now has rights to a second exploration period through February 2002.

The Block 14 exploration program in 1999 includes two exploratory wells in the deeper water areas of the block (up to 5,000 feet). Additional exploratory wells to evaluate prospects in the shallow water area of the block are being considered. Also, two appraisal wells are planned to progress the Benguela and Belize fields evaluation.

Additional 3-D seismic data was acquired in 1998 over 360 square miles north of Congo Canyon in deep water. The South Congo Canyon 3-D data processing was completed and the interpretation resulted in 12 firm prospects and additional leads. Both of these 3-D survey areas provide exploration opportunities for deepwater drilling programs in 1999 and later.

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. Chevron has 30 percent interest in Haute Mer, 29.25 percent interest in Marine VII and 85 percent interest in Marine IV.

Production Net production from Chevron's concessions in the Republic of Congo averaged 33,000 barrels per day in 1998.

In the Marine VII permit area, Kitina Field total production reached 50,000 barrels per day in March 1998. Water injection began in June 1998, with additional injectors planned for 1999.

In Haute Mer, development of the Nkossa Field continued with the drilling of additional production and gas injection wells. Total production in the field, operated by Elf Congo, averaged 68,000 barrels of oil and LPG per day in 1998.

Development The Marine VII license, operated by Agip, includes the Kitina and Sounda developments. Development wells targeting the Sounda and Kitina South fields were drilled in 1998. Tie-back of the wells to the Kitina facilities was being evaluated at year-end.

Exploration In the Chevron-operated Marine IV Block, the Pougou Marine-1 well drilled in late 1998 was unsuccessful.

Deepwater Exploration In the Haute Mer Block, two exploration wells were drilled and a third well was started in 1998 to test shallow tertiary sand objectives in a geological setting similar to the Angola Block 14 discoveries. Two wells tested at flow rates in excess of 6,000 barrels per day and confirmed the existence of potential commercial developments. An appraisal well on the Bilondo structure, also drilled in 1998, encountered hydrocarbons, but was not considered commercial. Development options for the fields discovered are being evaluated.

The 1997 Haute Mer 3-D survey has indicated a number of additional tertiary exploration targets. The drilling of these prospects is under evaluation.

A third appraisal well was drilled in the Moho Field in Haute Mer. Evaluation of results from the three wells drilled into Moho Albien structure along with the reprocessed 3-D survey was under way at year-end.

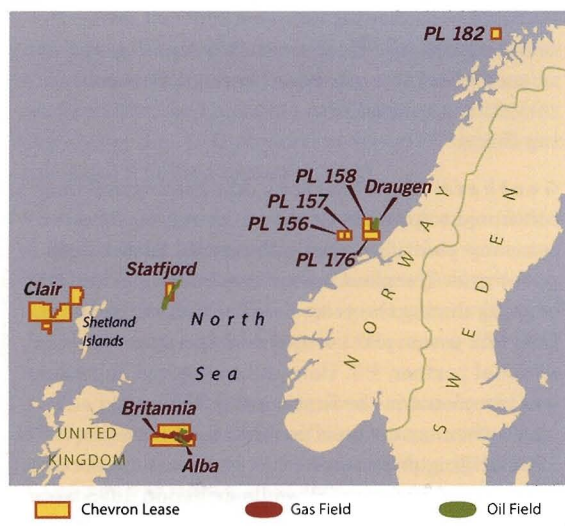
DEMOCRATIC REPUBLIC OF CONGO

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

Production Crude oil production from eight offshore fields averaged 20,000 barrels per day in 1998.

Development During 1998, a new development well was drilled, an existing well was redrilled, and two wells were converted to injection at the Tshiala Field to optimize production and maintain reservoir pressure. Two workovers at the Lukami Field enhanced production. A water injection well was drilled at the Motoba Field to provide pressure support to a producing reservoir. Additionally, a delineation well drilled to a northern fault block of the Motoba Field was unsuccessful.

Exploration No exploratory wells were drilled in the DRC in 1998. A 3-D seismic program was completed in March 1998. Approximately 95 percent of the concession is now covered with 3-D seismic data. Processing of the new seismic data was completed in 1998 and interpretation will commence in 1999.



EUROPE

Chevron holds interests in four producing fields offshore United Kingdom and Norway: the Alba oil field, the Britannia gas condensate field, and non-operated interests in Statfjord and Draugen.

UNITED KINGDOM AND IRELAND

Alba Production Chevron's equity was reduced from 33 percent to 21 percent following an asset swap with Statoil in early 1998. Total production from the Alba Field averaged 81,000 barrels of oil per day in 1998. A Phase II project will enable development of the southern area reserves by using the existing Alba Northern Platform. Facilities modifications to increase both oil and fluids handling capacity are now complete, and an extended reach drilling program is under way.

A new gas pipeline was laid from Alba to the nearby Britannia Platform to optimize use of gas resources. This pipeline, commissioned in March 1999, will initially provide a disposal route for Alba's surplus gas, significantly reducing the amount of gas being flared, and in later years will provide a secure source of fuel gas to support Alba's power requirements.

Britannia Production First gas was produced from the Britannia Field in August 1998. At peak demand, the field can produce 740 million cubic feet of gas per day and in excess of 50,000 barrels per day of condensate.

The field has an expected 32-year life and contains estimated recoverable reserves of approximately 3 trillion cubic feet of gas and 150 million barrels of condensate. Chevron has a 30.2 percent interest and shares operatorship with Conoco.

Statfjord Production After 19 years of production, Statfjord has to date produced a total in excess of 3.5 billion barrels and continues to produce approximately 20,000 barrels per day (Chevron's share).

An enhanced oil recovery program, initiated in 1998, added a total of about 40 million barrels of reserves.

Two satellite developments were approved which will reduce unit operating costs. The development of the north flank of Statfjord continues through a subsea center, and additional production is expected in 1999.

The equity redetermination of the field is completed, with Chevron's interest unchanged at 4.84 percent.

Clair Project Progress was made in 1998 toward further understanding how this highly complex reservoir will perform and toward right-sizing the facility design. Recoverable oil estimates exceed 210 million barrels from a first-phase development. The low-price environment precipitated delaying a decision on development of the multibillion-barrel field, but it is anticipated that first oil can be achieved in 2002. Chevron's interest is 19.42 percent.

New Ventures and Exploration Chevron holds about 40 exploration blocks in the U.K. sector of the North Sea and along the Atlantic margins of Norway, United Kingdom and Ireland. In 1998, Chevron pursued a strategy of focusing on the Greater Britannia area and growing the exploration base in Norway. A significant database comprising both well and seismic data was purchased. Interpretation in support of the next Frontier Licensing Round is well under way.

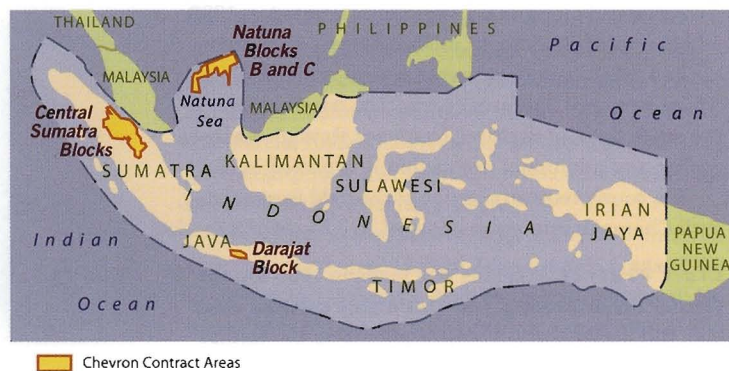
In the Greater Britannia area, Chevron merged various 3-D seismic surveys to support exploration for additional satellites to both the Alba and Britannia fields. In Ireland, a 3-D seismic survey has been acquired over acreage currently held within the Porcupine Basin. Interpretation of the survey due to commence in 1999 will lead to eventual drilling.

NORWAY

Chevron completed an equity swap with Statoil early in 1998, acquiring a 7.56 percent interest in the Draugen Field as well as 15 to 30 percent interests in five other licenses (PL156, PL157, PL158, PL176 and PL182). Chevron is operator in license PL157 and has proposed an increase in interest to 55 percent.

Draugen Production The Draugen Field performed above expectation, averaging approximately 192,000 barrels of oil per day in 1998. Since first production in 1993, over 250 million barrels of oil have been recovered from the field, with ultimate recovery estimated to be more than half of the 1.35 billion barrels of oil in place.

Approval from partners and the Norwegian government was received for the Draugen Gas Export Project, a plan to transport the field's associated gas and gas liquids to market by year-end 2000. Approval was also given for an eighth production well to be drilled in 1999. Studies have commenced to develop the western and southern areas of the field.



ASIA-PACIFIC INDONESIA

Chevron's interests in Indonesia are managed by two affiliate companies, P.T. Caltex Pacific Indonesia (CPI) and Amoseas Indonesia (AI). Chevron owns 50 percent of both companies.

Chevron holds interest in six production-sharing contracts in Indonesia. CPI manages these interests for Chevron. AI is a power generation company. It is constructing a co-generation facility to support CPI's oil production operations and operates the Darajat geothermal contract area in central Java.

Production Total CPI crude and condensate production averaged more than 760,000 barrels per day in 1998. CPI, as a contractor to Pertamina, accounts for about half of Indonesia's total crude oil production. Chevron's net share of total production averaged 183,000 barrels per day.

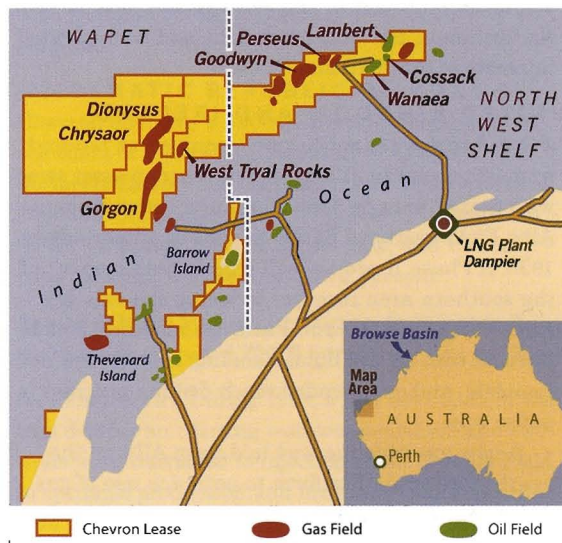
CPI Sumatra Projects During 1998, CPI produced the 9 billionth barrel of oil and continued to implement enhanced oil recovery projects to extract more oil from existing reservoirs. The Duri Field, under steamflood since 1985, is the largest steamflood in the world. Currently, eight of 13 phases are under steam injection with total production averaging 295,000 barrels of oil per day in 1998. Area 9 is under development and will be placed on injection in 1999.

The giant Minas Field has produced over 4 billion barrels of oil since inception. The installation of the fourth area in the pattern waterflood at Minas was completed, and work was initiated on expansion of the waterflood to the northwest area. CPI continues to pursue tertiary recovery projects for Minas and other light oil fields in the operating areas. Construction of the Light Oil Steamflood Pilot in Area One is almost complete, with first steam injection targeted for first quarter 1999. Construction has also begun on a surfactant field trial with first injection in the third quarter of 1999.

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

Geothermal Activities AI's geothermal field continued to provide steam to the national power company plant to produce electricity for the Java power grid. The plant operated at 55-megawatt (MW) capacity during the year. Construction of the Darajat II 70 MW power plant owned and operated by AI and national partner, P.T. Darajat Geothermal Indonesia, was completed in the first quarter 1999.

Further expansion is possible due to the successful 1998 drilling program. AI now has proved reserves of 350 MW for 30 years. All wells drilled in 1998 were successful, including the Darajat Well #21, which at 40 MW was identified as the largest dry steam geothermal well in the world.



AUSTRALIA

Chevron's primary interests in Australia involve two major joint ventures: 16.7 percent in the North West Shelf (NWS) project, and 25 to 50 percent in permits operated by West Australian Petroleum Pty. Ltd. (WAPET). In addition, Chevron holds a 25 to 33 percent interest in four Browse Basin permits and a 17.25 percent interest in a Carnarvon Basin Permit.

North West Shelf Production The NWS project area is located about 1,000 miles north of Perth and 70 to 90 miles offshore. Average net production from the North Rankin and Goodwyn fields during 1998 was 252 billion cubic feet of gas per day. This resulted in the delivery of LNG primarily to Japan, and natural gas to the Western Australian domestic gas market. Net condensate production increased to 19,400 barrels per day during 1998 due to successful condensate stabilizer modifications.

In 1998, the NWS project achieved record production across all product streams. Net production from the Wanaea/Cossack oil development, including production from the Lambert oil field, averaged 10,800 barrels per day. LPG production driven by liquids-rich gas was 3.3 million barrels in 1998.

North West Shelf Development A major refit of the Cossack Pioneer floating production vessel is expected to increase Wanaea/Cossack production beginning mid-1999. The maximum capacity for oil production will increase by over 20 percent and gas production by 50 percent.

The planning for the proposed expansion of the NWS project to handle significant uncommitted gas reserves continued to move forward during 1998 despite the Asian economic downturn. However, the uncertain timing of an economic recovery in some markets may cause a review of the current expansion timetable.

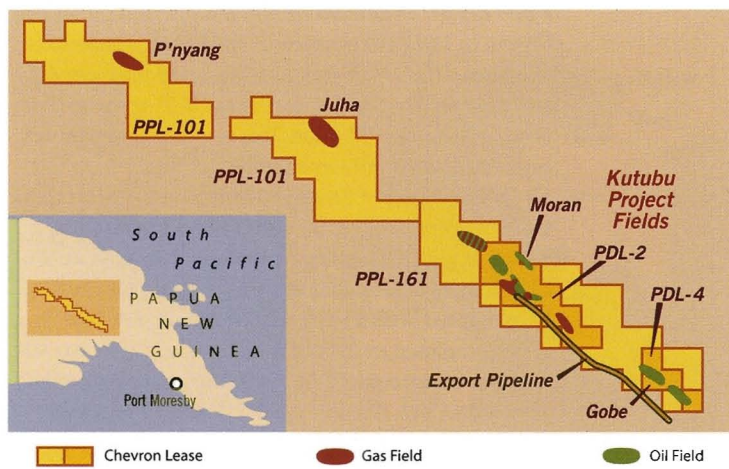
WAPET Production WAPET operates two major production facilities, on Barrow Island and Thevenard Island, approximately 100 miles southwest of the NWS fields. Chevron's share of WAPET oil production in 1998 averaged 9,500 barrels per day from seven fields (Barrow Island, Saladin, Yammaderry, Cowle, Crest, Roller and Skate).

WAPET Development WAPET is implementing projects to significantly increase Barrow Island oil production through water injection. WAPET's participants continue to aggressively pursue options to commercialize the huge Gorgon and Chrysaor gas fields. These resources and nearby surrounding gas fields, including recently discovered Dionysus and West Tryal Rocks, contain estimated total recoverable gas reserves of 17 trillion cubic feet and will be developed as an LNG and domestic gas project. Discussions regarding the development of Gorgon as a cooperative expansion with the existing NWS project are continuing.

Exploration Exploratory appraisal drilling continued in the NWS project concessions with two wells successfully delineating previous discoveries. At year-end, an exploration well was drilling on the Webley prospect in Permit WA-245-P, some 25 miles south of the Goodwyn Field.

WAPET continued with preparations to drill in the recently acquired Permit WA-267-P, in the deeper water area adjacent to the Gorgon/Chrysaor/Dionysus gas fields. Prospects have been matured and a deepwater rig has been secured for drilling to begin in the second quarter of 1999.

In the Browse Basin region, exploration Permit WA-275-P was awarded with Chevron's interest being 20 percent. The permit is adjacent to the Scott Reef and Brecknock fields where Chevron already holds an interest.



PAPUA NEW GUINEA

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

Production Production from Kutubu averaged 52,000 barrels per day from 35 wells in 1998. Production from Moran in 1998 averaged 10,000 barrels per day on an extended well test (EWT) program to gain reservoir information for full field development. The oil is processed and exported through the Kutubu system and all the produced gas is re-injected into Kutubu for conservation. Oil production was constrained to meet guidelines for conducting the EWT.

Production from Gobe Main (Chevron 19.38 percent) averaged 9,000 barrels per day and from South East Gobe (Chevron 10.65 percent) averaged 8,000 barrels per day. The oil is processed at a joint Gobe facility and exported through the Kutubu system.

The Kutubu and Gobe oil production is constrained because of gas reinjection capacity. All the produced gas is returned to the producing formation for pressure maintenance and energy conservation.

Development Production facilities associated with the Gobe Petroleum Development Project, for licenses PDL-3 and PDL-4, were completed in 1998. First oil flowed from Gobe Main and South East Gobe unit in March and April 1998, respectively. Combined recoverable reserves are estimated at 92 million barrels. It is anticipated that peak production of 45,000 barrels per day will be achieved in the second quarter of 1999.

During 1998, Chevron continued to pursue the Australia Gas Pipeline Project from Papua New Guinea to Queensland. This project will allow commercialization of stranded gas reserves and recovery of substantial quantities of natural gas liquids. A decision on the viability of the \$2.5 billion project is expected in 1999.

Appraisal Evaluation of the Moran Central oil discovery in PDL-2 continued in 1998 with completion of a successful third well in PDL-2 and a successful two-mile step-out to the northwest in Petroleum Prospecting License (PPL)-138. Recoverable reserves are estimated at 90 million barrels.

Construction of flowline facilities in Moran Central was completed in January 1998 and extended well test production began immediately thereafter. Commercial discussions are progressing for unitized development with PPL-2 with full field development to be completed in 2000. Production of 20,000 barrels per day is anticipated in 1999. Surplus production capacity in the Kutubu production facilities and export pipeline will be utilized.

Exploration The unsuccessful Nomad Well in PPL-101 was completed early in 1998. The license term expired in 1998. Applications were filed for Petroleum Retention Licenses for the P'nyang and Juha gas discoveries.

A seismic program was in progress in the Gobe area at year-end 1998, with additional seismic data to be acquired in 1999. Primary term of the PPL-161 license expires in August 1999, with requirement of one exploration well to be drilled prior to this date.

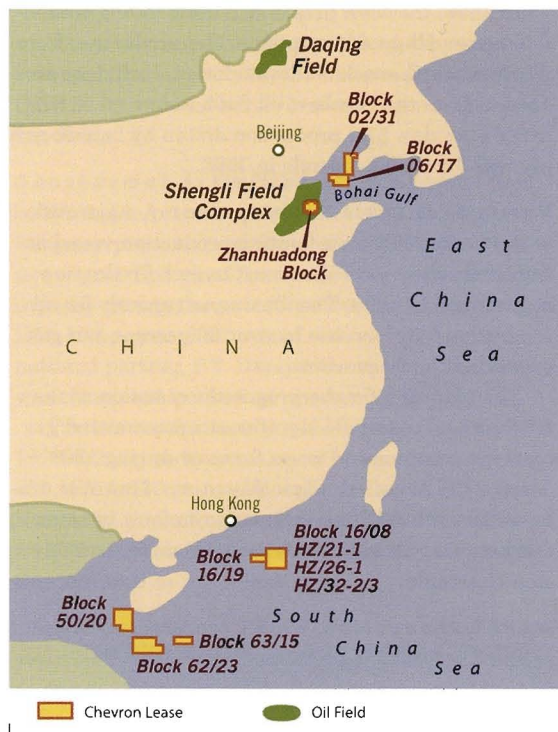
CHINA

Chevron has an interest in five blocks (16/08, 16/19, 50/20, 63/15 and 62/23) in the South China Sea and three blocks (02/31, 06/17 and Zhanhuadong) in the Bohai Gulf area.

Production Chevron has a 16.33 percent interest in Block 16/08 of the Pearl River Mouth Basin in the South China Sea. Four fields – HZ/21-1, HZ/26-1, HZ/32-2 and HZ/32-3 – in Block 16/08 produced 82,300 barrels of oil per day in 1998. Production from the subsea development of three wells in the newest field, HZ-32-5, began in February 1999, with production expected to increase to over 25,000 barrels per day early in the year. Two small fields, HZ/26-2 and HZ/21-1SS, are being evaluated for possible development in 2000 and 2001. These subsea developments would be tied back to existing platforms.

Exploration In 1998, the company commenced the drilling phase of an aggressive exploration program on currently held acreage in China. Nine wildcat exploration wells are anticipated as the program progresses.

A 3-D seismic survey identified exploration prospects in Block 02/31, and a 2-D seismic survey identified targets in Block 06/17 in the Bohai Gulf area. The first prospect drilled in Block 02/31 resulted in the discovery of hydrocarbon intervals that were



tested at noncommercial rates. Additional drilling in blocks 02/31 and 06/17 is currently scheduled for 1999.

In the Zhanhuadong Block, Chevron has identified exploration prospects that lie beneath the existing Shengli Field production. The Zhanhuadong Block contract represents Chevron's first onshore exploration opportunity in China and requires that two wells be drilled in a three-year period. The first well is scheduled for second quarter 1999.

A 3-D seismic survey, acquired in 1997, identified a large gas prospect in Block 63/15. Drilling this prospect commenced in late 1998. In addition, an exploration well will be drilled in 1999 in the 16/08 contract area near the producing HZ fields.

THAILAND

In December 1998, Chevron signed a definitive merger agreement to acquire Rutherford-Moran Oil Corporation. Rutherford-Moran owns a 46 percent interest in Block B8/32 in the northern Gulf of Thailand. Chevron also reached agreement with Pogo Producing Company regarding future production development and exploration of Block B8/32. Following approval by the Thai government, operatorship of Block B8/32 will transfer from a subsidiary of Pogo to Chevron.

Block B8/32 has existing oil and gas production from the Tantawan Field, and the new Benchamas Field is scheduled to start production in mid-1999. There is also significant additional development and exploration potential on the block. Chevron holds a 33 percent interest in adjacent exploration blocks 7, 8 and 9.

Middle East and Central Asia

MIDDLE EAST

QATAR

During 1998, Chevron signed a production-sharing agreement with the Qatari government covering the entire Qatar peninsula, with the exception of the Dukhan oil field. The area is designated as Block 2 and builds on the acreage already held by Chevron in Qatar. The new block covers approximately 4,000 square miles and is operated by Chevron with a 100 percent interest. Chevron's first-phase commitment of five years includes the acquisition of 2-D and 3-D seismic data, and the drilling of exploratory wells, expected to begin in 2001.

In Block 1NW, two exploratory wells were drilled during 1998, one of which encountered significant hydrocarbon shows and was subsequently tested. Following the encouraging drilling results, further acquisition of 3-D seismic data is planned for 1999.

BAHRAIN

In early 1998, Chevron signed a production-sharing agreement with the State of Bahrain to explore for oil in the Bahrain offshore waters. The agreement outlines an exploration program for three blocks that encompasses approximately 2,100 square miles. Chevron will hold 100 percent interest in the three blocks. Chevron acquired a 500-square-mile 3-D seismic survey. The survey is currently being processed, ready for interpretation during 1999 and will be followed by exploratory drilling beginning in 2000.

KUWAIT

Chevron currently has a Technical Service Agreement (TSA) with Kuwait Oil Company (KOC). This agreement, first established in 1994 for a primary term of three and a half years, was renewed in February 1998 for a second three-and-a-half-year term. The agreement calls for Chevron to loan technical and professional employees to KOC for the transfer of technology, the development of Kuwaiti employees and the modernization of Kuwait's oil industry. The TSA is a means of allowing Chevron a presence in Kuwait to demonstrate the company's technology, its employees' abilities and Chevron's overall commitment to the region.

CENTRAL ASIA

KAZAKHSTAN

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

Liquids production rates from Tengiz Field averaged 188,000 barrels per day for the year. A diversified marketing and sales program has enabled the growth of Tengiz production. Tengiz crude is transported by a variety of means including pipeline, rail and barge. Principal destinations include the Baltic Sea and the Black Sea through Odessa and the Azerbaijan-Georgia corridor. In 1998, Chevron announced



an agreement with the Republic of Georgia to use and operate Georgian oil transportation facilities to transport crude to the port of Batumi on the Black Sea.

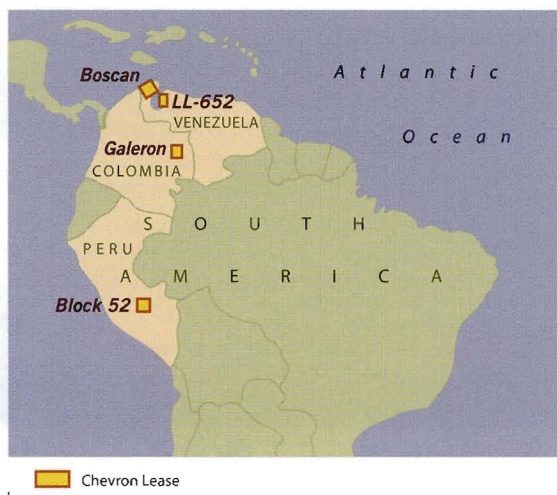
TCO is midway through a three-year, \$1.3 billion plant expansion program that will increase capacity to approximately 240,000 barrels per day in 2000 by construction of additional processing facilities. In addition, one of the largest 3-D land seismic surveys – nearly 400 square miles – was shot over the Tengiz Field as part of an integrated development program. TCO also drilled its first well, which is the deepest well drilled to date in the Tengiz reservoir. Testing of the well will begin in mid-1999.

Caspian Pipeline Consortium The Caspian Pipeline Consortium (CPC) was formed to build a crude oil export pipeline from the Tengiz oil field to the Russian Black Sea coast at a total cost of \$2.2 billion. Final government approvals were obtained in mid-November 1998 and by the end of November, orders for about half the line pipe were placed. The major construction contracts are expected to be awarded during the second quarter of 1999. Under the current schedule, first oil will be delivered by July 2001. Chevron has a 15 percent ownership in CPC. When completed, the CPC pipeline will allow for the export of 1.5 million barrels of oil per day from the region.

AZERBAIJAN

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

The initial three-year work program, operated by Chevron, consists of a 3-D seismic survey and two exploratory wells. The 3-D survey acquired in 1998 will be interpreted in 1999. An important aspect of meeting work program obligations will be the availability of suitable semisubmersible rigs. Chevron is working with SOCAR and other Caspian Sea operators to develop options to achieve this within the three-year term of the concession.



SOUTH AMERICA

VENEZUELA

Boscan In late 1995, Chevron and Petroleos de Venezuela, S.A. formed an alliance to further develop the Boscan oil field and provide heavy crude oil to Chevron in the United States through several independent supply agreements. Chevron became responsible for operations and production of the Boscan Field in July 1996 under an operating services agreement. At the end of 1998, the field was producing 105,000 barrels of oil per day and was successfully operating a major flow station upgrade to expand oil-treating capacity. Under the agreement, Chevron receives operation expense reimbursement and capital recovery, plus interest and an incentive fee. The Boscan Field is estimated to have 1.6 billion barrels of recoverable reserves.

LL-652 In May 1998, Chevron took over the LL-652 Field operation. An initial baseline production of 8,400 barrels per day was agreed upon with Petroleos de Venezuela, S.A. in accordance with the terms of the operating services agreement.

During 1998, the consortium started fabrication of central processing facilities (water injection platforms, gas compression platform and production platform) and two satellite wellhead structures. These facilities will be installed during mid-1999 to increase production, to initiate reservoir pressurization through water and gas injection, and to enable early optimization of the overall reservoir management plan.

Incremental production will start in mid-1999 through a drilling program that includes nine new vertical/slant and horizontal primary producing wells, and 11 new water and gas injection wells with three new rigs. The LL-652 objective is to increase production to 115,000 barrels of oil per day by 2007 and to recover the estimated reserves of over 500 million barrels over the 20-year operating services agreement period.

A Venezuelan state-sponsored mutual fund exercised an option to participate as 10 percent partner, reducing Chevron and Statoil participation to 27 percent, and ARCO and Phillips to 18 percent.

BOLIVIA

In 1998, Chevron relinquished interest in Caipipendi Block by transferring its 20 percent interest to the partners. The 1998 work program for the Caipipendi Block consisted of the completion and evaluation of the drilling program for the Margarita X1 prospect.

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 1998, these fields were producing 30,000 barrels of oil per day.

Chevron signed a contract in 1997 with state oil company, Ecopetrol, for the Galeron Exploration Block to explore more than 166,000 acres in the Llanos foothills, an area well known for prolific oil production. The Galeron Block is on trend with discoveries at Florena, Pauto Sur and Volcanera. Chevron recorded 110 of the 125-mile seismic obligation in the Galeron Block during 1998. The remaining 15 miles of seismic will be recorded in early 1999.

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. Since the results of the first phase of the exploration program did not support drilling a well, the block was relinquished to Perupetro.

DYNEGY

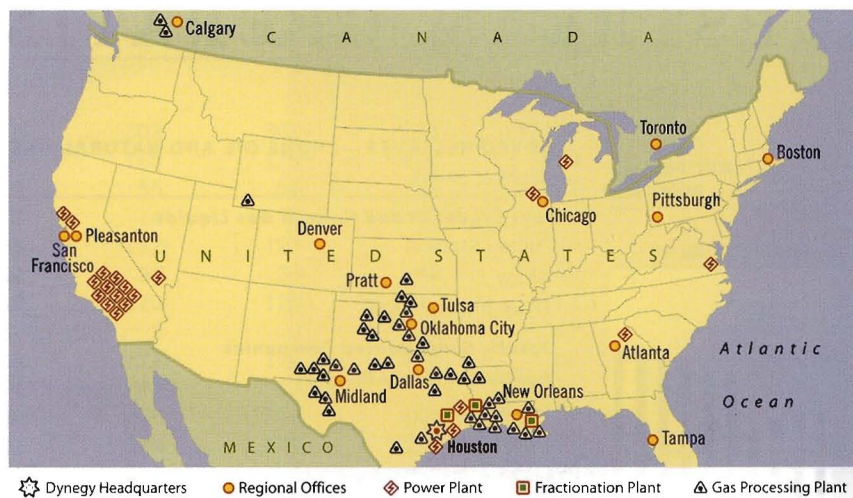
Dynergy, formerly known as NGC Corporation, is one of the country's leading marketers of energy products and services. The name Dynergy reflects the company's evolution from a natural gas marketing company to a dynamic energy company with annual revenues exceeding \$14 billion. Through its leadership position in energy marketing, independent power generation and gathering, processing and transportation, the company provides a broad range of energy solutions to its customers in North America, the United Kingdom and Canada. Chevron has a 28 percent ownership interest in Dynergy. Two other companies, BG PLC of the United Kingdom and NOVA Corporation of Canada, each have a voting share equal to Chevron's.

Dynergy's strategy to capitalize on the rapid convergence of the natural gas and power businesses was supported by the acquisition of two existing power plants in 1998 and the commitment to build two new power plants.

Dynergy's asset base includes interest in 21 power generation assets, 45 gas processing plants, three NGL fractionation facilities, over 4,000 miles of gas pipelines, 2,000 miles of crude oil pipelines, 500 miles of NGL pipelines, 60 million barrels of NGL storage capacity, and 17 NGL storage and terminal facilities. Additionally, Dynergy and Chevron are partners in a gathering, processing, fractionation and storage complex in Venice, Louisiana. Dynergy also manages over 3 billion cubic feet per day of natural gas capacity for others and through its transportation agreements on every major pipeline in North America has created a "virtual" pipeline of assets.

Dynergy 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 power marketers in the United States with 1998 sales in excess of 120 million MW hours. Dynergy is also one of the largest processors of natural gas in North America with production of over 110,000 NGL barrels per day, and the leading natural gas liquids marketer, with sales in excess of 400,000 barrels per day.

Dynergy and Chevron have entered into long-term, strategic alliances whereby Dynergy 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.



BUSINESS STRATEGIES

Focus on two primary business segments: Wholesale Gas and Power Convergence and Liquids Business.

Wholesale Gas and Power Convergence

- ▶ Capitalize on marketing, trading and arbitrage opportunities in natural gas and power, which are enhanced by the control and optimization of related physical assets.
- ▶ Build a national portfolio of nonregulated/merchant facilities through asset optimization and acquisition, greenfield development and asset management agreements.

Liquids Business

- ▶ Become an industry leader in operating performance by 2000, thereby establishing baseline earnings power in this segment.
- ▶ Improve competitive position in core operation areas through asset consolidation and alliances with industry partners. Reduce costs and rationalize assets in non-core areas.

1998 ACCOMPLISHMENTS

Wholesale Gas and Power Convergence

- ▶ Acquired two California power plants (El Segundo and Long Beach) with gross generation capacity of 1,580 MW. Acquired an additional plant in Encina in 1999.
- ▶ Committed to build an 800 MW power plant in Rockingham, North Carolina. Signed a power purchase agreement with Duke Power to take 600 MW for three years commencing with the completion of the power plant in June 2000.
- ▶ Formed retail alliance (SouthStar Energy) with AGL Resources and Piedmont to provide energy products and services to industrial and commercial customers in the Southeast. This brings the current gas retail customer base to 8.8 million with Dynergy's five alliances.
- ▶ Announced plans to construct a 250 MW plant northwest of Chicago in a joint venture with NICOR.
- ▶ Announced a 155 MW expansion of Dynergy's CoGen Lyondell Power Plant located in Houston, Texas.

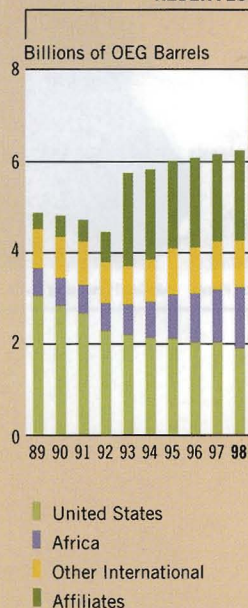
Liquids Business

- ▶ Capitalized on the growing NGL production from the deepwater areas of the Gulf of Mexico with the completion of the new 55,000-barrel-per-day natural gas liquids fractionation facility in Lake Charles, Louisiana.
- ▶ Acquired 82 million cubic foot-per-day sour gas plant and 15 million cubic foot-per-day plant in Alberta, Canada. This was a key step in re-establishing Dynergy's Canadian asset base.
- ▶ Restructured the liquids business by reducing the number of operated plants by 20 percent while increasing gas processing capacity and significantly reducing operating expenses.

UPSTREAM OPERATING DATA

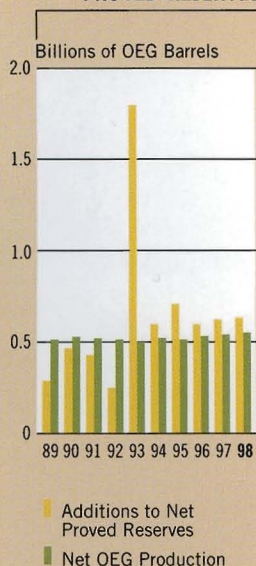
Proved Reserves

NET PROVED RESERVES*



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

CHANGES IN NET PROVED RESERVES



PROVED RESERVES - CRUDE OIL AND NATURAL GAS LIQUIDS¹

Millions of Barrels	1998	1997	1996	1995	1994
Gross Crude Oil and Natural Gas Liquids					
United States	1,272	1,329	1,286	1,330	1,343
Africa	1,555	1,366	1,258	1,181	981
Other International ²	594	592	565	629	557
Total - Consolidated Companies	3,421	3,287	3,109	3,140	2,881
Equity Share in Affiliates					
Indonesia	1,248	1,317	1,350	1,340	1,349
Kazakhstan	1,289	1,298	1,361	1,303	1,314
Total - Gross Reserves	5,958	5,902	5,820	5,783	5,544
Net Crude Oil and Natural Gas Liquids					
United States	1,148	1,196	1,149	1,187	1,200
Africa	1,300	1,131	1,032	969	804
Other International ²	521	519	482	538	465
Total - Consolidated Companies	2,969	2,846	2,663	2,694	2,469
Equity Share in Affiliates					
Indonesia	653	578	566	562	603
Kazakhstan	1,075	1,082	1,135	1,087	1,095
Total - Net Reserves	4,697	4,506	4,364	4,343	4,167

PROVED RESERVES - NATURAL GAS¹

Billions of Cubic Feet	1998	1997	1996	1995	1994
Gross Natural Gas					
United States	5,271	5,855	6,209	6,489	6,530
Africa	288	274	359	103	-
Other International	3,338	3,594	3,547	3,184	3,112
Total - Consolidated Companies	8,897	9,723	10,115	9,776	9,642
Equity Share in Affiliates					
Indonesia	151	161	152	155	151
Kazakhstan	1,660	1,680	1,753	1,805	1,820
Total - Gross Reserves	10,708	11,564	12,020	11,736	11,613
Net Natural Gas					
United States	4,497	4,991	5,275	5,532	5,576
Africa	288	223	293	84	-
Other International	2,983	3,187	3,135	2,794	2,722
Total - Consolidated Companies	7,768	8,401	8,703	8,410	8,298
Equity Share in Affiliates					
Indonesia	151	161	152	155	151
Kazakhstan	1,384	1,401	1,462	1,505	1,518
Total - Net Reserves	9,303	9,963	10,317	10,070	9,967

¹ 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.

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

NET PROVED AND UNPROVED OIL AND GAS ACREAGE^{1, 2}

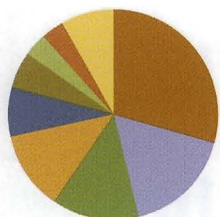
Thousands of Acres	At December 31				
	1998	1997	1996	1995	1994
United States					
Onshore					
Alaska	278	302	308	271	468
California	150	165	179	213	410
Colorado	129	55	54	48	47
Kansas	8	14	14	14	15
Louisiana	85	122	127	128	134
Michigan	102	26	39	42	42
Montana	48	120	120	111	111
Nevada	—	2	2	43	83
New Mexico	163	172	170	170	168
North Dakota	1	11	11	11	16
Oklahoma	58	118	104	104	109
Texas	927	1,124	1,145	1,098	1,109
Utah	301	211	314	386	359
Wyoming	112	196	192	219	210
Other States	25	85	96	96	97
Total Onshore	2,387	2,723	2,875	2,954	3,378
Offshore					
Alaska Coast	21	97	123	114	97
Atlantic Coast	40	40	72	72	72
Gulf Coast	3,281	3,580	1,973	1,481	1,762
Pacific Coast	46	81	88	83	103
Total Offshore	3,388	3,798	2,256	1,750	2,034
Total United States	5,775	6,521	5,131	4,704	5,412
Africa					
Angola	855	855	855	855	542
Congo	503	504	504	504	161
Democratic Republic of Congo (formerly Zaire)	124	124	124	124	124
Namibia	—	—	—	1,072	1,072
Nigeria	5,383	5,425	5,425	5,383	6,289
Somalia	10,010	10,010	10,010	10,010	10,010
Total Africa	16,875	16,918	16,918	17,948	18,198
Other International					
Australia	2,841	2,788	2,169	1,304	1,463
Azerbaijan	30	30	—	—	—
Bahrain	1,359	—	—	—	—
Bolivia	—	504	1,008	1,008	2,016
Canada	11,512	10,364	8,187	11,029	10,909
China	4,371	4,647	4,203	2,007	569
Colombia	171	190	250	154	133
Europe (excluding United Kingdom)	166	59	59	321	320
Indonesia	4,988	10,076	10,071	13,085	9,894
Japan	—	—	—	5,255	5,255
Papua New Guinea	322	523	523	502	502
Peru	—	1,777	1,777	1,777	—
Qatar	3,796	1,119	1,119	—	—
Thailand	858	857	857	857	2,403
Turkey	251	251	251	251	251
United Kingdom	703	755	1,146	1,113	1,056
Venezuela	6	6	—	—	—
Yemen	—	—	—	—	438
Other	—	—	—	100	74
Total Other International	31,374	33,946	31,620	38,763	35,283
Total International	48,249	50,864	48,538	56,711	53,481
Worldwide Oil and Gas Net Acreage	54,024	57,385	53,669	61,415	58,893

¹ Consolidated companies only.

² Net acreage is the sum of the fractional interests in gross acres in which Chevron has an interest.

NET LIQUIDS PRODUCTION BY COUNTRY FOR 1998

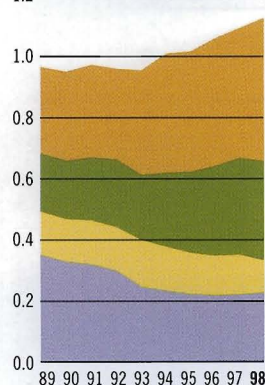
Percent



United States	29.4%
Indonesia	16.8%
Nigeria	13.4%
Angola	12.0%
Kazakhstan	7.5%
Canada	5.7%
United Kingdom	3.5%
Australia	3.5%
Others	8.2%

NET LIQUIDS PRODUCTION

Millions of Barrels Per Day



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

NET CRUDE OIL AND NATURAL GAS LIQUIDS PRODUCTION*

Year Ended December 31

Thousands of Barrels Per Day

Consolidated Companies

United States

Alaska	3.1	3.5	4.9	5.3	5.9
California - Onshore	106.9	104.0	100.8	99.9	105.1
- Offshore	9.3	11.5	15.5	20.0	22.7
Colorado	10.6	11.4	12.5	13.5	14.3
Louisiana - Onshore	15.9	4.5	4.6	4.6	4.5
- Offshore	93.5	115.8	111.4	112.3	118.2
Mississippi	0.1	3.1	3.8	4.1	4.4
New Mexico	12.5	11.5	8.7	8.2	8.5
Oklahoma	3.6	3.8	4.1	3.6	3.0
Texas	57.9	62.4	62.4	65.8	69.4
Utah	2.4	2.5	2.4	2.4	2.5
Wyoming	9.1	9.0	9.9	9.3	9.7
Other States	0.2	0.3	0.3	0.4	0.4

Total United States

325.1 343.3 341.3 349.4 368.6

Africa

Angola	133.1	127.1	125.9	118.3	99.0
Congo	27.8	22.1	10.1	-	-
Democratic Republic of Congo (formerly Zaire)	10.1	10.8	10.9	9.8	9.0
Nigeria	148.3	151.3	141.8	133.1	129.6

Total Africa

319.3 311.3 288.7 261.2 237.6

Other International

Australia	38.4	37.5	35.5	25.1	20.6
Canada	63.0	46.6	45.5	48.3	51.5
China	11.4	12.9	13.3	9.0	8.2
Colombia	12.2	12.9	11.5	10.3	9.6
Indonesia	17.5	17.4	21.8	22.6	20.3
Norway	13.0	-	-	-	-
Papua New Guinea	14.5	14.5	19.7	23.6	29.8
United Kingdom	39.2	54.7	62.2	71.2	70.7
Venezuela	1.4	-	-	-	-

Total Other International

210.6 196.5 209.5 210.1 210.7

Total International

529.9 507.8 498.2 471.3 448.3

Total - Consolidated Companies

855.0 851.1 839.5 820.7 816.9

Equity Share in Affiliates

Indonesia	168.8	153.8	148.5	150.9	153.0
Kazakhstan	83.5	69.5	55.5	29.1	22.6

Total - Worldwide

1,107.3 1,074.4 1,043.5 1,000.7 992.5

GROSS LIQUIDS PRODUCTION

Thousands of Barrels Per Day

United States	365.5	387.9	385.2	396.9	417.8
Africa	390.4	381.3	354.7	321.7	292.5
Other International	249.8	241.8	254.5	256.8	251.7
Total - Consolidated Companies	1,005.7	1,011.0	994.4	975.4	962.0

Equity Share in Affiliates

Indonesia	340.8	341.9	337.7	336.7	329.4
Kazakhstan	84.4	72.1	55.5	29.1	22.6

Total - Worldwide

1,430.9 1,425.0 1,387.6 1,341.2 1,314.0

DAILY NET PRODUCTION OF NATURAL GAS LIQUIDS (INCLUDED ABOVE)

Thousands of Barrels Per Day

United States	29.5	31.8	27.8	28.0	27.2
International	26.1	23.8	19.5	17.7	17.0

*Net liquids production excludes royalty interests owned by others.

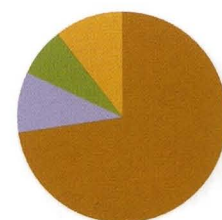
Natural Gas Production

NET NATURAL GAS PRODUCTION*

Millions of Cubic Feet Per Day	Year Ended December 31				
	1998	1997	1996	1995	1994
Consolidated Companies					
United States					
Alabama – Onshore	25	30	30	32	34
– Offshore	81	83	58	44	25
Alaska	26	28	30	33	30
California – Onshore	109	119	101	103	108
– Offshore	13	17	21	22	29
Louisiana – Onshore	82	66	66	50	38
– Offshore	701	799	806	839	1,032
Michigan	29	4	4	1	1
Mississippi	–	9	1	1	4
New Mexico	60	61	89	102	105
Oklahoma	47	55	43	34	35
Texas – Onshore	331	371	394	411	431
– Offshore	38	20	54	41	53
Utah	7	8	8	9	8
Wyoming	181	166	162	145	152
Other States	9	13	8	1	–
Total United States	1,739	1,849	1,875	1,868	2,085
International					
Australia	224	215	214	208	199
Canada	180	216	222	243	247
Netherlands	2	2	2	3	5
Nigeria	34	7	–	–	–
United Kingdom	74	22	28	28	30
Other Countries	–	–	–	1	1
Total International	514	462	466	483	482
Total – Consolidated Companies	2,253	2,311	2,341	2,351	2,567
Equity Share in Affiliates					
Indonesia	82	46	49	40	31
Kazakhstan	58	68	69	42	33
Total – Worldwide	2,393	2,425	2,459	2,433	2,631

NET NATURAL GAS PRODUCTION BY COUNTRY FOR 1998

Percent



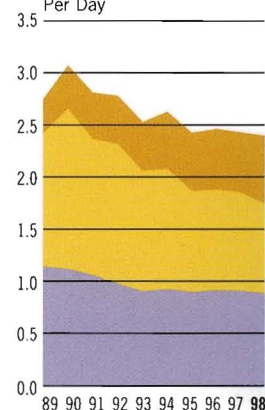
United States	72.7%
Australia	9.3%
Canada	7.5%
Other	10.5%

GROSS NATURAL GAS PRODUCTION

Millions of Cubic Feet Per Day					
United States	2,061	2,192	2,216	2,207	2,441
International	597	558	558	570	593
Total – Consolidated Companies	2,658	2,750	2,774	2,777	3,034
Equity Share in Affiliates					
Indonesia	82	47	49	40	31
Kazakhstan	58	68	69	42	33
Total – Worldwide	2,798	2,865	2,892	2,859	3,098

NET NATURAL GAS PRODUCTION

Billions of Cubic Feet Per Day



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

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

Natural Gas and Crude Oil Realizations

NATURAL GAS REALIZATIONS¹

	Year Ended December 31				
Dollars Per Thousand Cubic Feet	1998	1997	1996	1995	1994
United States	\$ 2.02	\$ 2.42	\$ 2.28	\$ 1.51	\$ 1.77
International	1.94	2.10	1.86	1.73	1.84

CRUDE OIL REALIZATIONS²

Dollars Per Barrel	1998	1997	1996	1995	1994
United States	\$ 11.42	\$ 17.68	\$ 18.80	\$ 15.34	\$ 13.86
International	11.77	17.97	19.48	16.10	14.86

NATURAL GAS SALES³

Millions of Cubic Feet Per Day	1998	1997	1996	1995	1994
United States	3,303	3,400	3,588	2,815	2,598
International	1,504	1,209	778	564	461
Total	4,807	4,609	4,366	3,379	3,059

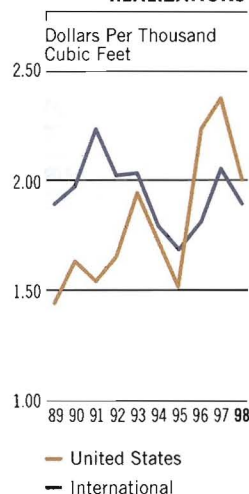
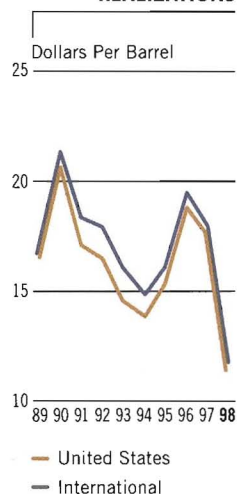
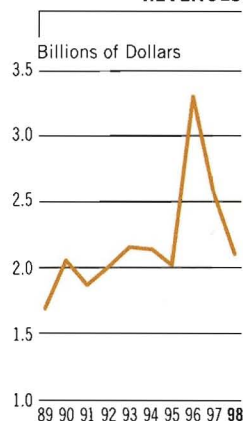
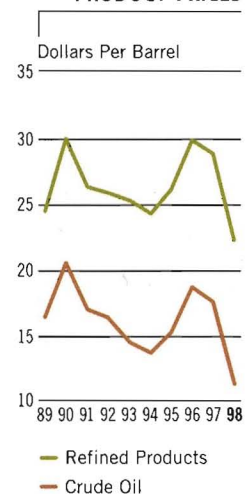
NATURAL GAS LIQUIDS SALES³

Thousands of Barrels Per Day	1998	1997	1996	1995	1994
United States	130	133	187	213	215
International	53	69	36	47	34
Total	183	202	223	260	249

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 that are at estimated market prices. International realizations are based on crude oil and natural gas liquids revenues from liftings. International realizations include equity in affiliates.

³ Beginning in 1996, includes equity share of sales by Dynegy.

NATURAL GAS REALIZATIONS**CRUDE OIL REALIZATIONS****NATURAL GAS REVENUES****U.S. CRUDE OIL REALIZATIONS VS. REFINED PRODUCT PRICES**

Net Wells Completed and Producing

		Year Ended December 31				
NET WELLS COMPLETED ^{1, 2, 3}		1998	1997	1996	1995	1994
United States						
Exploratory	– Oil	14	28	44	37	24
	– Gas	32	28	76	64	29
	– Dry	12	31	25	24	17
Total		58	87	145	125	70
Development	– Oil	262	487	306	250	156
	– Gas	62	130	179	31	38
	– Dry	5	6	8	6	5
Total		329	623	493	287	199
Total United States		387	710	638	412	269
International						
Exploratory	– Oil	9	10	20	13	24
	– Gas	6	7	15	12	36
	– Dry	10	7	24	31	44
Total		25	24	59	56	104
Development	– Oil	65	82	63	45	54
	– Gas	6	7	7	3	3
	– Dry	3	1	5	3	4
Total		74	90	75	51	61
Total International		99	114	134	107	165
Worldwide		486	824	772	519	434

EXPLORATION AND DEVELOPMENT COSTS³

Millions of Dollars				Year Ended December 31		
United States						
Exploration Costs	\$	443	\$ 360	\$ 425	\$ 312	\$ 209
Development Costs	\$	680	\$ 918	\$ 603	\$ 453	\$ 416
International						
Exploration Costs	\$	428	\$ 420	\$ 372	\$ 345	\$ 308
Development Costs	\$	972	\$ 990	\$ 1,059	\$ 1,208	\$ 779

NET PRODUCING WELLS^{1, 3}

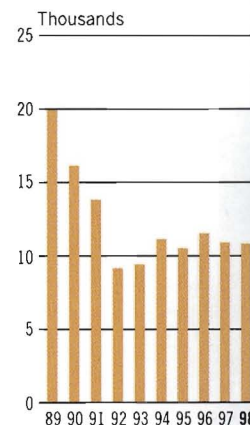
NET PRODUCING WELLS ^{1, 3}					At December 31	
United States						
Wells	– Oil	9,039	9,308	10,102	8,771	9,208
	– Gas	1,811	1,611	1,441	1,362	1,314
Total United States		10,850	10,919	11,543	10,133	10,522
International						
Wells	– Oil	1,506	1,599	1,417	1,429	1,451
	– Gas	160	206	154	145	138
Total International		1,666	1,805	1,571	1,574	1,589
Worldwide		12,516	12,724	13,114	11,707	12,111

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

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.

NET U.S. WELLS PRODUCING AT DECEMBER 31



One of the largest marketers of petroleum products in the United States, Chevron Products Company engages in the refining, marketing and transportation of petroleum products over much of the United States. In Canada, Chevron is a leading marketer in the British Columbia area. Chevron's downstream affiliate, Caltex Corporation, through its subsidiaries and affiliates, is involved in the downstream business in about 60 countries in Africa, the Middle East and the Asia-Pacific area. Caltex is involved in every aspect of the downstream business through its operations in refining, distribution, shipping, storage, marketing, supply and trading.

WORLDWIDE DOWNSTREAM Business Description

Chevron markets refined products through 8,100 retail outlets in the United States and Canada. In the United States, Chevron has a market share of 9 percent or more in 16 states in the West, Southwest and South. In 1998, Chevron Products Company continued its excellent performance by maintaining the near-record earnings level of 1997, while branded gasoline sales showed an impressive 5 percent gain and company-operated convenience stores sales were up a strong 31 percent. Chevron Canada Limited continued to be a market leader in the British Columbia area in spite of increased competition. Chevron owns and operates six refineries in the United States and one refinery in Canada.

Caltex participates in its markets through a system of 8,000 retail outlets and interests in 13 refineries, located mostly in the Asia-Pacific region. In 1998, Caltex focused on a corporate wide reorganization along major functional business lines. The headquarters were shifted from Dallas to Singapore to capitalize on growing business opportunities and to be closer to its customer base. The focus will continue on stimulating retail growth, reimagining 3,750 stations by 2001, and investing in frontier markets such as China, India and Vietnam.

Chevron purchases, sells, trades and transports crude oil, liquefied petroleum gas (LPG), liquefied natural gas (LNG), and refined and other products by vessels and pipeline. Chevron operates a fleet of 35 vessels, which continued its excellent safety record in 1998. The company owns interests in 11,500 miles of crude oil, natural gas and petroleum product pipelines.

WORLDWIDE DOWNSTREAM FINANCIAL AND OPERATING HIGHLIGHTS

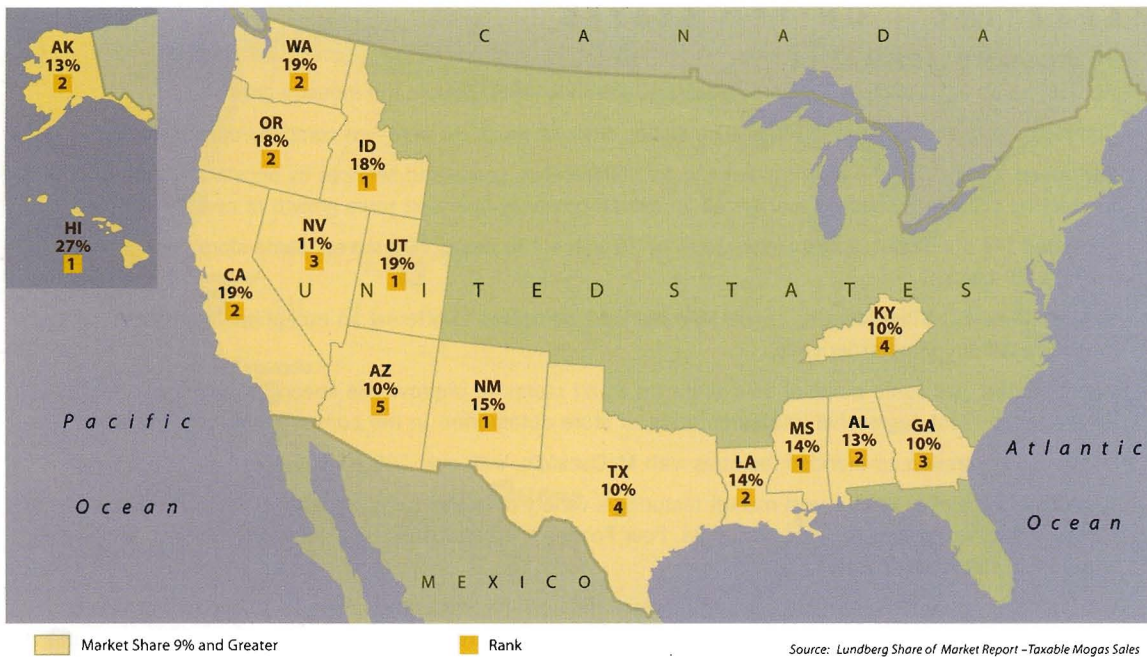
(Excludes Equity Interest in Caltex Corporation)¹

	1998	1997
Reported Net Income (Millions of Dollars)	\$ 636	\$ 647
Net Income Excluding Special Items (Millions of Dollars)	\$ 710	\$ 782
Fuel Refinery Inputs (Thousands of Barrels Per Day) ²	919	1,039
Average Fuel Refinery Capacity (Thousands of Barrels Per Day) ^{2, 3}	994	1,098
Percentage of Refining Capacity Utilized	92	95
U.S. Mogas/Jet Yields (Percent of U.S. Refinery Production)	65	64
Refined Product Sales (Thousands of Barrels Per Day)	1,431	1,502
Motor Gasoline Sales (Thousands of Barrels Per Day)	684	679
Number of Service Stations at December 31	8,108	7,939
Total Number of Controlled Seagoing Vessels	35	37
Cargo Transported by Controlled Vessels (Millions of Barrels)	258	298
Total Net Pipeline Mileage	11,341	10,689
Refining Capital Expenditures (Millions of Dollars)	\$ 283	\$ 215
Marketing Capital Expenditures (Millions of Dollars)	\$ 365	\$ 284
Transportation Capital Expenditures (Millions of Dollars)	\$ 97	\$ 82

¹ Discussion of Caltex Corporation operations can be found on Pages 38-40.

² Refinery input and capacity represent volumes at fuel refineries only.

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



CHEVRON MOTOR GASOLINE SALES – MARKET SHARE PERCENT AND RANKING

MARKETING – UNITED STATES

COMPETITIVE POSITION

- ▶ Ranks among top three gasoline marketers in 14 states.
- ▶ Primary markets are located in the fastest-growing areas of the United States – the West, Southwest and South.
- ▶ The nation's top seller of jet fuel in the West and among the top three sellers of asphalt.

BUSINESS STRATEGIES

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

- ▶ Become the leading branded gasoline marketer and convenience retailer in the West and the Sun Belt.
- ▶ Build a global, high-value base oil and finished lubricants business.
- ▶ Sustain position as the leading marketer of aviation fuels and diesel in the West.
- ▶ Lead the industry in safety, reliability and incident-free operations while achieving predictability in all operations.
- ▶ Use existing refining system to supply customer demands with minimal capital additions.
- ▶ Build and acquire the people skills and behaviors needed to achieve the Vision.
- ▶ Aggressively redesign key work processes to achieve superior performance at lower cost than competitors.

MARKETING – UNITED STATES

1998 ACCOMPLISHMENTS

- ▶ Achieved a strong 5 percent increase in branded gasoline sales, double the industry growth.
- ▶ Completed construction at over 140 service station sites, of which 80 were new company-operated sites.
- ▶ Continued to focus on the growing demand for convenience goods and services by accelerating commitment to meeting consumer needs. Experienced an overall company-operated sales growth of over 30 percent.
- ▶ Increased the number of convenience stores by 10 percent to nearly 700 stores. Same-store sales were up a strong 20 percent.
- ▶ Unveiled a new C-Store identity, "Extra Mile Market," dedicated to offering an exceptionally well-run, convenience-based shopping experience.
- ▶ Implemented electronic point-of-sale scanning in all stores to improve the speed of customer checkout. This was the most aggressive implementation of store automation in the convenience store industry.
- ▶ Continued to develop co-branded facilities with McDonald's, with over 100 sites now open.
- ▶ Introduced Foodini's, a retail food market featuring a variety of freshly prepared and prepackaged meals-to-go for the consumer pressed for time and ideas. Four Foodini's stores opened in 1998 to rave reviews in the media and high customer satisfaction.
- ▶ Continued to implement new strategies to increase financial returns and improve customer service for credit cards, while maintaining expense levels. Developed additional revenue opportunities from its direct mail marketing of quality services and goods to the largest active credit card base in the petroleum industry.
- ▶ Installed a product integrity program directed at ensuring that all products marketed by Chevron meet or exceed the highest quality standards.
- ▶ Implemented a new incident-prevention program focused on reinforcing employee safe behaviors, taking Marketing to the next level of incident-free operations.
- ▶ Partnered with Disney Corporation to update the "Autopia" attraction at Disneyland. This alliance will leverage brands, will build upon the softer side of the Chevron Car Characters, and will establish new links to 15 million people.

MARKETING – CANADA

COMPETITIVE POSITION

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

BUSINESS STRATEGIES

- ▶ Recognize new economic and competitive pressures by lowering cost structure and being highly selective with capital.
- ▶ Grow high-value branded gasoline and distillate business by offering the highest-quality products and services.
- ▶ Grow the Town Pantry convenience store network and improve merchandising.
- ▶ Continue focus on protecting the environment, safe operations and community outreach.

1998 ACCOMPLISHMENTS

- ▶ Increased overall sales by 4 percent with a 6 percent sales growth in retail gasoline and 7 percent increase in jet fuel.
- ▶ Maintained No. 1 position in retail gasoline and jet market share in British Columbia.
- ▶ Achieved top-tier safety performance.
- ▶ Increased revenues from Town Pantry convenience stores by image upgrades and expansion of the "Bread Garden" branded deli offerings.



Refineries

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 – are complex, highly efficient and strong competitors in their respective areas. The West Coast facilities are configured to reliably produce large volumes of high-value California cleaner burning gasoline and diesel fuel.
- ▶ El Paso, Hawaii and Salt Lake, the three smaller refineries, are well positioned to take advantage of growing or niche markets.
- ▶ The Burnaby Refinery is the only refinery in Chevron Canada Limited's marketing area.

BUSINESS STRATEGIES

- ▶ Committed to meet the needs of the core customer-driven businesses – quality gasoline, lubricants, aviation fuel and diesel. These products will be provided on-test the first time, delivered on time and for the agreed-upon volume.
- ▶ Ensure safe, reliable and incident-free operations by using safe operating practices, training employees, improving equipment reliability and complying with all environmental and safety standards.
- ▶ Achieve lowest sustainable operational cost by operating refineries efficiently and reducing operating expenses and cost of goods sold, without compromising safety or environmental standards.
- ▶ Strive to maximize economic utilization of assets and optimize feed selection and yields.
- ▶ Leverage efforts throughout refinery system to take advantage of economies of scale. Identify and incorporate "Best Practices" in all operations.
- ▶ Improve the quality of products and services continuously and provide them reliably and predictably.

1998 ACCOMPLISHMENTS

- ▶ Continued to improve refining safety and reliability. 1998 was the safest year in history, with fewer injuries and fewer incidents than ever before.
- ▶ Continued to focus on improving yields of high valued products resulting in the highest gasoline yield ever achieved. Gasoline yield has increased by ten percent over the past four years.
- ▶ Reduced operating expenses \$150 million from the previous year and continued to improve refinery energy efficiency.
- ▶ Completed and successfully brought online expansion projects for additional production of petrochemicals at Pascagoula Refinery and lube oil base stocks at Richmond Refinery.

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 heavy 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-value benzene and paraxylene (chemical building blocks) from lower valued refining feedstocks.

EL SEGUNDO, CALIFORNIA

The El Segundo Refinery is a modern, complex coking refinery with a rated capacity of 260,000 barrels per day. It is located in the Los Angeles Basin, the world's largest gasoline market. In 1995, approximately \$700 million in investments were made to allow the refinery to produce California-mandated cleaner burning motor gasoline and diesel fuel. Upgrades included a new continuous catalytic reformer, a new alkylation plant, and modifications to the fluid catalytic cracker.

RICHMOND, CALIFORNIA

The Richmond Refinery is able to process 225,000 barrels per day of crude oil using one modern crude unit. Co-generation improves the facility's energy efficiency and makes the refinery nearly self-sufficient in electric power. State-of-the-art lube oil facilities allow the manufacture of high-quality lube oil base stocks. The refinery spent \$700 million to upgrade and expand the facility's alkylation and fluid catalytic cracker units to enable the production of California cleaner burning gasoline. 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. The refinery is positioning itself to effectively compete with growing product imports from the East.

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 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 have improved the efficiency and reliability of the crude unit furnaces. Of the 17 refineries competing in the region, the Salt Lake Refinery is one of only five to operate coking facilities. The coking facility enables Salt Lake to produce in excess of 90 percent premium, high-value products from total input.

BURNABY, BRITISH COLUMBIA, CANADA

The Burnaby Refinery processes 50,000 barrels per day of crude oil into light products and asphalt for the British Columbia market. Work was completed in 1998 on a \$25 million project that allows the refinery to produce cleaner gasoline mandated effective January 1, 1999. This project includes a new Penex Isomerization unit, a new waste-heat boiler, and modification to existing reheniformer and sulfur removal installations. At the 50 percent-owned Alberta Enirofuels oxygenate plant in Edmonton, Alberta, the benefits of the 1997 expansion were realized, with production of 18,660 barrels per day, a 30 percent increase over 1997. Chevron's share of production is transported by pipeline to the Burnaby Refinery for shipment to the California market.

GLOBAL LUBRICANTS AND TECHNOLOGY MARKETING

BUSINESS STRATEGIES

- ▶ Continue to grow the size and profitability of North American finished lubricants.
- ▶ Fully integrate the Amoco lubricants business into North America finished lubricants.
- ▶ Build a profitable lubricants business in selected Eastern Hemisphere countries that enhance Chevron's corporate image.
- ▶ Utilize West Coast market leadership position in base oils to maximize the value of finished lubricants, technology marketing and base oil businesses.
- ▶ Utilize market leadership position in hydroprocessing technology to maximize stockholder's value. Continue to dominate the market for fixed-bed hydroprocessing licensing and catalyst sales.
- ▶ Continue to grow the size and profitability of the wax business.

1998 ACCOMPLISHMENTS

- ▶ Acquired Amoco's lubricants business to position Chevron as the leading marketer of heavy duty and industrial oils in North America.
- ▶ Completed investment to manufacture high-quality conventional base oils. In addition, added capabilities to manufacture unconventional base oils and specialty products.
- ▶ Maintained Chevron's No. 1 position in licensing hydroprocessing technology.
- ▶ Completed a marine lubricants and fuels joint venture with Texaco.

LOGISTICS AND TRADING

BUSINESS STRATEGIES

- ▶ Maximize value received for Chevron-produced crude oil.
- ▶ Acquire the right raw materials at competitive prices.
- ▶ Supply petroleum products on time, meeting specifications at lowest possible cost.
- ▶ Improve cost effectiveness and cycle time of work processes and support systems.
- ▶ Expand capability to cross-functionally manage the refining and marketing businesses.

1998 ACCOMPLISHMENTS

- ▶ Continued to buy, sell, trade and transport approximately 3 million barrels per day of crude oil and petroleum products primarily for Chevron's refining and marketing system.
- ▶ Marketed approximately 1 million barrels per day of crude oil from West Africa, the North Sea, Central Asia, the Far East and the United States for Chevron's upstream organizations.
- ▶ Improved incident-free operation and continued to achieve excellent safety performance (less than 0.80 recordable incidents per 200,000 hours).
- ▶ Reduced operating expenses by about 15 percent from 1996 to 1998.

CALTEX

Caltex Corporation (Caltex), Chevron's 50 percent-owned international downstream affiliate, has an operating area that includes more than 60 countries in the Asia-Pacific region, Africa and the Middle East. Caltex, which refines crude oil and markets petroleum and convenience products through its subsidiaries and affiliates, is also involved in distribution, shipping, storage, supply and trading operations. Caltex sales of refined products were 1.2 million barrels per day in 1998. The company maintains a strong marketing presence through 8,000 retail outlets, of which about 4,700 are branded as Caltex. Caltex also operates over 425 Star Mart convenience stores. Caltex has interests in 13 fuel refineries with equity throughput of nearly 850,000 barrels per day in 1998. Additionally, it has interests in two lubricant refineries, six asphalt plants, 17 lube oil blending plants, and more than 500 ocean terminals and depots. Caltex continues to be a major supplier of refined products through its large refineries in South Korea, Singapore and Thailand, where its Star Refinery is being integrated with the nearby Shell refinery. Its trading

organization provides 24-hour service to the Caltex system and third parties that require crude oil, feedstocks, base oils and refined products.

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

In 1998, the company reorganized by changing from a geographically focused structure to one modeled along functional business lines – marketing, refining, lubricants, trading, aviation and new business development. The new organization is flatter and has improved channels of communication to manage and allocate resources more effectively. Additionally, Caltex relocated its executive leadership team from Dallas to Singapore to be closer to its main operating area. The business units for Marketing, Lubricants, Trading, and New Business Development also will be based in Singapore.

BUSINESS STRATEGIES

- ▶ Improve the financial performance of its established business operations.
- ▶ Selectively grow along existing business lines in emerging countries.
- ▶ Increase non-fuel earnings through convenience stores.
- ▶ Continue with the retail reimagining program in preferred marketing areas.
- ▶ Pursue initiatives to further reduce operating expenses and boost margins.
- ▶ Achieve top competitive performance in each market.

1998 ACCOMPLISHMENTS

- ▶ Initiated a sweeping reorganization resulting in the relocation of the executive leadership team to Singapore, a reduction in workforce, and a shift to operate along functional business lines.
- ▶ Continued progress in the reimagining program with the goal of having 3,750 stations completed by 2001.
- ▶ Continued to make inroads in emerging countries such as China, Vietnam and India by making major investments in liquefied petroleum gas (LPG) and lubricants.
- ▶ Changed name to Caltex Corporation, dropping "Petroleum" from the name, since nonpetroleum products are fast becoming a growing source of revenue.

ASIA-PACIFIC

In the Asia-Pacific region, Caltex has been an active participant in this combination of mature and growth markets. Caltex has followed strategies to compete aggressively in mature markets while pursuing opportunities in less developed countries where demand growth is expected to strengthen.

THAILAND

Caltex participates in the Thai market through almost 600 retail outlets and a grassroots Star Refinery at Map Ta Phut, which came on stream in 1996. Caltex owns 64 percent of this refinery, a joint venture with the Thai government. In 1998, Caltex agreed to integrate the operations of this refinery with the nearby Shell refinery. The facilities will be linked by pipelines and operated as a single unit under one management team. The combined plant will have a capacity of 300,000 barrels per day.

Caltex acquired British Petroleum's retail network to improve its presence in the domestic retail market and to position itself for higher growth prospects when the Thai economy recovers.

SOUTH KOREA

Caltex is represented in South Korea's refining, marketing and petrochemical sectors through LG-Caltex Oil Corporation, its 50 percent joint venture with the LG group. LG-Caltex is one of South Korea's largest marketers, with 2,700 service stations and a retail market share of about 28 percent. It owns and operates the largest refinery in the Caltex system, located in Yocheon, with an overall capacity of 650,000 barrels per day. Current refining investments focus on projects aimed at upgrading to higher valued products and reducing emissions.

JAPAN

Caltex conducts business in Japan as a refining company, through its interest in Koa Oil Co., and as a marketer, by selling lubricating oils to corporate outlets. Koa's two refineries, Marifu and Osaka, have a total capacity of 230,000 barrels per day. Due to industry deregulation, which has led to the free import of products and to lower gasoline prices, Caltex's main focus is to accelerate its ongoing cost-reduction programs to remain competitive.

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



PHILIPPINES

Caltex is a major retailer in the Philippines, with over 950 retail outlets and a 29 percent retail market share. The company operates a wholly owned 72,000-barrel-per-day refinery at Batangas. Recent deregulation of the petroleum industry in the Philippines is expected to intensify competition in the future, as new players enter the market.

HONG KONG

Caltex is a major marketer of petroleum products in Hong Kong. Its retail network includes 50 service stations with a market share of almost 28 percent. Also, Caltex is a significant supplier of lubricating oils to the local market. In 1998, Caltex became the first company to supply jet fuel to the new Hong Kong International Airport.

MALAYSIA

Caltex has a market share of approximately 15 percent with 300 retail outlets selling gasoline, diesel and lubricants. The company has focused on converting its retail sites to the new image. Also under way is the expansion of its Star Mart network and selective partnering with Quick Service Restaurants.

SINGAPORE

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

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

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

Singapore is now the new location for the company's executive leadership team in addition to being the home for several of its business units. The trading organization, which was already located in Singapore, handles the sales and acquisition of crude oil and products for the entire Caltex system. The Singapore office also coordinates crude oil and product deliveries throughout the Caltex system via chartered vessels.

AUSTRALIA

In 1997, Caltex Australia Limited (CAL), a Caltex affiliate, gained control of Australian Petroleum Pty. Limited, which is the country's largest oil company with a market share of 26 percent. The top priority for CAL is to continue to be a low-cost supplier in this mature market that is facing competitive pressure from Asian product imports and the growth of independent retailers.

The company has achieved significant cost reduction benefits since merging operations in 1995 with Ampol Limited. Further benefits are expected from its plan to rationalize and pare down the current network of approximately 900 retail sites and to expand its convenience stores. A 117,000-barrel-per-day refinery near Sydney and a 100,000-barrel-per-day refinery near Brisbane will be modified to run lower-cost crudes and to maximize mid-distillates production.

AFRICA

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

SOUTH AFRICA

Caltex has been a leading marketer of gasoline for many years, with about 1,100 retail outlets. Caltex operates a wholly owned 112,000-barrel-per-day refinery in Cape Town. Refining investments are directed at increasing efficiency, maintaining safe operations and reducing emissions. Retail investments will also focus on protecting market share by renovating and reimagining existing sites.

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

FRONTIER AREAS

Caltex continues to explore and assess opportunities in emerging countries that are allowing foreign investment. The frontier strategy is to build a strong market presence in these areas through the sale of LPG, lubricants and asphalt with the intent of eventually expanding into the retail motor fuel sector when permitted.

CHINA

Caltex's current focus in China is to participate in the retail, LPG and lubes markets. The company operates 49 gasoline service stations in China, primarily in the southern province of Guangdong near Hong Kong.

Caltex has a 90 percent equity share in a joint venture that is constructing two LPG storage caverns, each with a 100,000-metric-ton storage capacity, and a dedicated deepwater jetty capable of receiving refrigerated LPG near the southern China city of Shantou. When completed in late 1999, the joint venture is expected to capture a large share of the LPG market in the Shantou region.

On the lubricants side, Caltex is building a lube oil blending plant in Tianjin, scheduled for completion in mid-1999. This plant will supply Caltex markets in northern China. In 1998, Caltex contracted with China Marine Bunker Supply Co. to ensure a continuous supply of base oils to the lube plant. Caltex also signed an agreement to manufacture and supply a private brand of lubricants. The forecasted volumes will be supplied by the Shanghai Gaoqiao Refinery, which in its joint venture with Caltex for lube oil blending and marketing also supplies central China.

VIETNAM

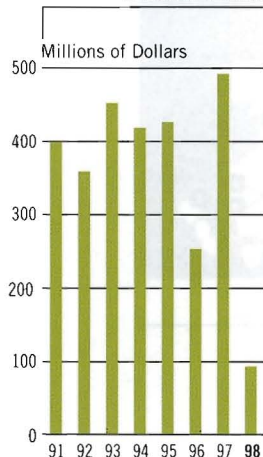
Caltex's plans in Vietnam continue to focus on development of markets for lubricants, LPG and asphalt. Caltex is currently marketing lubricants in Vietnam through over 700 branded points of sale catering mainly to motorcycles. The company is building and will operate a lube oil blending and grease manufacturing plant in Haiphong, a major port in northern Vietnam about 60 miles southwest of Hanoi.

Caltex is building and will operate a pressurized terminal near Ho Chi Minh City to import, bottle and market LPG domestically. In addition, construction of a bulk asphalt terminal to receive, store and market asphalt to support infrastructure development in Vietnam was completed in Haiphong.

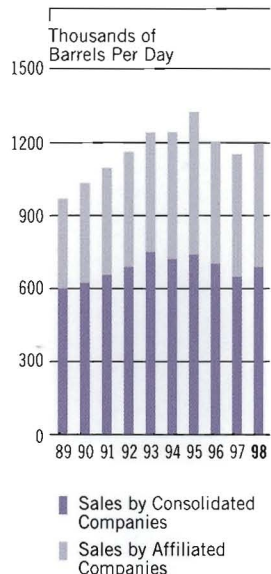
INDIA

Caltex entered the LPG market in southern India by purchasing a controlling interest in an existing marketer of LPG, Southern Petrochemical Industries Corporation. In order to pursue new marketing opportunities for lubricants, Caltex purchased its partner's share of their lubricants joint venture and is now the sole owner of the business. Without the partner, Caltex will be able to shorten the execution time for implementing strategies and to expand market share. Also, Caltex signed a memorandum of understanding with Pennar Refineries Ltd. to provide technical assistance for refinery construction and operation, to assist in feedstock procurement, and to ultimately have access to the products for marketing. This move will help position Caltex for the planned deregulation of the Indian petroleum industry in 2002.

CALTEX NET INCOME EXCLUDING SPECIAL ITEMS



CALTEX REFINED PRODUCT TRADE SALES



SHIPPING

Chevron Shipping Company LLC provides marine transportation and services to the Chevron group of companies. Chevron operates a fleet of 35 controlled vessels, which are either owned by the company or operated under long-term leases. Chevron also has two short-term, time-chartered vessels and 25 to 35 more vessels chartered at any given time on a single-voyage basis.

MARINE TRANSPORTATION

The vessels deliver crude oil from the Middle East, the Far East and South America to Chevron refineries on the U.S. West Coast and Gulf Coast. The vessels also distribute product to coastal U.S. and Far East locations, and company-marketed crude oil to customers worldwide. Chevron Shipping also provides marine transportation services to affiliates Caltex and Tengscheroil.

In 1998, Chevron took delivery of the first in a series of four 308,500-deadweight-ton double-hull tankers to be operated under eight-year operating leases with options to retain use for up to 18 years. The remaining three vessels will be delivered in 1999 and 2000 and will replace older tonnage. These vessels will deliver crude oil from the Middle East to the U.S. West Coast and Gulf Coast.

MARINE SERVICES

Chevron Shipping provides a variety of operational, technical and commercial services in support of Chevron's offshore oil production. This includes design, engineering and operation of floating production, storage and offtake vessels; commercial negotiation of shuttle tankers used in offshore oil projects; and operation of offshore terminals around the world. Chevron Shipping signed a contract with Dynegy, Chevron's 28 percent-owned affiliate, to supervise construction and to operate Dynegy's two new LPG vessels scheduled for delivery in 2001.

SAFETY AND ENVIRONMENTAL PERFORMANCE

Chevron's tankers maintained their exemplary safety and environmental records in 1998. Of over half a billion barrels of crude oil and product carried by ships operated or chartered by the company, only 2.45 barrels were spilled overboard.

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

VESSELS	1998		1997		1996		1995		At December 31 1994	
	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^{1, 2}										
Company-Operated³										
25,000 – 45,000	3	6	4	6	5	6	5	6	5	6
45,000 – 80,000	1	2	1	2	1	2	1	2	2	4
80,000 – 160,000	–	14	–	14	–	14	–	14	–	12
VLCCs: 160,000 – 320,000	–	7	–	6	–	6	–	6	–	7
ULCCs: Above 320,000	–	1	–	1	–	1	–	1	–	1
Total Company-Operated	4	30	5	29	6	29	6	29	7	30
Time-Chartered										
Up to 25,000	–	–	–	1	–	3	–	3	–	2
25,000 – 45,000	–	–	–	–	–	–	–	–	–	1
45,000 – 80,000	–	1	–	1	–	2	–	2	–	3
80,000 – 160,000	–	–	–	1	–	1	–	1	–	2
Total Time-Chartered	–	1	–	3	–	6	–	6	–	8
Total Controlled Seagoing Vessels	4	31	5	32	6	35	6	35	7	38

CARGO TRANSPORTED^{2, 4}

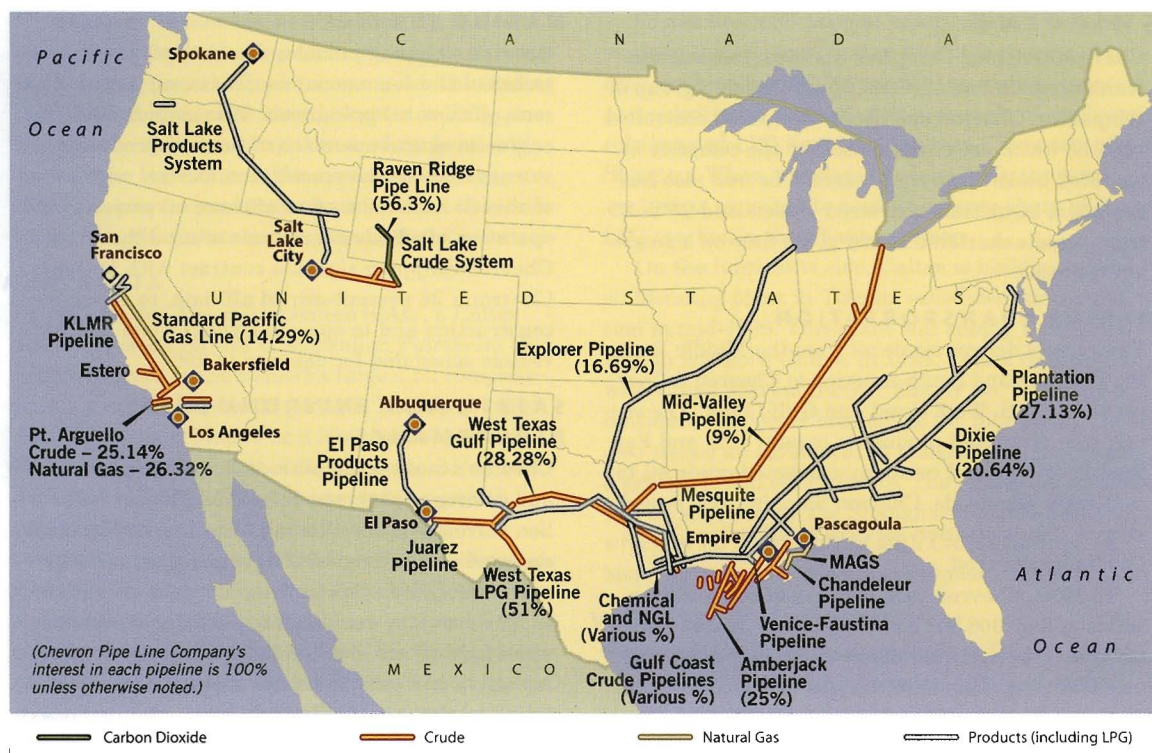
	Year Ended December 31									
Millions of Barrels	59	199	69	229	71	241	70	248	82	253
Thousands of Barrels Per Day	162	545	189	627	194	657	191	680	224	695
Billions of Ton-Miles	6	185	5	180	7	186	7	176	9	207

¹ Consolidated companies only.

² Excludes vessels jointly owned/operated by Chevron and partners: eight LNG vessels employed in the Australian North West Shelf Project, one vessel at Hibernia and three vessels chartered by Tengscheroil. Also excludes vessels chartered on behalf of Caltex.

³ Includes owned and bareboat-chartered.

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



CHEVRON PIPE LINE COMPANY OWNED AND/OR OPERATED PIPELINES

NET PIPELINE MILEAGE^{1, 2}

Includes Equity in Affiliates (except Dynegy Inc.)

	1998	1997	1996	At December 31 1995	1994
Crude Oil Lines					
United States	4,096	4,139	4,333	5,794	5,770
International	1,038	1,009	801	772	785
Worldwide - Crude Oil Lines	5,134	5,148	5,134	6,566	6,555
Natural Gas Lines					
United States	642	615	594	437	445
International	275	265	227	228	205
Worldwide - Natural Gas Lines	917	880	821	665	650
Product Lines					
United States	4,711	4,698	4,845	5,737	5,513
International	720	104	98	96	121
Worldwide - Product Lines	5,431	4,802	4,943	5,833	5,634
Total Pipeline Mileage	11,482	10,830	10,898	13,064	12,839

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.

Refining Capacities and Inputs

REFINING CAPACITIES AND INPUTS

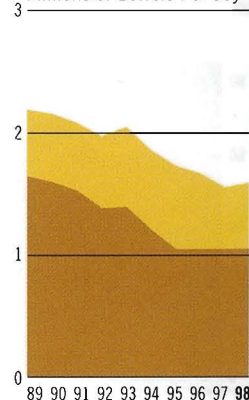
(Includes Equity in Affiliates)

Thousands of Barrels Per Day	Capacity	Refinery Inputs				
	12/31/98	1998	1997	1996	1995	1994
United States – Fuel Refineries						
El Paso, Texas ¹	65.0	61.7	59.9	60.4	57.6	59.1
El Segundo, California	260.0	218.4	203.4	222.9	220.8	227.1
Honolulu, Hawaii	54.0	48.9	53.4	53.9	54.7	55.5
Pascagoula, Mississippi ²	295.0	246.1	312.5	312.9	281.8	324.1
Richmond, California	225.0	201.1	219.6	220.3	202.4	220.3
Salt Lake City, Utah	45.0	40.3	40.8	39.6	40.9	42.8
Philadelphia, Pennsylvania ³	–	–	–	–	–	93.5
Port Arthur, Texas ⁴	–	–	–	–	26.1	158.0
Total United States – Fuel Refineries	944.0	816.5	889.6	910.0	884.3	1,180.4
United States – Asphalt Plants						
Perth Amboy, New Jersey	80.0	40.4	34.1	32.1	32.6	24.0
Portland, Oregon	16.0	7.8	6.1	6.1	5.3	5.5
Richmond Beach, Washington	6.2	3.8	3.0	2.8	2.6	2.9
Total United States – Asphalt Plants	102.2	52.0	43.2	41.0	40.5	32.4
Total United States	1,046.2	868.5	932.8	951.0	924.8	1,212.8
International						
Burnaby, British Columbia, Canada	50.0	50.0	48.7	48.7	46.7	47.1
Milford Haven, Wales, United Kingdom ⁵	–	–	100.8	116.7	100.1	116.0
Total International	50.0	50.0	149.5	165.4	146.8	163.1
Caltex Refineries⁶						
Australia-Brisbane [50%] ⁷	50.0	43.9	34.1	33.8	23.3	–
Australia-Sydney [50%] ⁸	58.4	57.7	43.7	44.4	52.3	82.7
Japan-Marifu [50%]	63.5	52.8	55.0	50.7	55.8	49.9
Japan-Osaka [50%]	52.0	46.7	38.5	39.3	38.0	45.3
Kenya-Mombasa [16%] ⁹	14.4	5.6	4.2	4.2	4.4	5.0
New Zealand-Whangarei [12.69%]	13.3	13.6	11.9	10.5	9.5	9.8
Pakistan-Karachi [12%]	5.2	5.6	5.9	5.6	6.0	5.6
Philippines-Batangas [100%]	71.9	65.0	69.4	69.0	66.3	60.1
Singapore-Pualau Merilimau [33.3%] ¹⁰	105.8	92.1	101.9	101.3	71.9	72.8
South Africa-Cape Town [100%]	112.0	85.6	85.6	63.6	67.8	77.6
South Korea-Yocheon [50%]	325.0	288.2	285.6	186.7	179.2	185.4
Thailand-Map Ta Phut [64%]	96.0	83.6	86.1	39.4	–	–
Thailand-Sriracha [4.75%]	10.5	9.4	10.0	9.4	10.3	8.9
Bahrain [40%] ¹¹	–	–	–	26.6	100.4	99.0
Japan-Muroran [50%] ¹²	–	–	–	19.2	59.3	67.6
Japan-Negishi [50%] ¹²	–	–	–	39.4	158.3	151.9
Total Caltex	978.0	849.8	831.9	743.1	902.8	921.6
Equity in Caltex Refineries	489.0	424.9	416.0	371.6	451.4	460.8
Total Worldwide	1,585.2	1,343.4	1,498.3	1,488.0	1,523.0	1,836.7

¹ The El Paso Refinery capacity and input represent only the Chevron share.² The Pascagoula Refinery operations were disrupted in the fourth quarter 1998 due to damages from Hurricane Georges.³ The Philadelphia Refinery was sold in 1994.⁴ The Port Arthur Refinery was sold in 1995.⁵ The Milford Haven Refinery ceased processing operations in December 1997.⁶ Figures in brackets denote Caltex's ownership percentage at December 31. Only Caltex's equity share of capacity and inputs is shown.⁷ Refinery acquired in 1995 merger. Caltex equity share increased from 37.5% to 50% in 1998.⁸ Caltex equity share increased from 37.5% to 50% in 1998.⁹ Caltex equity share increased from 11.75% to 16% in 1998.¹⁰ Caltex equity reflects 33.3% interest in original refinery capacity (220,000 barrels per day) and 50% interest in Residue Fluid Catalytic Cracking Unit capacity (65,000 barrels per day).¹¹ In April 1996, Caltex ceded its throughput rights in the Bahrain Refinery. Caltex interest in the refinery was sold April 1, 1997.¹² The Negishi and Muroran refineries were sold in April 1996.

REFINERY CAPACITY

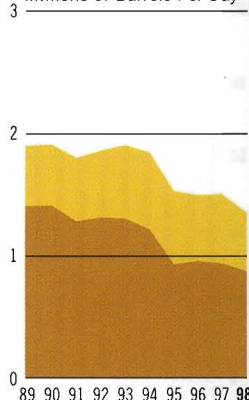
Millions of Barrels Per Day



United States
International

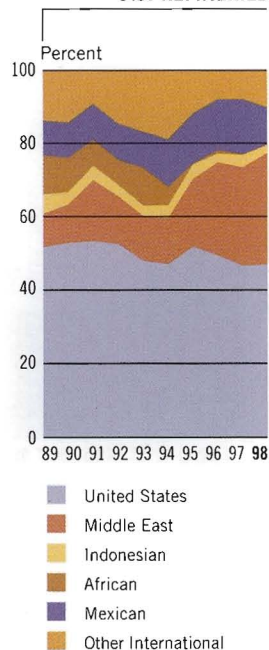
REFINERY INPUTS

Millions of Barrels Per Day

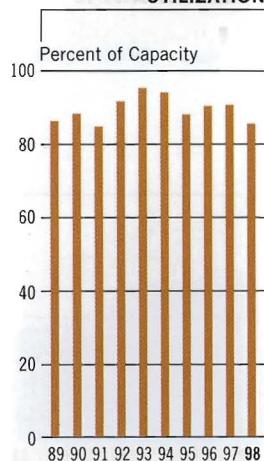


United States
International

SOURCES OF CRUDE OIL PURCHASES FOR U.S. REFINERIES



WORLDWIDE REFINERY UTILIZATION

REFINERY UTILIZATION¹

Percent of Capacity	Year Ended December 31				
	1998	1997	1996	1995	1994
United States – Fuel Refineries	86.3	94.3	96.5	92.0	96.4
Canada	100.0	97.4	97.4	93.4	99.2
Caltex	90.3	92.0	84.9	89.8	93.7
Worldwide ²	85.6	90.7	90.4	88.1	92.7

UTILIZATION OF CRACKING AND COKING FACILITIES³

Percent of Capacity	1998	1997	1996	1995	1994
United States	74.5	80.3	82.3	79.0	90.0

SOURCES OF CRUDE OIL PURCHASES FOR U.S. REFINERIES

Percent of Total Purchased	1998	1997	1996	1995	1994
Alaska North Slope	27.1	30.2	30.5	30.1	20.1
United States – Other	19.8	16.4	18.8	21.7	26.9
Middle East	30.4	26.8	25.4	18.4	12.6
Indonesian	2.2	3.4	2.5	4.0	3.5
African	–	0.1	0.7	0.1	4.8
Mexican	10.3	14.6	14.0	13.8	13.1
Other International	10.2	8.5	8.1	11.9	19.0
Total	100.0	100.0	100.0	100.0	100.0

U.S. REFINERY PRODUCTION OF FINISHED PRODUCTS

Thousands of Barrels Per Day	1998	1997	1996	1995	1994
Mogas	404.5	414.1	417.0	398.2	537.3
Jet Fuel	175.5	200.1	218.6	195.4	229.1
Gas Oil	149.9	162.0	165.2	164.3	246.1
Fuel Oil	61.1	58.8	63.1	59.1	87.0
Other	106.1	118.4	111.6	133.8	200.7
Total	897.1	953.4	975.5	950.8	1,300.2

PETROLEUM INVENTORIES

Millions of Barrels ^{4, 5}	At December 31				
Raw Stocks	39	33	35	41	42
Unfinished Stocks	17	20	18	17	20
Finished Products	25	26	30	35	37
Total	81	79	83	93	99

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

² Includes asphalt plants.

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

⁴ Consolidated companies only.

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

Refined Product Sales and Realizations

REFINED PRODUCT SALES

Thousands of Barrels Per Day	Year Ended December 31				
	1998	1997	1996	1995	1994
United States					
Gasoline	653	591	556	552	615
Jet Fuel	247	249	255	241	260
Gas Oils and Kerosene	198	204	186	196	277
Residual Fuel Oil	56	60	39	38	65
Other	89	89	86	90	97
Total United States	1,243	1,193	1,122	1,117	1,314
International					
Gasoline	31	88	89	83	98
Jet Fuel	27	37	36	39	39
Gas Oils and Kerosene	53	98	113	101	93
Residual Fuel Oil	68	77	100	77	69
Other	9	9	12	12	15
	188	309	350	312	314
Equity Share of Affiliate	597	577	594	657	620
Total International	785	886	944	969	934
Worldwide					
Gasoline	684	679	645	635	713
Jet Fuel	274	286	291	280	299
Gas Oils and Kerosene	251	302	299	297	370
Residual Fuel Oil	124	137	139	115	134
Other	98	98	98	102	112
Total Consolidated Companies	1,431	1,502	1,472	1,429	1,628
Equity Share of Affiliate	597	577	594	657	620
Total Worldwide	2,028	2,079	2,066	2,086	2,248

TOTAL REFINED PRODUCT REALIZATIONS*

Dollars Per Barrel

United States	\$ 22.37	\$ 28.93	\$ 29.94	\$ 26.19	\$ 24.37
International	19.13	26.55	27.26	24.49	22.98
Worldwide	21.94	28.43	29.30	25.82	24.10

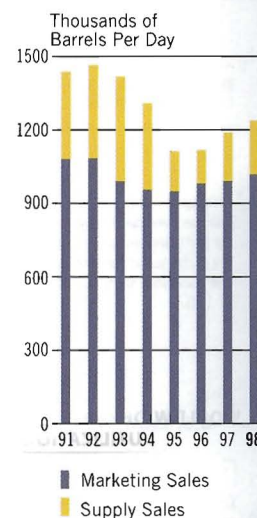
MAJOR REFINED PRODUCT REALIZATIONS*

Dollars Per Barrel

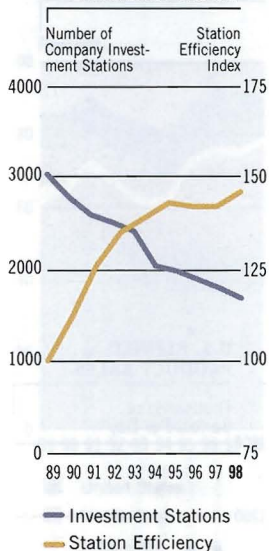
United States					
Gasoline	\$ 24.67	\$ 32.16	\$ 32.68	\$ 29.13	\$ 27.34
Jet Fuel	19.24	26.42	27.87	23.35	22.71
Gas Oils and Kerosene	18.79	25.69	27.54	22.56	21.60
Residual Fuel Oil	11.65	17.09	17.66	15.67	14.72
International					
Gasoline	\$ 27.52	\$ 31.06	\$ 30.55	\$ 28.79	\$ 26.25
Jet Fuel	23.23	30.20	31.18	26.62	23.92
Gas Oils and Kerosene	18.36	26.20	28.05	23.28	22.83
Residual Fuel Oil	11.30	16.46	18.29	16.31	14.02
Worldwide					
Gasoline	\$ 24.80	\$ 32.02	\$ 32.39	\$ 29.09	\$ 27.19
Jet Fuel	19.62	26.91	28.28	23.80	22.87
Gas Oils and Kerosene	18.70	25.85	27.73	22.80	21.91
Residual Fuel Oil	11.46	16.74	18.11	16.10	14.36

*Consolidated companies only; excludes excise taxes.

U.S. REFINED PRODUCT SALES

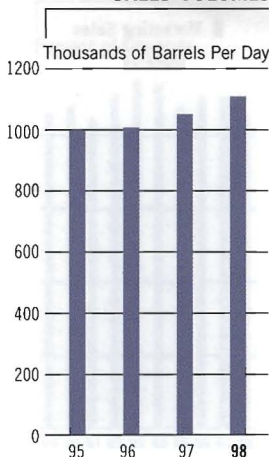


U.S. COMPANY INVESTMENT STATIONS/ EFFICIENCY INDEX*



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

U.S. LIGHT PRODUCT SALES VOLUMES



OUTLETS ¹	1998		1997		1996		1995		At December 31 1994	
	Company	Other	Company	Other	Company	Other	Company	Other	Company	Other
Service Stations²										
United States	1,637	6,280	1,736	6,016	1,854	5,892	1,920	5,868	2,037	5,866
Canada	191	—	187	—	189	—	193	—	200	—
United Kingdom	—	—	—	—	194	260	208	315	233	265
Total Service Stations	1,828	6,280	1,923	6,016	2,237	6,152	2,321	6,183	2,470	6,131
Aircraft and Marine										
United States	—	559	—	524	—	599	—	638	—	680
Canada	—	11	—	11	—	13	—	13	—	17
Total Aircraft and Marine	—	570	—	535	—	612	—	651	—	697

¹ 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 stations consist of all remaining branded outlets that are owned by others and supplied with branded products.

LIGHT PRODUCT SALES ^{1, 2}	Year Ended December 31				
	1998	1997	1996	1995	1994
Sales Revenues (Millions of Dollars)					
United States	\$ 8,976	\$ 11,248	\$ 11,127	\$ 9,534	\$ 10,479
International	894	2,340	2,567	2,109	2,056
Total Sales Revenues	\$ 9,870	\$ 13,588	\$ 13,694	\$ 11,643	\$ 12,535
Sales Volumes (Thousands of Barrels Per Day)					
United States	1,098	1,044	997	989	1,152
International	111	223	238	223	230
Total Sales Volumes	1,209	1,267	1,235	1,212	1,382

¹ Consolidated companies only.

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

Chevron Chemical Company LLC produces primarily commodity petrochemicals, plastics and additives in plants in nine U.S. states and in Mexico, Brazil, France and Japan. The company markets its products worldwide. The major operating groups are the U.S. Chemicals and Oronite divisions, and the International Group.

CHEMICALS

Business Description

In 1998, the U.S. Chemicals Division completed plant expansions at Pascagoula, Mississippi and Cedar Bayou, Texas. Expansion of polyethylene capacity at Orange, Texas and an ethylbenzene project at Pascagoula will be completed in 1999. These expansions position the company to take advantage of future demand anticipated with the next upturn in the chemicals industry as well as to further reduce unit operating costs. Chevron Chemical will also grow its international presence with new plants in Singapore, Saudi Arabia and China.

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 and styrene.
- ▶ Market and technology leadership in many lubricant and fuel additives product lines.

BUSINESS STRATEGIES

- ▶ Focus on core business segments, which are petrochemicals, plastics and additives.
- ▶ Improve efficiencies and manage costs in all aspects of the business.
- ▶ Invest selectively to strengthen existing businesses.
- ▶ Continue to strengthen technology position in core products.
- ▶ Continue to monitor and improve customer satisfaction.

1998 ACCOMPLISHMENTS

- ▶ Completed construction of a \$215 million plant in Singapore to manufacture additives for lubricating oils and fuels worldwide. The project was completed on schedule and began commercial production in January 1999. The plant is now shipping to customers throughout the Asia-Pacific region. This project also achieved an outstanding safety record with only three lost-time injuries in over 7 million man-hours.
- ▶ Completed expansions to increase paraxylene production at Pascagoula, Mississippi and ethylene production at Cedar Bayou, Texas plants.
- ▶ Neared completion of construction of 480,000-ton-per-year benzene, and 220,000-ton-per-year cyclohexane plant in Saudi Arabia. The 50/50 joint venture with the Saudi Industrial Venture Capital Group will begin commercial operation in July 1999 and has achieved an outstanding safety record with only one lost-time injury in over 7 million man-hours.
- ▶ Began construction on new normal alpha-olefins plant at Cedar Bayou, Texas, that will double production capacity using latest technological improvements. The plant is scheduled to begin production in 2000.
- ▶ Broke ground for a 100,000-ton-per-year general purpose and high-impact polystyrene plant in Jiangsu province, China. The plant is scheduled to begin production in early 2000.
- ▶ Purchased Exxon's Paratone Viscosity Index Improver business, which positions Chevron as a leader in the viscosity improver market and provides an excellent boost to aggressive growth plans in the automotive engine-oil additives business.
- ▶ Made first commercial sales of proprietary oxygen-scavenging polymer for use in food packaging. This new polymer will position Chevron as a leader in the emerging field of active packaging for food, medical, and pharmaceutical applications.
- ▶ Increased trade sales volumes by approximately 10 percent.
- ▶ Achieved record low cost on operating-expense-per-barrel basis.

U.S. CHEMICALS

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

The U.S. Chemicals Division focuses on domestic markets and operates 13 manufacturing facilities in the United States. Significant 1998 achievements included completion of a paraxylene expansion and technology upgrade at the Pascagoula, Mississippi facility. The ethylene plant at Cedar Bayou, Texas, was also expanded and upgraded. Expanding into Mexico, construction of a polyethylene pipe plant was completed in 1998.

INTERNATIONAL GROUP

The International Group markets and distributes petrochemical products internationally with the goal of developing a global manufacturing base through wholly owned and joint venture facilities. A \$650 million petrochemical complex is nearing completion in Saudi Arabia. In August 1998, Chevron broke ground for a 100,000-ton-per-year polystyrene plant in China. Products will be marketed in Europe, Africa, the Middle East, Asia and the Far East.

ORONITE ADDITIVES

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

The division operates two manufacturing facilities in the United States and one each in Japan, Brazil and France. A new additives plant in Singapore began production in early 1999. The recent purchase of Paratone Viscosity Index Improver business positions Oronite as a leader in this market and strengthens plans to grow the automotive engine-oil business. The division markets its products worldwide.

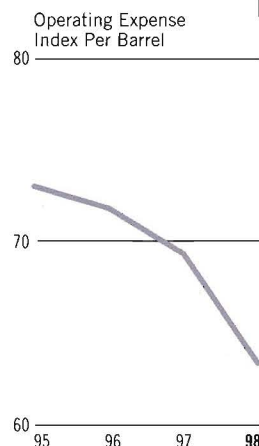
MANUFACTURING LOCATIONS***United States***

Location	Products	Location	Products
Colton, CA	Polymers	Marietta, OH	Polymers
Richmond, CA	Other Chemicals	Abbeville, SC	Polymers
Bloomfield, IA	Polymers	Knoxville, TN	Polymers
Fairfield, IA	Polymers	Cedar Bayou, TX	Olefins and Aromatics, Polymers
Belle Chasse, LA	Other Chemicals	Port Arthur, TX	Olefins and Aromatics
St. James, LA	Olefins and Aromatics	Orange, TX	Polymers
Pascagoula, MS	Olefins and Aromatics	Waxahachie, TX	Polymers
Reno, NV	Polymers		

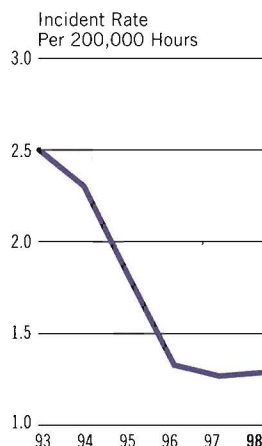
International

Location	Products
Sao Paulo, Brazil	Other Chemicals
Gonfreville, France	Other Chemicals
Omaezaki, Japan	Other Chemicals
Queretaro, Mexico	Polymers

**CHEVRON CHEMICAL
COMPANY OPERATING
EXPENSE INDEX**



**CHEVRON CHEMICAL
COMPANY SAFETY
PERFORMANCE**



In 1998, Chevron Chemical, for the third year in a row, achieved record low-cost operating expense on a per-barrel basis. This was achieved by continuing to control costs and by increasing volumes. Critical success factors in controlling costs include being an efficient and reliable supplier in all aspects of the business, effectively developing and using technology, and selectively expanding and modernizing plants.

Another success factor in cost control is engaging employees in the business. This is reflected in the safety record and work process improvements.

NET INCOME, EXCLUDING SPECIAL ITEMS¹

Millions of Dollars	Year Ended December 31				
	1998	1997	1996	1995	1994
United States	\$ 89	\$ 167	\$ 175	\$ 459	\$ 160
International	62	57	53	65	55
Total Worldwide	\$ 151	\$ 224	\$ 228	\$ 524	\$ 215

SALES BY GEOGRAPHIC AREA²

Millions of Dollars					
United States	\$ 2,591	\$ 3,046	\$ 2,936	\$ 3,332	\$ 2,801
International	625	600	605	621	561
Total Worldwide	\$ 3,216	\$ 3,646	\$ 3,541	\$ 3,953	\$ 3,362

SALES VOLUMES^{2, 3}

Millions of Pounds					
United States	11,800	10,717	10,309	10,219	9,239
International	1,672	1,550	794	633	595
Total Worldwide	13,472	12,267	11,103	10,852	9,834

¹ See Page 5 for reported net income.

² Includes third-party sales and sales to other Chevron companies.

³ 1997 and prior years' amounts restated to conform with 1998 presentation.

COAL

Business Description

COMPETITIVE POSITION

- ▶ The Pittsburgh & Midway Coal Mining Co. (P&M), a wholly owned Chevron subsidiary, ranks among the top 15 coal producing companies in the United States.
- ▶ About 85 percent of P&M's sales are to electric utilities. Twenty percent of the sales are covered by agreements with remaining terms of 10 years or longer, while 65 percent of the sales are covered by agreements with remaining terms of three to 10 years.
- ▶ P&M holds low-sulfur coal reserves in major U.S. coal producing regions.



BUSINESS STRATEGIES

- ▶ Pursue restructuring of Chevron's coal business to maximize value for the shareholders, but continue to:
 - Mine coal in a safe and environmentally responsible manner.
 - Improve productivity and reduce costs.
 - Adopt innovative strategies to strengthen long-term relationships with customers.

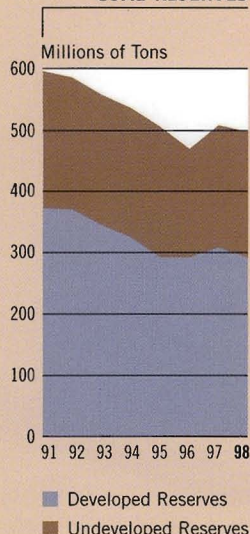
1998 ACCOMPLISHMENTS

- ▶ Achieved five-year goal to finish first among key competitors in safety performance.
- ▶ Successfully installed a new 1,000-foot longwall face at the North River Mine. Signed two long-term supply agreements to support this investment.
- ▶ Acquired Farco Mine and associated port facilities in Texas.
- ▶ Achieved record production and sales volumes at the Kemmerer and North River mines.
- ▶ Reached conceptual agreement to extend P&M's largest sales contract for five years.
- ▶ Announced plan to sell the coal operations. Sold P&M's interest in Black Beauty Coal Company in early 1999.

U.S. COAL BUSINESS ENVIRONMENT

- ▶ U.S. coal markets are dominated by electric utilities, which consumed more than 80 percent of the coal produced in 1998. Deregulation of the electric utility industry puts a premium on low-cost power generation and could potentially increase coal demand.
- ▶ Tightening sulfur dioxide emissions standards are increasing demand for low-sulfur coals.
- ▶ Industry consolidation continues as coal suppliers position themselves for competitive pressures.

COAL RESERVES



P & M OPERATIONS

Mine Name	State/Country	Principal Operation	Sulfur Content	Estimated Annual Capacity ¹	Annual Sales ¹				
					1998	1997	1996	1995	1994
Kemmerer	WY	Truck-and-Shovel	Low	5.0	4.7	4.4	3.7	3.6	3.9
McKinley	NM	Dragline/T&S	Low	7.0	6.9	6.6	5.3	6.8	8.2
North River	AL	Longwall	Medium	2.5	2.4	2.1	2.2	1.9	1.6
Seabee ²	KY	Continuous Miner	High	1.0	0.9	1.0	0.9	0.5	0.4
York Canyon ³	NM	Dragline	Low	1.4	1.3	1.2	1.3	2.0	2.3
Farco/Port Services ⁴	TX	Truck-and-Shovel	Medium	0.3	0.1	—	—	—	—
Black Beauty (33.3%) ⁵	IN/IL	T&S/Continuous Miner	Various	6.1	5.7	4.2	2.6	2.5	3.4
Inter-American Coal (29.8%) ⁶	Venezuela	Truck-and-Shovel	Low	0.3	1.1	0.1	—	—	—
Closed mines/Brokered sales	Various	—	—	—	0.2	—	—	—	0.6
Total Sales					23.6	23.3	19.6	16.0	20.4

¹ Millions of tons.

² Mine idled November 1998.

³ One of the two York Canyon mines was closed in late 1995.

⁴ Mine acquired in August 1998.

⁵ Interest changed from 50 percent to 33.3 percent in August 1994. Sales and capacity are P&M's share. Sold in 1999.

⁶ Acquired interest in September 1997. Sales capacity represents P&M's share.

GLOSSARY

Oil and Gas Terms

Acresage 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 manufacture of plastics, adhesives, synthetic fibers and household detergents; **Olefins** – used in the manufacture of packaging, plastic pipes, tires, batteries, household detergents and synthetic motor oils.

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

Reformulated Gasoline Reformulated gasoline contains oxygenates and incorporates additional composition changes that reduce exhaust emissions year round, 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 of oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available. Proved reserves do not include additional quantities that may result from extensions of currently proved areas, from application of secondary or tertiary recovery processes not yet tested and determined to be economic or recoverable beyond the term of lease or contract. **Recoverable** reserves are reserves that are recoverable using all known primary and enhanced recovery methods.

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

Wells Oil and gas wells are classified as either exploratory or development wells. **Exploratory** wells are wildcat wells drilled in an unproved area where no oil or gas production exists. **Delineation** wells are exploratory wells drilled to determine the boundaries of a productive formation or to delineate the extent of a find.

Development wells are wells drilled in an existing reservoir in a proved oil or gas producing area. **Completed** wells are wells in which drilling work has been completed and that are capable of producing. **Dry** wells are wells completed as dry holes – wells not capable of producing in commercial quantities.

Major Chevron Organizations

ORGANIZATIONS	PRINCIPAL BUSINESS	PRINCIPAL AREAS OF ACTIVITY
Operating		
Chevron U.S.A. Production Company	Exploration and Production	United States
Chevron Products Company	Refining and Marketing; Sale/ Trading of Crude Oil and Refined Products	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 LLC	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 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 LLC	Marine Management	Worldwide
Chevron Transport Corporation	Marine Transportation, Commercial Paper Issuer	Worldwide
Chevron U.K. Limited	Exploration and Production	North Sea
Cabinda Gulf Oil Company Limited	Exploration and Production	Angola
The Pittsburg & Midway Coal Mining Company	Coal	Worldwide
Amoseas Indonesia Inc. (50%)	Exploration and Production	Indonesia
Caltex Corporation (50%)	Refining and Marketing	International
P.T. Caltex Pacific Indonesia (50%)	Exploration and Production	Indonesia
Tengizchevroil (45%)	Exploration and Production	Kazakhstan
Dynegy Inc. (28%)	Midstream Operations	Worldwide
Service		
Chevron Environmental Management Company	Environmental Remediation	United States
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	Worldwide
Chevron Research and Technology Company	Engineering, Research, Development and Technical Services for Refining, Supply and Distribution	Worldwide
Chevron Services Company	Administrative Services	Worldwide
Finance		
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.

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 disruption to the company's operations due to untimely or incomplete resolution of Year 2000 issues by the company and other entities with which it has material relationships; 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.

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