



Human Energy™

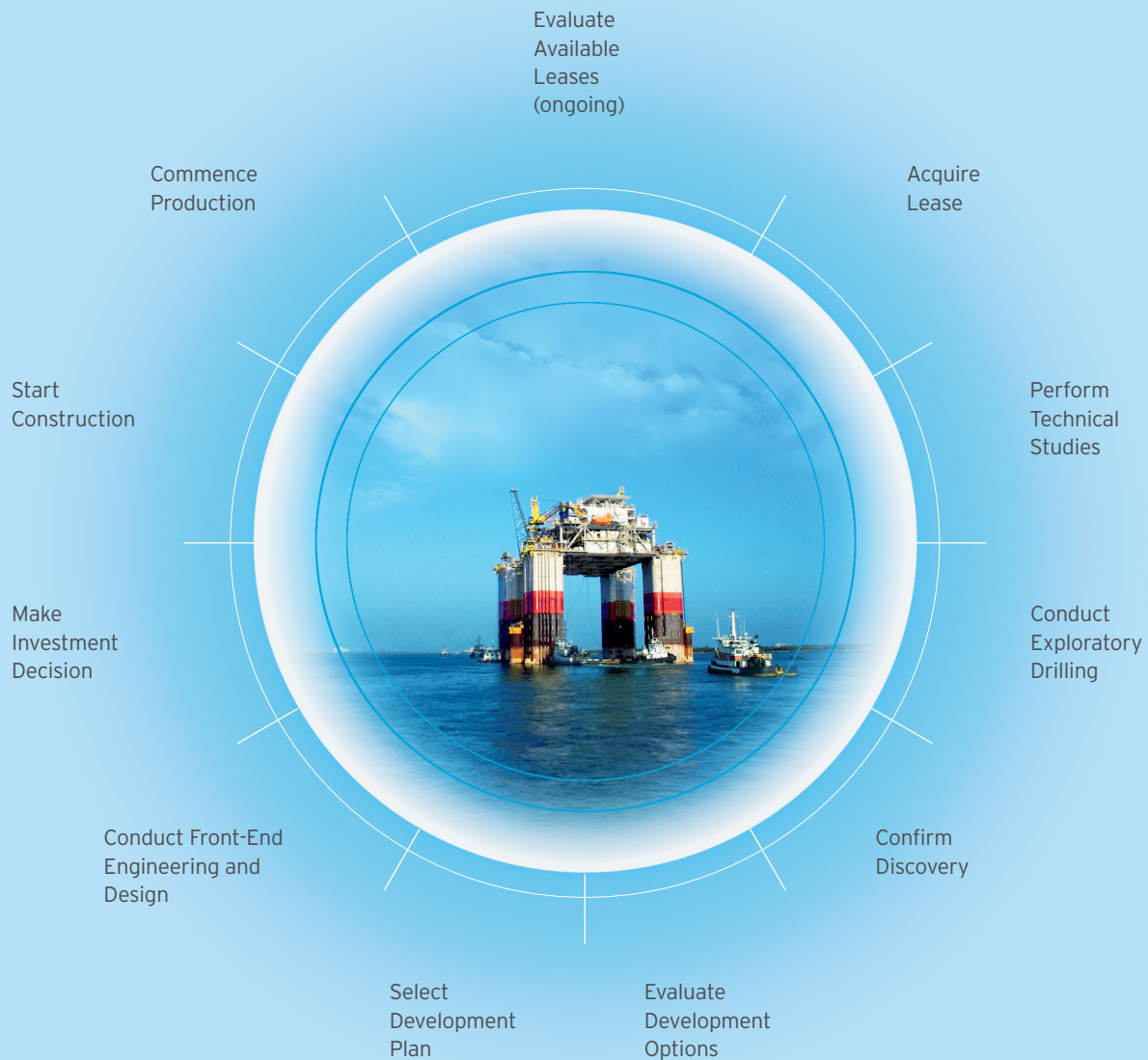
# Delivering Performance

2008 Supplement to the Annual Report

# What It Takes – People, Partnership, Performance

Finding and developing a major crude-oil and natural-gas discovery is a complex process that can take more than 10 years to complete. For example, it can take two to four years to perform technical studies on a new lease, up to two years to conduct front-end engineering and design, and up to three years to construct production facilities. Vast sums of capital also are required: Chevron's capital and exploratory expenditures have exceeded \$95 billion since 2002. A rigorous management system is in place to ensure that capital is directed to the most promising prospects and used wisely in their execution. Developing a field also requires the successful application of the most advanced technology available, innovative and experienced people, and partnerships based on mutual trust.

Here are the main steps involved from the time an available lease is first evaluated until production commences.



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# 2008 at a Glance

## Accomplishments

### Corporate

- › **Record earnings** - Achieved the highest annual earnings in the company's history, \$23.9 billion.
- › **Dividends** - Increased the quarterly stock dividend by 12.1 percent, to \$0.65 per share - the 21st consecutive year of higher annual dividend payouts.
- › **Stock repurchase program** - Acquired \$8 billion of the company's shares of common stock under a program initiated in September 2007 to buy back up to \$15 billion of common shares over a period of up to three years. Through 2008, \$10.1 billion of the company's shares had been purchased under this program.
- › **Capital and exploratory expenditures** - Invested \$22.8 billion in the company's businesses, including \$2.3 billion (Chevron's share) of spending by affiliates. Announced 2009 projected outlays of \$22.8 billion, including \$1.8 billion of affiliate expenditures. Focus continues on exploration and production activities and upgrades to the refinery network.
- › **Safety** - Reduced the days-away-from-work injury rate to a level that is among the best in the industry.

### Upstream - Exploration and Production

- › **Exploration** - Added 1.7 billion barrels of oil-equivalent resources and achieved a drilling success rate of 49 percent. Results included significant extensions of the Wheatstone and Iago natural-gas fields offshore Western Australia and a successful appraisal program at Ells River in Canada.
- › **Production** - Produced 2.53 million net oil-equivalent barrels per day, with about 75 percent of the volume outside the United States in more than 20 different countries.
- › **Oil and gas reserves** - Added proved reserves that equated to 146 percent of oil-equivalent production for 2008.
- › **Major projects** - Continued progress on the company's major development projects to deliver future production growth. Production began at Agbami in Nigeria and Blind Faith in the U.S. Gulf of Mexico. Full-facility start-up was achieved at the Tengizchevroil Sour Gas Injection/Second Generation Plant project in Kazakhstan.
- › **Gas initiatives** - Began construction at the Angola Liquefied Natural Gas (LNG) project. Progressed engineering, procurement and construction of the gas-to-liquids project in Escravos, Nigeria. Announced plans to construct an LNG facility associated with the Wheatstone natural-gas discovery offshore Western Australia.

### Downstream - Refining, Marketing and Transportation

- › **Refinery upgrades** - Completed projects at Richmond and El Segundo, California; Pascagoula, Mississippi; and Yeosu, South Korea (GS Caltex affiliate) designed to improve refinery product-yield and lower costs by increasing feedstock flexibility.
- › **Sale of nonstrategic assets** - Sold heating-oil business in the United Kingdom. Announced agreements to sell marketing and other businesses in Nigeria, Kenya, Uganda, Benin, Cameroon, Republic of the Congo, Côte d'Ivoire, Togo and Brazil.

### Chemicals

- › **Manufacturing facility expansion** - Began commercial production at the Chevron Phillips Chemical Company's (CPChem) 50 percent-owned styrene facility at Al Jubail, Saudi Arabia. Continued construction at the 49 percent-owned Q-Chem II joint-venture project in Mesaieed, Qatar, which will add manufacturing capacity for high-density polyethylene and normal alpha olefins. CPChem is 50 percent-owned by Chevron. The Oronite subsidiary of Chevron began operation of the hydrofluoric acid replacement alkylation units at its plant in Gonfreville, France. Commercial production began in January 2009.

## Corporate Strategies

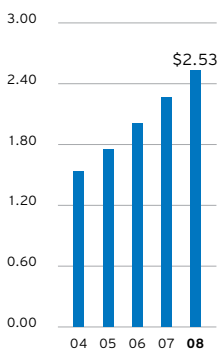
- › **Financial-return objective** - Create stockholder value and achieve sustained financial returns that will enable Chevron to outperform its competitors.
- › **Major business strategies** - Upstream - grow profitably in core areas, build new legacy positions and commercialize the company's equity natural-gas resource base while growing a high-impact global gas business. Downstream - improve returns and selectively grow, with a focus on integrated value creation. The company also continues to invest in renewable-energy technologies, with an objective of capturing profitable positions in important renewable sources of energy.
- › **Enabling strategies companywide** - Invest in people to achieve the company's strategies. Leverage technology to deliver superior performance and growth. Build organizational capability to deliver world-class performance in operational excellence, cost management, capital stewardship and profitable growth.

## Financial Highlights:

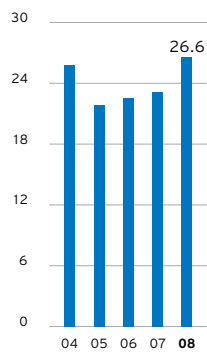
- › **Sales and other operating revenues**  
\$265 billion
- › **Net income**  
\$23.9 billion  
\$11.67 per share - diluted
- › **Return on capital employed**  
26.6%
- › **Return on average stockholders' equity**  
29.2%
- › **Cash dividends**  
\$2.53 per share

## Financial Information

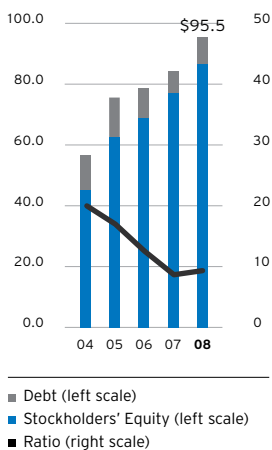
**Annual Cash Dividends**  
Dollars per share



**Return on Capital Employed**  
Percent



**Debt Ratio**  
Billions of dollars/Percent



### Financial Summary

Millions of dollars, except per-share amounts

	2008	2007	2006	2005	2004
Net income	<b>\$ 23,931</b>	\$ 18,688	\$ 17,138	\$ 14,099	\$ 13,328
Sales and other operating revenues <sup>1</sup>	<b>264,958</b>	214,091	204,892	193,641	150,865
Cash dividends - Common stock	<b>5,162</b>	4,791	4,396	3,778	3,236
Capital and exploratory expenditures	<b>22,775</b>	20,026	16,611	11,063	8,315
Cash provided by operating activities	<b>29,632</b>	24,977	24,323	20,105	14,690
At December 31: Working capital	<b>4,447</b>	5,579	7,895	9,325	9,708
Total assets	<b>161,165</b>	148,786	132,628	125,833	93,208
Total debt and capital lease obligations	<b>8,901</b>	7,232	9,838	12,870	11,272
Stockholders' equity	<b>86,648</b>	77,088	68,935	62,676	45,230
Common shares outstanding (Millions) <sup>2</sup>	<b>1,990.1</b>	2,076.3	2,150.4	2,218.5	2,093.0
<b>Per-share data<sup>2</sup></b>					
Net income - Basic	<b>\$ 11.74</b>	\$ 8.83	\$ 7.84	\$ 6.58	\$ 6.30
- Diluted	<b>11.67</b>	8.77	7.80	6.54	6.28
Cash dividends	<b>2.53</b>	2.26	2.01	1.75	1.53
Stockholders' equity at December 31	<b>43.54</b>	37.13	32.06	28.25	21.61
Market price at December 31	<b>73.97</b>	93.33	73.53	56.77	52.51
- High	<b>104.63</b>	95.50	76.20	65.98	56.07
- Low	<b>55.50</b>	64.99	53.76	49.81	41.99
<b>Financial ratios<sup>3</sup></b>					
Current ratio	<b>1.1</b>	1.2	1.3	1.4	1.5
Interest coverage	<b>166.9</b>	69.2	53.5	47.5	47.6
Debt ratio	<b>9.3 %</b>	8.6%	12.5%	17.0%	19.9%
Return on average stockholders' equity	<b>29.2 %</b>	25.6%	26.0%	26.1%	32.7%
Return on capital employed	<b>26.6 %</b>	23.1%	22.6%	21.9%	25.8%
Return on average total assets	<b>15.4 %</b>	13.3%	13.2%	12.9%	15.3%
Cash dividends/net income (payout ratio)	<b>21.6 %</b>	25.6%	25.7%	26.8%	24.3%
Cash dividends/cash from operations	<b>17.4 %</b>	19.2%	18.1%	18.8%	22.0%
Total stockholder return	<b>(18.4)%</b>	30.5%	33.8%	11.3%	25.5%

<sup>1</sup> Excludes \$291 for discontinued operations for 2004.

<sup>2</sup> Amounts in all periods reflect a two-for-one stock split effected as a 100 percent stock dividend in September 2004.

<sup>3</sup> Refer to page 63 for Financial Ratio definitions.



## Consolidated Statement of Income

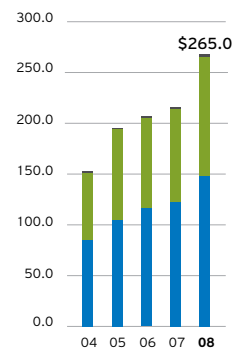
Millions of dollars	Year ended December 31				
	2008	2007	2006	2005	2004
<b>Revenues and Other Income</b>					
<b>Sales and Other Operating Revenues<sup>1,2</sup></b>					
Gasolines	\$ 53,254	\$ 47,074	\$ 42,639	\$ 39,491	\$ 33,199
Jet fuel	23,056	16,333	15,577	13,606	9,757
Gas oils and kerosene	40,940	32,170	31,647	27,572	21,086
Residual fuel oils	9,937	7,348	7,086	6,681	5,519
Other refined products	6,407	5,886	5,723	4,726	4,305
<b>Total Refined Products</b>	<b>133,594</b>	<b>108,811</b>	<b>102,672</b>	<b>92,076</b>	<b>73,866</b>
Crude oil and condensate	78,600	61,542	61,842	66,552	52,836
Natural gas	31,814	24,437	22,515	18,248	9,841
Natural gas liquids	5,517	4,483	3,488	3,211	2,632
Other petroleum revenues	3,116	2,460	2,862	3,145	2,321
Excise taxes	9,700	9,959	9,486	8,705	7,957
<b>Total Upstream and Downstream</b>	<b>262,341</b>	<b>211,692</b>	<b>202,865</b>	<b>191,937</b>	<b>149,453</b>
Chemicals	1,750	1,582	1,395	1,117	1,106
All Other	867	817	632	587	597
Less: Revenues from discontinued operations	-	-	-	-	(291)
<b>Total Sales and Other Operating Revenues</b>	<b>264,958</b>	<b>214,091</b>	<b>204,892</b>	<b>193,641</b>	<b>150,865</b>
Income from equity affiliates	5,366	4,144	4,255	3,731	2,582
Other income	2,681	2,669	971	828	1,853
<b>Total Revenues and Other Income</b>	<b>273,005</b>	<b>220,904</b>	<b>210,118</b>	<b>198,200</b>	<b>155,300</b>
<b>Costs and Other Deductions</b>					
Purchased crude oil and products <sup>2</sup>	171,397	133,309	128,151	127,968	94,419
Operating expenses	20,795	16,932	14,624	12,191	9,832
Selling, general and administrative expenses	5,756	5,926	5,093	4,828	4,557
Exploration expenses	1,169	1,323	1,364	743	697
Depreciation, depletion and amortization <sup>3</sup>	9,528	8,708	7,506	5,913	4,935
Taxes other than on income <sup>1</sup>	21,303	22,266	20,883	20,782	19,818
Interest and debt expense	-	166	451	482	406
Minority interests	100	107	70	96	85
<b>Total Costs and Other Deductions</b>	<b>230,048</b>	<b>188,737</b>	<b>178,142</b>	<b>173,003</b>	<b>134,749</b>
<b>Income From Continuing Operations Before</b>					
<b>Income Tax Expense</b>	<b>42,957</b>	<b>32,167</b>	<b>31,976</b>	<b>25,197</b>	<b>20,551</b>
Income tax expense	19,026	13,479	14,838	11,098	7,517
<b>Income From Continuing Operations</b>	<b>23,931</b>	<b>18,688</b>	<b>17,138</b>	<b>14,099</b>	<b>13,034</b>
<b>Income From Discontinued Operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>294</b>
<b>Net Income</b>	<b>\$ 23,931</b>	<b>\$ 18,688</b>	<b>\$ 17,138</b>	<b>\$ 14,099</b>	<b>\$ 13,328</b>

<sup>1</sup> Includes excise, value-added and similar taxes:

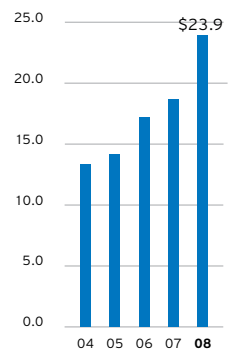
\$ 9,846 \$ 10,121 \$ 9,551 \$ 8,719 \$ 7,968

<sup>2</sup> Includes amounts for buy/sell contracts; associated costs are in "Purchased crude oil and products":

\$ - \$ - \$ 6,725 \$ 23,822 \$ 18,650

<sup>3</sup> Includes \$302, \$415, \$44, \$25 and \$90 in 2008, 2007, 2006, 2005 and 2004, respectively, for asset impairment charges.Sales & Other Operating Revenues  
Billions of dollars

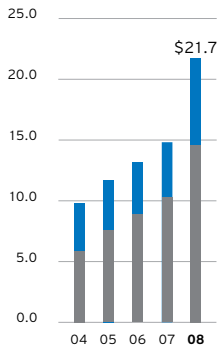
■ Chemicals & Other  
■ Crude Oil & Condensate,  
Natural Gas, & Natural  
Gas Liquids  
■ Petroleum Products

Net Income  
Billions of dollars

## Financial Information

### Worldwide Upstream Earnings

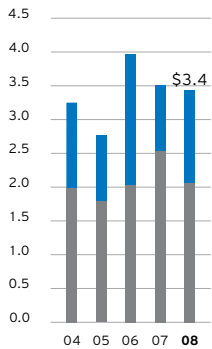
Billions of dollars



■ United States  
■ International

### Worldwide Downstream Earnings

Billions of dollars



■ United States  
■ International

### Consolidated Statement of Comprehensive Income

Millions of dollars	Year ended December 31				
	2008	2007	2006	2005	2004
<b>Net Income</b>	<b>\$ 23,931</b>	<b>\$ 18,688</b>	<b>\$ 17,138</b>	<b>\$ 14,099</b>	<b>\$ 13,328</b>
Net unrealized holding (loss) gain on securities	(6)	19	(88)	(32)	(9)
Net derivatives gain (loss) on hedge transactions	110	(6)	67	(131)	(9)
Defined benefit plan activity - (Loss) gain	(1,901)	685	(38)	58	472
Currency translation adjustment	(112)	31	55	(5)	36
<b>Other Comprehensive (Loss) Gain, Net of Tax</b>	<b>(1,909)</b>	<b>729</b>	<b>(4)</b>	<b>(110)</b>	<b>490</b>
<b>Comprehensive Income</b>	<b>\$ 22,022</b>	<b>\$ 19,417</b>	<b>\$ 17,134</b>	<b>\$ 13,989</b>	<b>\$ 13,818</b>
<b>Retained Earnings at January 1</b>	<b>\$ 82,329</b>	<b>\$ 68,464</b>	<b>\$ 55,738</b>	<b>\$ 45,414</b>	<b>\$ 35,315</b>
Net income	23,931	18,688	17,138	14,099	13,328
Cash dividends	(5,162)	(4,791)	(4,396)	(3,778)	(3,236)
Tax benefit from dividends paid on unallocated ESOP (employee stock ownership plan) shares	4	3	3	3	7
Adoption of EITF (Emerging Issues Task Force) 04-6, <i>Accounting for Stripping Costs Incurred During Production in the Mining Industry</i>	-	-	(19)	-	-
Adoption of FIN (Financial Accounting Standards Board Interpretations No.) 48, <i>Accounting for Uncertainty in Income Taxes</i>	-	(35)	-	-	-
<b>Retained Earnings at December 31</b>	<b>\$101,102</b>	<b>\$ 82,329</b>	<b>\$ 68,464</b>	<b>\$ 55,738</b>	<b>\$ 45,414</b>

### Income From Continuing Operations by Major Operating Area

Millions of dollars		Year ended December 31				
		2008	2007	2006	2005	2004
Upstream	- United States	\$ 7,126	\$ 4,532	\$ 4,270	\$ 4,168	\$ 3,868
	- International	14,584	10,284	8,872	7,556	5,622
	- Total	21,710	14,816	13,142	11,724	9,490
Downstream	- United States	1,369	966	1,938	980	1,261
	- International	2,060	2,536	2,035	1,786	1,989
	- Total	3,429	3,502	3,973	2,766	3,250
Chemicals		182	396	539	298	314
All Other*		(1,390)	(26)	(516)	(689)	(20)
<b>Income from continuing operations</b>		<b>\$ 23,931</b>	<b>\$ 18,688</b>	<b>\$ 17,138</b>	<b>\$ 14,099</b>	<b>\$ 13,034</b>
<b>Income from discontinued operations - Upstream</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>294</b>
<b>Net Income</b>		<b>\$ 23,931</b>	<b>\$ 18,688</b>	<b>\$ 17,138</b>	<b>\$ 14,099</b>	<b>\$ 13,328</b>

\* Includes mining operations, power generation businesses, worldwide cash management and debt financing activities, corporate administrative functions, insurance operations, real estate activities, alternative fuels and technology companies, and the company's interest in Dynegy prior to its sale in May 2007.

## Consolidated Balance Sheet

Millions of dollars	At December 31				
	2008	2007	2006	2005	2004
<b>Assets</b>					
Cash and cash equivalents	\$ 9,347	\$ 7,362	\$ 10,493	\$ 10,043	\$ 9,291
Marketable securities	213	732	953	1,101	1,451
Accounts and notes receivable, net	15,856	22,446	17,628	17,184	12,429
Inventories					
Crude oil and petroleum products	5,175	4,003	3,586	3,182	2,324
Chemicals	459	290	258	245	173
Materials, supplies and other	1,220	1,017	812	694	486
Total inventories	6,854	5,310	4,656	4,121	2,983
Prepaid expenses and other current assets	4,200	3,527	2,574	1,887	2,349
<b>Total Current Assets</b>	<b>36,470</b>	<b>39,377</b>	<b>36,304</b>	<b>34,336</b>	<b>28,503</b>
Long-term receivables, net	2,413	2,194	2,203	1,686	1,419
Investments and advances	20,920	20,477	18,552	17,057	14,389
Properties, plant and equipment, at cost	173,299	154,084	137,747	127,446	103,954
Less: Accumulated depreciation, depletion and amortization	81,519	75,474	68,889	63,756	59,496
Net properties, plant and equipment	91,780	78,610	68,858	63,690	44,458
Deferred charges and other assets	4,711	3,491	2,088	4,428	4,277
Goodwill	4,619	4,637	4,623	4,636	-
Assets held for sale	252	-	-	-	162
<b>Total Assets</b>	<b>\$161,165</b>	<b>\$148,786</b>	<b>\$132,628</b>	<b>\$125,833</b>	<b>\$ 93,208</b>
<b>Liabilities and Stockholders' Equity</b>					
Short-term debt	\$ 2,818	\$ 1,162	\$ 2,159	\$ 739	\$ 816
Accounts payable	16,580	21,756	16,675	16,074	10,747
Accrued liabilities	8,077	5,275	4,546	3,690	3,410
Federal and other taxes on income	3,079	3,972	3,626	3,127	2,502
Other taxes payable	1,469	1,633	1,403	1,381	1,320
<b>Total Current Liabilities</b>	<b>32,023</b>	<b>33,798</b>	<b>28,409</b>	<b>25,011</b>	<b>18,795</b>
Long-term debt and capital lease obligations	6,083	6,070	7,679	12,131	10,456
Deferred credits and other noncurrent obligations	17,678	15,007	11,000	10,507	7,942
Noncurrent deferred income taxes	11,539	12,170	11,647	11,262	7,268
Reserves for employee benefit plans	6,725	4,449	4,749	4,046	3,345
Minority interests	469	204	209	200	172
<b>Total Liabilities</b>	<b>74,517</b>	<b>71,698</b>	<b>63,693</b>	<b>63,157</b>	<b>47,978</b>
<b>Stockholders' Equity</b>	<b>86,648</b>	<b>77,088</b>	<b>68,935</b>	<b>62,676</b>	<b>45,230</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$161,165</b>	<b>\$148,786</b>	<b>\$132,628</b>	<b>\$125,833</b>	<b>\$ 93,208</b>

## Segment Assets

Millions of dollars					
Upstream <sup>1</sup>	\$103,220	\$ 89,221	\$ 77,194	\$ 70,143	\$ 43,108
Downstream	39,441	42,865	36,374	34,567	29,506
Chemicals	3,621	3,354	3,400	3,179	2,983
<b>Total Segment Assets</b>	<b>\$146,282</b>	<b>\$135,440</b>	<b>\$116,968</b>	<b>\$107,889</b>	<b>\$ 75,597</b>
All Other <sup>2</sup>	14,883	13,346	15,660	17,944	17,611
<b>Total Assets</b>	<b>\$161,165</b>	<b>\$148,786</b>	<b>\$132,628</b>	<b>\$125,833</b>	<b>\$ 93,208</b>

<sup>1</sup> Includes \$4,619, \$4,637, \$4,623 and \$4,636 of goodwill associated with the acquisition of Unocal Corporation in 2008, 2007, 2006 and 2005, respectively.

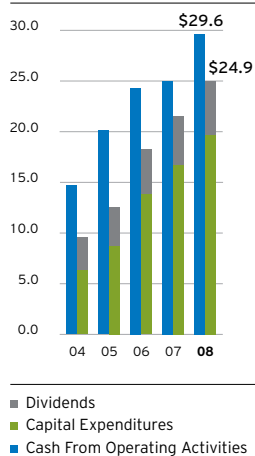
<sup>2</sup> "All Other" assets consist primarily of worldwide cash, cash equivalents and marketable securities, real estate, information systems, the company's investment in Dynegy prior to its disposition in 2007, mining operations, power generation businesses, technology companies and assets of the corporate administrative functions.



## Financial Information

### Cash From Operating Activities Compared With Capital Expenditures & Dividends

Billions of dollars



### Consolidated Statement of Cash Flows

Millions of dollars	Year ended December 31				
	2008	2007	2006	2005	2004
<b>Operating Activities</b>					
Net income	\$ 23,931	\$ 18,688	\$ 17,138	\$ 14,099	\$ 13,328
Adjustments					
Depreciation, depletion and amortization	9,528	8,708	7,506	5,913	4,935
Dry hole expense	375	507	520	226	286
Distributions less than income from equity affiliates	(440)	(1,439)	(979)	(1,304)	(1,422)
Net before-tax gains on asset retirements and sales	(1,358)	(2,315)	(229)	(134)	(1,882)
Net foreign currency effects	(355)	378	259	62	60
Deferred income tax provision	598	261	614	1,393	(224)
Net (increase) decrease in operating working capital composed of:					
Decrease (increase) in accounts and notes receivable	6,030	(3,867)	17	(3,164)	(2,515)
(Increase) decrease in inventories	(1,545)	(749)	(536)	(968)	(298)
(Increase) decrease in prepaid expenses and other current assets	(621)	(370)	(31)	(54)	(76)
(Decrease) increase in accounts payable and accrued liabilities	(4,628)	4,930	1,246	3,851	2,175
(Decrease) increase in income and other taxes payable	(909)	741	348	281	1,144
Net (increase) decrease in operating working capital	(1,673)	685	1,044	(54)	430
Minority interest in net income	100	107	70	96	85
Increase in long-term receivables	(161)	(82)	(900)	(191)	(60)
(Increase) decrease in other deferred charges	(84)	(530)	232	668	(69)
Cash contributions to employee pension plans	(839)	(317)	(449)	(1,022)	(1,643)
Other	10	326	(503)	353	866
<b>Net Cash Provided by Operating Activities</b>	<b>29,632</b>	<b>24,977</b>	<b>24,323</b>	<b>20,105</b>	<b>14,690</b>
<b>Investing Activities</b>					
Cash portion of Unocal acquisition, net of Unocal cash received	-	-	-	(5,934)	-
Capital expenditures	(19,666)	(16,678)	(13,813)	(8,701)	(6,310)
Repayment of loans by equity affiliates	179	21	463	57	1,790
Proceeds from asset sales	1,491	3,338	989	2,681	3,671
Marketable securities purchased	(3,236)	(1,975)	(1,271)	(918)	(1,951)
Marketable securities sold	3,719	2,160	1,413	1,254	1,501
Net sales (purchases) of marketable securities	483	185	142	336	(450)
Net sales (purchases) of other short-term investments	432	(799)	-	-	-
Advance to Tengizchevroil	-	-	-	-	(2,200)
<b>Net Cash Used for Investing Activities</b>	<b>(17,081)</b>	<b>(13,933)</b>	<b>(12,219)</b>	<b>(11,561)</b>	<b>(3,499)</b>
<b>Financing Activities</b>					
Net borrowings (payments) of short-term obligations	2,647	(345)	(677)	(109)	114
Repayments of long-term debt and other financing obligations	(965)	(3,343)	(2,224)	(966)	(1,398)
Net purchases of treasury shares	(6,821)	(6,389)	(4,491)	(2,597)	(1,645)
Cash dividends - Common stock	(5,162)	(4,791)	(4,396)	(3,778)	(3,236)
Dividends paid to minority interests	(99)	(77)	(60)	(98)	(41)
Redemption of preferred stock by subsidiaries	-	-	-	(140)	(18)
Proceeds from issuances of long-term debt	-	650	-	20	-
<b>Net Cash Used for Financing Activities</b>	<b>(10,400)</b>	<b>(14,295)</b>	<b>(11,848)</b>	<b>(7,668)</b>	<b>(6,224)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(166)</b>	<b>120</b>	<b>194</b>	<b>(124)</b>	<b>58</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,985</b>	<b>(3,131)</b>	<b>450</b>	<b>752</b>	<b>5,025</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>7,362</b>	<b>10,493</b>	<b>10,043</b>	<b>9,291</b>	<b>4,266</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 9,347</b>	<b>\$ 7,362</b>	<b>\$ 10,493</b>	<b>\$ 10,043</b>	<b>\$ 9,291</b>

**Capital and Exploratory Expenditures**

(Includes equity share in affiliates)

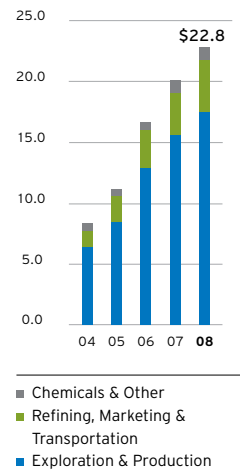
	Year ended December 31				
Millions of dollars	2008	2007	2006	2005*	2004
<b>United States</b>					
Exploration	\$ 1,305	\$ 736	\$ 810	\$ 667	\$ 511
Production	4,211	3,822	3,313	1,783	1,309
Refining	1,593	1,099	770	480	255
Marketing	196	160	142	125	134
Transportation	263	290	251	202	70
Other Downstream	130	27	13	11	38
Chemicals	407	218	146	108	123
All Other	618	768	403	329	512
<b>Total United States</b>	<b>8,723</b>	<b>7,120</b>	<b>5,848</b>	<b>3,705</b>	<b>2,952</b>
<b>International</b>					
Exploration	1,173	1,266	1,339	828	681
Production	10,771	9,714	7,357	5,111	3,820
Refining	1,463	1,108	1,210	654	388
Marketing	311	438	388	338	281
Transportation	111	89	247	231	31
Other Downstream	138	232	154	109	132
Chemicals	78	53	54	43	27
All Other	7	6	14	44	3
<b>Total International</b>	<b>14,052</b>	<b>12,906</b>	<b>10,763</b>	<b>7,358</b>	<b>5,363</b>
<b>Worldwide</b>					
Exploration	2,478	2,002	2,149	1,495	1,192
Production	14,982	13,536	10,670	6,894	5,129
Refining	3,056	2,207	1,980	1,134	643
Marketing	507	598	530	463	415
Transportation	374	379	498	433	101
Other Downstream	268	259	167	120	170
Chemicals	485	271	200	151	150
All Other	625	774	417	373	515
<b>Total Worldwide</b>	<b>\$ 22,775</b>	<b>\$ 20,026</b>	<b>\$ 16,611</b>	<b>\$ 11,063</b>	<b>\$ 8,315</b>
Memo: Equity share of affiliates' expenditures included above	\$ 2,306	\$ 2,336	\$ 1,919	\$ 1,681	\$ 1,562

\* Excludes \$17.3 billion acquisition cost of Unocal Corporation.

**Exploration Expenses<sup>1</sup>**

Millions of dollars

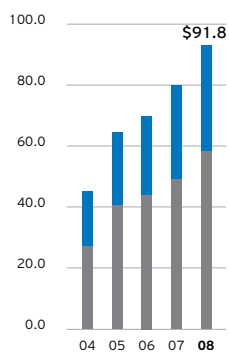
Geological and geophysical	\$ 329	\$ 367	\$ 429	\$ 253	\$ 221
Unproductive wells drilled	375	507	520	226	286
Other <sup>2</sup>	465	449	415	264	190
<b>Total Exploration Expenses</b>	<b>\$ 1,169</b>	<b>\$ 1,323</b>	<b>\$ 1,364</b>	<b>\$ 743</b>	<b>\$ 697</b>
Memo: United States	\$ 370	\$ 511	\$ 431	\$ 320	\$ 232
International	799	812	933	423	465

<sup>1</sup> Continuing operations for consolidated companies only. Excludes amortization of undeveloped leaseholds.<sup>2</sup> Includes expensed well contributions, oil and gas lease rentals, and research and development costs.**Capital & Exploratory Expenditures\***  
Billions of dollars

\*Includes equity share in affiliates, but excludes cost of Unocal acquisition in 2005.

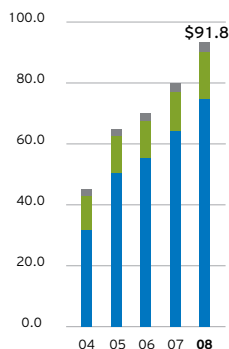
## Financial Information

**Net Properties, Plant & Equipment by Geographic Area**  
Billions of dollars



■ United States  
■ International

**Net Properties, Plant & Equipment by Function**  
Billions of dollars



■ Chemicals & Other  
■ Downstream  
■ Upstream

### Properties, Plant and Equipment

(Includes capital leases)

At December 31

Millions of dollars	2008	2007	2006	2005	2004
<b>Net Properties, Plant and Equipment at January 1</b>	<b>\$ 78,610</b>	\$ 68,858	\$ 63,690	\$ 44,458	\$ 44,538
<b>Additions at Cost</b>					
Upstream - Acquisition of Unocal	-	-	-	16,401	-
Upstream - Other <sup>1</sup>	18,551	16,237	11,029	7,057	4,674
Downstream - Acquisition of Unocal	-	-	-	619	-
Downstream - Other	4,317	2,033	1,641	1,246	923
Chemicals	122	93	79	55	39
All Other - Acquisition of Unocal	-	-	-	268	-
All Other - Other <sup>2</sup>	603	685	278	203	316
<b>Total Additions at Cost</b>	<b>23,593</b>	19,048	13,027	25,849	5,952
<b>Depreciation, Depletion and Amortization Expense<sup>3</sup></b>					
Upstream	(7,710)	(6,925)	(6,000)	(4,496)	(3,598)
Downstream	(1,091)	(1,141)	(1,024)	(1,010)	(1,062)
Chemicals	(52)	(45)	(42)	(42)	(46)
All Other <sup>2</sup>	(245)	(198)	(165)	(178)	(158)
<b>Total Depreciation, Depletion and Amortization Expense</b>	<b>(9,098)</b>	(8,309)	(7,231)	(5,726)	(4,864)
<b>Net Retirements and Sales</b>					
Upstream	(496)	(149)	(188)	(409)	(1,393)
Downstream	(589)	(369)	(242)	(443)	(458)
Chemicals	2	(6)	(1)	(9)	(18)
All Other <sup>2</sup>	(35)	(13)	(34)	(83)	(204)
<b>Total Net Retirements and Sales</b>	<b>(1,118)</b>	(537)	(465)	(944)	(2,073)
<b>Net Intersegment Transfers and Other Changes<sup>4</sup></b>					
Upstream <sup>5</sup>	(191)	(318)	(43)	(154)	1,031
Downstream <sup>5</sup>	(34)	(122)	(99)	232	(174)
Chemicals	-	(1)	-	(4)	2
All Other <sup>2</sup>	18	(9)	(21)	(21)	46
<b>Total Net Intersegment Transfers and Other Changes</b>	<b>(207)</b>	(450)	(163)	53	905
<b>Net Properties, Plant and Equipment at December 31</b>					
Upstream <sup>6</sup>	73,434	63,281	54,436	49,638	31,239
Downstream	14,978	12,375	11,974	11,698	11,054
Chemicals	834	761	720	684	684
All Other <sup>2</sup>	2,534	2,193	1,728	1,670	1,481
<b>Total Net Properties, Plant and Equipment at December 31</b>	<b>\$ 91,780</b>	\$ 78,610	\$ 68,858	\$ 63,690	\$ 44,458
<b>Memo: Gross properties, plant and equipment</b>	<b>\$173,299</b>	\$154,084	\$137,747	\$127,446	\$103,954
Accumulated depreciation, depletion and amortization	(81,519)	(75,474)	(68,889)	(63,756)	(59,496)
<b>Net properties, plant and equipment</b>	<b>\$ 91,780</b>	\$ 78,610	\$ 68,858	\$ 63,690	\$ 44,458

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

<sup>2</sup> Primarily mining operations, power generation businesses, real estate assets and management information systems.

<sup>3</sup> Difference between the total depreciation, depletion and amortization (DD&A) and total DD&A expense shown on the income statement includes accretion expense and discontinued operations. Reconciliation as follows:

DD&A on consolidated statement of income	\$ 9,528	\$ 8,708	\$ 7,506	\$ 5,913	\$ 4,935
Less: Accretion expense	(430)	(399)	(275)	(187)	(93)
Plus: Depreciation expense on discontinued operations	-	-	-	-	22
<b>DD&amp;A - Properties, plant and equipment</b>	<b>\$ 9,098</b>	<b>\$ 8,309</b>	<b>\$ 7,231</b>	<b>\$ 5,726</b>	<b>\$ 4,864</b>

<sup>4</sup> Includes reclassifications to/from other asset accounts.

<sup>5</sup> Includes reclassification adjustments for "Assets held for sale" in 2008 and 2004.

<sup>6</sup> Includes net investment in unproved oil and gas properties of \$5,367 \$4,927, \$5,218, \$5,168 and \$1,410 in 2008, 2007, 2006, 2005 and 2004, respectively.



## Miscellaneous Data

	2008	2007	2006	2005	2004
<b>Common Stock</b>					
Number of shares outstanding at December 31 (Millions) <sup>1</sup>	<b>1,990.1</b>	2,076.3	2,150.4	2,218.5	2,093.0
Weighted-average shares outstanding for the year (Millions) <sup>1</sup>	<b>2,037.4</b>	2,116.6	2,185.0	2,142.7	2,114.4
Number of stockholders of record at December 31 (Thousands)	<b>206</b>	216	225	234	228
Cash dividends on common stock					
Millions of dollars	<b>\$ 5,162</b>	\$ 4,791	\$ 4,396	\$ 3,778	\$ 3,236
Per common share <sup>1</sup>	<b>\$ 2.53</b>	\$ 2.26	\$ 2.01	\$ 1.75	\$ 1.53
Net income per common share - Diluted <sup>1</sup>					
First quarter	<b>\$ 2.48</b>	\$ 2.18	\$ 1.80	\$ 1.28	\$ 1.20
Second quarter	<b>2.90</b>	2.52	1.97	1.76	1.94
Third quarter	<b>3.85</b>	1.75	2.29	1.64	1.51
Fourth quarter	<b>2.44</b>	2.32	1.74	1.86	1.63
Year	<b>\$ 11.67</b>	\$ 8.77	\$ 7.80	\$ 6.54	\$ 6.28
Stockholders' equity per common share at December 31 <sup>1</sup>	<b>\$ 43.54</b>	\$ 37.13	\$ 32.06	\$ 28.25	\$ 21.61
<b>Personnel, Payroll and Benefits<sup>2</sup></b>					
Number of employees at December 31					
Excluding service station employees	<b>61,675</b>	59,162	55,882	53,440	47,265
Service station employees	<b>5,041</b>	5,873	6,572	6,255	9,269
Total	<b>66,716</b>	65,035	62,454	59,695	56,534
Payroll costs (Millions of dollars) <sup>3</sup>	<b>\$ 4,473</b>	\$ 4,016	\$ 3,500	\$ 3,151	\$ 2,858
Employee benefit costs (Millions of dollars) <sup>4</sup>	<b>\$ 2,196</b>	\$ 2,100	\$ 1,742	\$ 1,777	\$ 1,386
Investment per employee at December 31					
(Thousands of dollars) <sup>5</sup>	<b>\$ 1,439</b>	\$ 1,300	\$ 1,265	\$ 1,269	\$ 1,002
Average sales per employee (Thousands of dollars) <sup>6</sup>	<b>\$ 3,873</b>	\$ 3,200	\$ 3,198	\$ 3,182	\$ 2,421
Average monthly wage per employee	<b>\$ 5,658</b>	\$ 5,250	\$ 4,775	\$ 4,518	\$ 4,035
<b>Capital Employed at December 31 (Millions of dollars)</b>					
Upstream					
- United States	<b>\$ 14,195</b>	\$ 12,150	\$ 10,965	\$ 10,100	\$ 6,570
- International	<b>43,602</b>	36,299	31,372	28,454	20,225
- Goodwill	<b>4,619</b>	4,637	4,623	4,636	-
- Total	<b>62,416</b>	53,086	46,960	43,190	26,795
Downstream					
- United States	<b>8,922</b>	7,685	6,200	5,430	4,405
- International	<b>15,505</b>	16,116	15,210	14,370	13,015
- Total	<b>24,427</b>	23,801	21,410	19,800	17,420
Chemicals	<b>2,648</b>	2,330	2,405	2,250	2,055
All Other	<b>6,527</b>	5,308	8,205	10,510	10,405
<b>Total Capital Employed</b>	<b>\$ 96,018</b>	\$ 84,525	\$ 78,980	\$ 75,750	\$ 56,675
<b>Petroleum Inventories at December 31 (Millions of barrels)<sup>7</sup></b>					
Raw stocks	<b>95</b>	84	81	80	66
Unfinished stocks	<b>31</b>	28	29	25	24
Finished products	<b>46</b>	51	48	45	52
<b>Total</b>	<b>172</b>	163	158	150	142

<sup>1</sup> Amounts in all periods reflect a two-for-one stock split effected as a 100 percent stock dividend in September 2004.

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

<sup>3</sup> Excludes incentive bonuses.

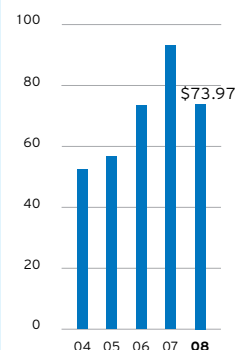
<sup>4</sup> Includes pension costs, employee severance, savings and profit-sharing plans, other postemployment benefits, social insurance plans and other benefits.

<sup>5</sup> Investment = Total year-end capital employed.

<sup>6</sup> Average sales per employee = Sales and other operating revenues (net of excise taxes and excluding discontinued operations)/Average number of employees (beginning and end of year).

<sup>7</sup> On an "owned" inventories basis (i.e., physical inventory adjusted for volumes payable to or receivable from others). Consolidated companies only.

**Chevron Year-End  
Common Stock Price**  
Dollars per share



# Upstream

Grow profitably in core areas, build new legacy positions and commercialize the company's equity natural-gas resource base while growing a high-impact global gas business.



Photo: Floating production, storage and offloading vessel under way to the Frade Field, offshore Brazil.

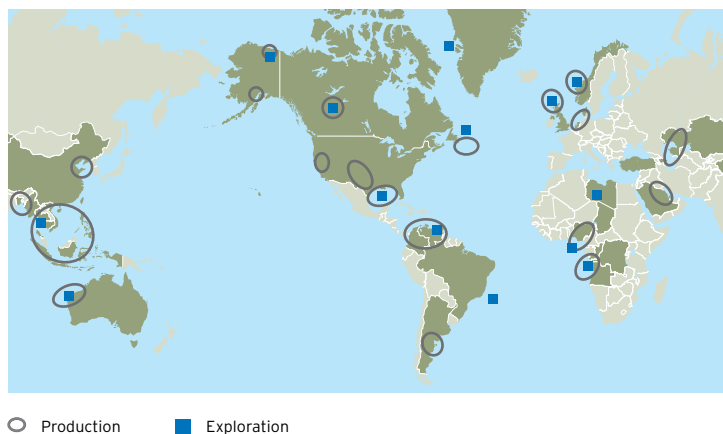
## Highlights

Worldwide net oil-equivalent production averaged 2.53 million barrels per day in 2008. About 25 percent of this production was in the United States and another 10 percent was in Kazakhstan. The company's producing operations are geographically dispersed, with no other country accounting for more than 10 percent of the company's total worldwide output.

The company's "focus areas" for exploration in 2008 were the deepwater regions of West Africa, the U.S. Gulf of Mexico, offshore northwest Australia and the Gulf of Thailand. Drilling activities occurred or were in various stages of planning in several "test areas," including west of Shetland Islands in the United Kingdom, Orphan Basin in Canada, offshore Norway and deepwater Brazil.

Aligned with the activities in both exploration and production is the company's strategy to commercialize its significant worldwide natural-gas resource base through the integration of business activities, including plans for producing, liquefying, transporting, regasifying and marketing natural gas to target markets.

Upstream Portfolio



### Industry Conditions in 2008

Industry price levels for crude oil were volatile during 2008. The spot price for West Texas Intermediate (WTI) crude oil, a benchmark crude, started 2008 at \$96 per barrel and peaked at \$147 in early July. By the end of the year, the WTI price had fallen to \$45 per barrel. The collapse in price during second-half 2008 was largely driven by a decline in the demand for crude oil that was associated with a significant weakening of the world economies. The WTI price averaged \$100 per barrel for full-year 2008, compared with \$72 in 2007. OPEC quotas did not significantly affect Chevron's production levels in 2008.

In contrast to price movements in the global market for crude oil, price changes for natural gas in many regional markets are more closely aligned with supply-and-demand conditions in those markets. In the United States during 2008, benchmark prices at Henry Hub averaged about \$9 per thousand cubic feet (MCF), compared with \$7 in 2007.

### Business Strategies

Grow profitably in core areas and build new legacy positions by:

- › Achieving world-class operational performance.
- › Maximizing and growing the base business.
- › Leading the industry in selection and execution of major capital projects.
- › Achieving superior exploration success.
- › Identifying, capturing and effectively incorporating new core upstream businesses.

### 2008 Accomplishments

#### Worldwide

- › Reported record net income of \$21.7 billion.
- › Added 1.7 billion barrels of oil-equivalent resources and achieved an exploration drilling success rate of 49 percent with 23 successful exploratory wells.
- › Added proved oil-equivalent reserves of 1.34 billion barrels, representing 146 percent of oil-equivalent production for 2008.

#### United States

Much of the exploration and development activity was in the Gulf of Mexico:

- › Achieved first production at the deepwater Blind Faith project.
- › Completed appraisal drilling programs at Big Foot, Caesar/Tonga, Jack & St. Malo, and Tubular Bells.
- › Completed topside installation at Tahiti.
- › Continued construction and drilling at Perdido Regional Development.
- › Added 68 offshore leases - 54 in the deep water and 14 on the shelf.
- › Discovered crude oil in the Lower Tertiary Trend at Buckskin (announced in February 2009).



### International

- › Achieved first production in:
  - Australia - North West Shelf Train 5.
  - Azerbaijan - Azeri-Chirag-Gunashli Phase III project.
  - Indonesia - North Duri Field Area 12.
  - Nigeria - Agbami Field.
  - Republic of the Congo - Moho-Bilondo Field.
  - Thailand - Arthit Field.
  - United Kingdom - Brodgar-Callanish project.
- › Achieved full-facility start-up from Tengizchevroil's Sour Gas Injection/Second Generation Plant project in Kazakhstan.
- › Confirmed a significant extension of the Iago natural-gas field offshore Western Australia.
- › Finalized agreements with the government of Newfoundland and Labrador for the Hebron Atlantic Canada Development Project.
- › Made final investment decisions for Chuandongbei Phase 1 in China and the Platong Gas II development in the Gulf of Thailand.
- › Awarded all major construction contracts for development of the deepwater Usan Field in Nigeria.
- › Signed 30-year extension of the concession for operations in the Partitioned Neutral Zone (PNZ) between Saudi Arabia and Kuwait.

### Global Natural Gas Projects

- › Began construction at the Angola Liquefied Natural Gas (LNG) project.
- › Announced plans to develop an Australian LNG facility associated with the Wheatstone natural-gas discovery.
- › Updated design for planned Gorgon LNG project off the coast of Western Australia.
- › Progressed engineering, procurement and construction of the EGT facility in Escravos, Nigeria.

### 2009 Outlook

- › Project execution - Advance major projects that are expected to add production in 2009 and beyond.
  - Angola - First production from Mafumeira Norte Field.
  - Angola - Completion of Tombua-Landana facilities.
  - Brazil - First oil from Frade Field.
  - Canada - Construction activities at Athabasca Oil Sands Project Expansion #1.
  - China - Final investment decision for Chuandongbei Stage 2.
  - Nigeria - Final investment decision for Agbami Stage 2.
  - PNZ - Start-up of Wafra Field Large Steamflood Pilot project.
  - Trinidad and Tobago - First gas from Trinidad Incremental Gas Project.
  - United States - Front-end engineering and design (FEED) for Jack & St. Malo.
  - United States - First oil from Tahiti Field.
  - United States - Continuation of construction at Perdido Regional Development.
  - United States - Final investment decision for Caesar/Tonga.
  - United States - Continuation of exploration activities at the White Hills prospect in Alaska.
- › Exploration - Deliver new hydrocarbon resources through continued exploration investment; follow up on previous discovery and appraisal activity.
- › Base business - Continue major initiatives to improve operating efficiencies and lower costs.
- › Global gas - Progress the activities that help commercialize the company's equity natural-gas resource base:
  - Angola - Continue construction at the Angola LNG project.
  - Australia - Complete FEED and obtain environmental approvals for the Gorgon LNG project; make final investment decision.
  - Australia - Progress engineering and design of the Wheatstone LNG Project and enter FEED.
  - Nigeria - Continue construction at the EGT facility.
  - Nigeria - Complete installation of Escravos Gas Project (EGP) Phase 3A.

Upstream Financial and Operating Highlights<sup>1</sup>

Dollars in millions	United States		International	
	2008	2007	2008	2007
Segment income	\$ 7,126	\$ 4,532	\$14,584	\$10,284
Gross liquids production (Thousands of barrels per day) <sup>2</sup>	459	507	1,751	1,751
Net liquids production (Thousands of barrels per day) <sup>2</sup>	421	460	1,228	1,296
Other produced volumes (Thousands of barrels per day) <sup>3</sup>	-	-	27	27
Gross natural gas production (Millions of cubic feet per day) <sup>2</sup>	1,740	1,984	4,525	4,098
Net natural gas production (Millions of cubic feet per day) <sup>2</sup>	1,501	1,699	3,624	3,320
Gross proved liquids reserves (Millions of barrels) <sup>2</sup>	1,592	1,761	7,266	7,511
Net proved liquids reserves (Millions of barrels) <sup>2</sup>	1,470	1,624	5,880	5,463
Gross proved natural gas reserves (Billions of cubic feet) <sup>2</sup>	3,630	4,249	23,783	23,220
Net proved natural gas reserves (Billions of cubic feet) <sup>2</sup>	3,150	3,677	19,925	18,463
Natural gas sales (Millions of cubic feet per day)	7,226	7,624	4,215	3,792
Natural gas liquids sales (Thousands of barrels per day)	159	160	114	118
Net productive exploratory oil and gas wells completed <sup>4</sup>	8	4	55	62
Net productive development oil and gas wells completed <sup>4</sup>	846	875	755	695
Net productive wells at year-end <sup>4,5</sup>	39,164	39,260	12,542	12,643
Net proved and unproved acreage (Thousands of acres) <sup>6</sup>	8,220	8,906	59,986	61,751
Exploration expenditures	\$ 1,305	\$ 736	\$ 1,173	\$ 1,266
Production expenditures	\$ 4,211	\$ 3,822	\$10,771	\$ 9,714
Total upstream capital and exploratory expenditures	\$ 5,516	\$ 4,558	\$11,944	\$10,980

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

<sup>2</sup> Gross production or gross reserves are the company's share of total production or total reserves before deducting royalties (and a government's agreed-upon share of production under a production-sharing contract (PSC)). Net production or net reserves are after deducting royalties (and a government's agreed-upon share of production under a PSC).

<sup>3</sup> Represents volumes produced at Athabasca (Canada) Oil Sands.

<sup>4</sup> Net wells include all wholly owned wells and the sum of the fractional interests in wells that are associated with joint ventures or unitized operations.

<sup>5</sup> Includes wells producing or capable of producing and injection wells temporarily functioning as producing wells.

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

The projects in the table below are considered the most noteworthy in the company's development portfolio each with an expected maximum net daily production of 25,000 barrels of oil-equivalent or more. These and other projects in the portfolio are discussed in detail beginning on the next page.

Major Capital Projects				Maximum Total Production <sup>1</sup>	
Year of Start-Up/Project	Location	Ownership Percentage	Operator	Liquids (MBPD) <sup>2</sup>	Natural Gas (MMCFPD) <sup>2</sup>
<b>2008</b>					
ACG (Azeri-Chirag-Gunashli) Phase III	Azerbaijan	10.3	Partner	280	350
Agbami	Nigeria	68.2	Chevron	250	-
Blind Faith	United States	75.0	Chevron	62	50
Moho-Bilondo	Republic of the Congo	31.5	Partner	90	-
North Duri Development (Area 12)	Indonesia	100.0	Chevron	34	-
<b>2009</b>					
Frade	Brazil	51.7	Chevron	82	31
Tahiti	United States	58.0	Chevron	125	70
Tombua-Landana <sup>3</sup>	Angola	31.0	Chevron	100	-
<b>2010</b>					
EGP Phase 3A	Nigeria	40.0	Chevron	43 <sup>4</sup>	395 <sup>4</sup>
Perdido Regional Development <sup>5</sup>	United States	33.3-60.0	Partner	130 <sup>6,7</sup>	-
<b>2011</b>					
Platong Gas II	Thailand	69.8 <sup>8</sup>	Chevron	10	330
<b>2012-2014</b>					
Angola LNG Plant	Angola	36.4	Affiliate	-	670 <sup>6</sup>
EGTL	Nigeria	75.0	Chevron	34 <sup>6</sup>	-
Gorgon LNG Trains 1-3	Australia	50.0	Chevron	7	2,282
Jack & St. Malo	United States	50.0 & 41.3	Chevron	120-150 <sup>6,7</sup>	-
North Rankin 2	Australia	16.7	Partner	39 <sup>9</sup>	1,980 <sup>9</sup>
Usan	Nigeria	30.0	Partner	180	-

<sup>1</sup> Targeted maximum total production is total for each field or project except as footnoted. If the project is a new facility, an expansion of existing facilities or a phased project, the indicated production is for the incremental volumes directly attributable to the project or phase.

<sup>2</sup> MBPD = thousands of barrels per day; MMCFPD = millions of cubic feet per day.

<sup>3</sup> Production from the Landana North reservoir commenced in 2006 through the existing Benguela Belize-Lobito Tomboco facilities.

<sup>4</sup> Represents incremental volumes to total plant processing capacity.

<sup>5</sup> Perdido Regional Development includes interests in Great White (33.3 percent), Silvertip (60.0 percent), Tobago (57.5 percent) and the Perdido Regional Host Shared Producing facility (37.5 percent).

<sup>6</sup> Represents total facility processing capacity.

<sup>7</sup> Capacity expressed in thousands of oil-equivalent barrels per day.

<sup>8</sup> Represents a weighted average of Chevron's interest across multiple blocks.

<sup>9</sup> Volumes are not incremental. Project is designed to maintain the North West Shelf Venture capacity.

NOTE: The Chuandongbei project in China is omitted from the table above due to an uncertainty in the timing of the production start-up, which was under discussion with the partner in early 2009.

## United States

Chevron's U.S. portfolio is anchored by producing assets concentrated in California, the Gulf of Mexico, Louisiana, Texas, New Mexico, the Rocky Mountains and Alaska. The company was the third-largest hydrocarbon producer in the United States during 2008, with net oil-equivalent production averaging 671,000 barrels per day. This oil-equivalent volume was composed of 421,000 barrels of crude oil and natural gas liquids and 1.5 billion cubic feet of natural gas. Net oil-equivalent production in the United States during 2008 represented about one-fourth of the companywide total, including oil sands.

The company received several health, environment and safety awards during 2008, including the California Department of Oil, Gas and Geothermal Resources *Certificate of Award for Outstanding Commitment to Environmental Protection & Efficient Enhanced Oil Recovery* for the San Ardo Field; the California Department of Conservation *Clean Lease Award* for the 12th consecutive year for operations on the San Joaquin lease in the Kern River Field and on the Star and Inca leases in the Coalinga Field; the Minerals Management Service of the U.S. Department of the Interior *national Safety Award for Excellence (SAFE)* in the high-activity category and the *District SAFE* awards for the Gulf of Mexico Lake Charles and Houma districts; and the National Ocean Industries Association *2008 Safety in Seas Award* for the company's Gulf of Mexico Hurricane Restoration Project following hurricanes Katrina and Rita.

### California

Operating primarily in the San Joaquin Valley, Chevron again ranked No. 1 in oil-equivalent production in California in 2008 at 215,000 barrels per day. The daily oil-equivalent volume comprised 196,000 barrels of crude oil, 88 million cubic feet of natural gas and 5,000 barrels of natural gas liquids. With approximately 84 percent of the crude-oil production considered heavy oil (typically with API gravity lower than 22 degrees), heat management continues to be a major operational focus in the recovery of these reserves, with emphasis on improved energy efficiency.



The three major San Joaquin Valley crude-oil fields – Kern River, Midway Sunset and Cymric – had combined net oil-equivalent production of 151,000 barrels per day in 2008.

Kern River, which averaged 80,000 barrels per day, is a mature steamflood operation. The company drilled 200 infill wells at Kern River in 2008 and planned to drill approximately 140 infill wells in 2009. The company also plans to increase water and gas handling capacity in the field. The project involves dewatering the reservoir from areas underlying the crude-oil accumulation to reduce reservoir pressure and enable steamflooding. A pilot project has demonstrated the effectiveness of the plan. The first phase involves the installation of a water and gas handling facility followed by a second phase of multi-year development drilling.

**Diatomite Reservoirs** Chevron has crude-oil resources in diatomite reservoirs at Lost Hills, Cymric, McKittrick and Midway Sunset fields. Formed from the skeletons of prehistoric microorganisms called diatoms, diatomite is a reservoir rock with very high porosity and low permeability from which commercial production rates are difficult to achieve.

In the Lost Hills Field (a light-oil, diatomite reservoir), the company drilled 23 production wells and 35 injection wells during 2008. Waterflood technology is being used in the region to improve recovery of the field's hydrocarbons, with water injection rates averaging 229,000 barrels per day in 2008. Net oil-equivalent production during the year averaged 21,000 barrels per day.

The diatomite reservoirs at Cymric, McKittrick and Midway Sunset contain heavy oil. A recovery technique utilizing a high-pressure cyclic steaming process continues to improve recovery from Cymric's Antelope reservoir, and the process is also being used at McKittrick. The company drilled 61 wells in new, infill and replacement locations during 2008 and planned to drill an additional 62 wells at Antelope and McKittrick in 2009. Average net oil-equivalent production from the Cymric and McKittrick diatomite reservoirs was 28,000 barrels per day in 2008.

**Elk Hills** An active development program continued at Elk Hills Field, in which the company has an average nonoperated working interest of 23 percent in four producing zones. During 2008, 200 development wells (including producers and injectors) were drilled to mitigate the production decline of crude oil and natural gas from a base level of 15 percent to less than 3 percent annually. Chevron's 2008 share of daily production was 11,000 barrels of crude oil, 55 million cubic feet of natural gas and 4,000 barrels of natural gas liquids. In the Shallow Oil Zone, nitrogen injection continued, horizontal-well water injection commenced and an alkaline surfactant polymer flood pilot achieved first chemical injection in December 2008. These enhanced-recovery activities are intended to allow production of additional crude oil and natural gas that would not be recoverable using conventional methods. Also during 2008, two wells were drilled that expanded the boundaries within the Carneros Sands and identified new potentially recoverable hydrocarbons.



**San Ardo** The company is executing a major capital project designed to increase crude-oil production by expanding the existing steamflood operation in the wholly owned and operated San Ardo Field in central California. This project will use the company's latest automation tools and an elaborate water treating and management system. In addition to supporting facilities, the project plan consists of drilling new injection and producing wells and returning existing shut-in wells to operation in order to increase the number of steamflood patterns over a seven-year period from 2007 through 2013. Maximum net daily production of 12,000 barrels of oil-equivalent is expected in 2013.

### Gulf of Mexico

During 2008, average net oil-equivalent production for the company's combined interests in the Gulf of Mexico shelf and deepwater areas and the onshore fields in the region averaged 160,000 barrels per day. This oil-equivalent volume was composed of 76,000 barrels of crude oil, 439 million cubic feet of natural gas and 10,000 barrels of natural gas liquids. Chevron has an interest in 755 leases in the Gulf of Mexico, 444 of which are located in water depths greater than 1,000 feet (305 m). At year-end 2008, the company was the largest leaseholder in the Gulf of Mexico.

In September 2008, hurricanes Gustav and Ike caused significant damage to production facilities and third-party infrastructure in the Gulf of Mexico. At the end of 2008, approximately 50,000 barrels per day of oil-equivalent production remained offline in the Gulf of Mexico due to the hurricanes, with restoration of the volumes to occur as repairs to third-party pipelines and producing facilities are completed.

#### Shelf

Chevron is one of the largest producers of crude oil and natural gas on the Gulf of Mexico shelf. Average net daily production in 2008 was 52,000 barrels of crude oil, 421 million cubic feet of natural gas and 9,000 barrels of natural gas liquids. The net oil-equivalent production in 2008 was 131,000 barrels per day. The company drilled 37 development and delineation wells during 2008 and participated with partners in three deep-gas exploration wells. Deep-gas exploration is focused on a series of trends and prospects with targets below 15,000 feet (4,572 m), characterized by higher-resource potential wells but also by higher-than-average cost, complexity, pressure and temperature.

The company's deep-gas efforts in 2008 focused on delineation of prior-year discoveries in the greater Tiger Shoal area, especially the successful delineation of Flatrock. Flatrock is a multiple-reservoir deep-gas discovery below the Chevron-operated Tiger Shoal Field. At year-end 2008, there were four wells producing a daily total of 154 million cubic feet of natural gas and 3,000 barrels of crude oil. The company's net oil-equivalent production was 12,000 barrels per day. A fifth well commenced production in first quarter 2009, with a sixth well expected to be on production in second quarter 2009. Chevron, with a 45 percent working interest, operates the Flatrock wells during the production phase. During 2008, the company acquired 14 new leases, 13 of which were associated with deep-gas targets.



Yellow square icon: Chevron Activity Highlight

### Deep Water

Chevron is one of the top leaseholders in the deepwater Gulf of Mexico, averaging net daily production of 24,000 barrels of crude oil, 18 million cubic feet of natural gas and 1,000 barrels of natural gas liquids during 2008 (net oil-equivalent production of 28,000 barrels per day).

#### Production

**Genesis** Total daily production during 2008 averaged 8,000 barrels of crude oil and 10 million cubic feet of natural gas. Chevron is the operator with a 56.7 percent interest. The company's net daily oil-equivalent production in 2008 was 5,000 barrels.

**Mad Dog** Total daily production averaged 55,000 barrels of crude oil and 10 million cubic feet of natural gas during 2008. Chevron has a 15.6 percent nonoperated working interest in this spar-development project. The company's net oil-equivalent production in 2008 was 8,000 barrels per day. Development drilling stopped in 2008 due to the loss of the platform drilling rig during Hurricane Ike. In early 2009, alternatives were still being evaluated to complete the remaining development drilling program. Additional appraisal drilling was scheduled to occur on the south flank of Mad Dog in second quarter 2009.

**Petronius** Total daily production in 2008 averaged 22,000 barrels of crude oil and 24 million cubic feet of natural gas from Petronius and the nearby Perseus Field. Chevron is the operator with a 50 percent interest. The company's net oil-equivalent production in 2008 was 12,000 barrels per day. In early 2009, 4-D seismic survey and performance data continued to be used to optimize reservoir management and high-grade remaining field-development opportunities.

## Development

**Blind Faith** First oil at Blind Faith was produced from four wells in fourth quarter 2008. Production is through a deep draft, semi-submersible facility in Mississippi Canyon Block 650. It is Chevron's deepest offshore production facility, located in 6,500 feet (1,981 m) of water. The subsea wells are located in 7,000 feet (2,134 m) of water in Mississippi Canyon Blocks 695 and 696. Ramp-up to the daily maximum production of 62,000 barrels of crude oil and 50 million cubic feet of natural gas was expected in 2009. The field has an estimated production life of 20 years and is estimated to contain more than 100 million barrels of oil-equivalent that are potentially recoverable. Total project costs were \$1.2 billion. A portion of the reserves initially recorded as proved undeveloped were reclassified as proved developed coincident with project start-up. Chevron is operator and holds a 75 percent working interest in this project.

**Caesar/Tonga** The company participated in a successful Green Canyon Block 770 appraisal well in 2008. The Tonga and Caesar partnerships formed a unit agreement for the area consisting of Green Canyon 683, 727, 770 and a portion of the 726 Block, an area that includes the Caesar, Tonga and West Tonga fields. Chevron holds a 20.3 percent nonoperated working interest in the unitized area. A final investment decision was made in first quarter 2009 and first oil is expected by 2011. Development plans include a subsea tieback to a nearby third-party production facility. Project costs are estimated at \$1.7 billion.

**Perdido Regional Development** The Perdido Regional Development is located in the ultra-deep Alaminos Canyon, approximately 250 miles (402 km) south of Houston. The development encompasses the installation of a producing host facility in Alaminos Canyon Block 857 that is designed to service multiple fields, including Chevron's 33.3 percent-owned Great White (Blocks 812, 813, 814, 856, 857, 900, 901 and a portion of 858), 60 percent-owned Silvertip (Block 815) and 57.5 percent-owned Tobago (Block 859). Chevron has a 37.5 percent interest in the Perdido Regional Host. All of these fields and the production facility are partner-operated. Total project costs are estimated at \$4.1 billion.

Great White was a 2002 discovery in approximately 8,000 feet (2,438 m) of water. Silvertip and Tobago were discovered in 2004 in 9,200 feet (2,804 m) and 9,600 feet (2,926 m) of water, respectively. The development plan is subsea with tieback to a vertical access spar floating production facility having a design capacity of 130,000 barrels of oil-equivalent per day. The shared host, to be located in approximately 8,000 feet (2,438 m) of water, is expected to be the deepest spar production facility in the world. First oil is expected in first quarter 2010, with an anticipated project life of 25 years. The initial recording of proved undeveloped reserves for the project occurred in 2006, and reclassification of these reserves to the proved developed category is planned near the time of first production. Activities in 2008 included facilities construction, development drilling and spar installation.

**Tahiti** Chevron operates and holds a 58 percent interest in the Tahiti Field, located in Green Canyon Blocks 596, 597, 640 and 641. Potentially recoverable volumes are estimated at 400 million to 500 million oil-equivalent barrels. Tahiti was discovered in

approximately 4,100 feet (1,250 m) of water in 2002. The project is designed as a subsea development with tieback to a truss-spar floating production facility with a daily capacity of 125,000 barrels of crude oil and 70 million cubic feet of natural gas. The spar installation was completed in May 2008, and topsides modules were installed in August 2008. First oil was expected to occur in second quarter 2009. Project costs for the initial phase are estimated at \$2.7 billion. The initial recording of proved undeveloped reserves for the project occurred in 2003, and a portion of these reserves was planned to be reclassified to the proved-developed category near the time of first production.

In early 2009, a possible second phase of development that involves additional wells and possible waterflood was under evaluation. The field has an estimated production life of 30 years.

**Exploration** During 2008 and early 2009, the company participated in 12 deepwater exploratory wells - four wildcat and eight appraisal. The status of the 2008 drilling program as of early 2009 was as follows:

- Big Foot - 60 percent-owned and operated; a 2006 discovery. Successful appraisal well completed drilling in first quarter 2008; final appraisal well completed drilling in January 2009. Results were under evaluation.
- Buckskin - 55 percent-owned and operated. Wildcat discovery announced in February 2009 and appraisal well planned for late 2009.
- Jack & St. Malo - 50 percent-owned and 41.3 percent-owned, respectively; both company-operated. Discovered in 2004 and 2003, respectively. Fields are within 25 miles (40 km) of each other and being considered for joint development. Successful appraisal wells were drilled at both prospects during 2008. Located in 7,000 feet (2,134 m) of water and 26,500 feet (8,077 m) of reservoir depth, development is geologically and technically challenging. Entered front-end engineering and design (FEED) in first quarter 2009.
- Puma - 21.8 percent nonoperated working interest; a 2003 discovery. Part of the seven-block Puma Unit. An appraisal well completed drilling in first quarter 2009.
- Tubular Bells - 30 percent nonoperated working interest. A second appraisal well completed drilling in 2008 and results were under evaluation.

At the 2005 Knotty Head discovery in Green Canyon Block 512, in which Chevron holds a 25 percent nonoperated working interest, an appraisal well was planned for third quarter 2009.

At the end of 2008, the company had not recognized proved reserves for the exploration projects discussed above.

Chevron added new leases to its deepwater portfolio in 2008. In the Gulf of Mexico Lease Sale 206 (Central Planning Area), the company was awarded 34 deepwater leases. In the Gulf of Mexico Lease Sale 207 (Western Planning Area), the company was awarded 20 deepwater leases.

### Other U.S. Areas

The company operates the production of crude oil and natural gas across the mid-continental United States - primarily in Colorado, New Mexico, Oklahoma, Texas and Wyoming - and in Alaska and also holds nonoperated working interests in these and several other states.

Chevron is the second-largest hydrocarbon producer in the Permian Basin of West Texas. In Alaska, the company operates 10 platforms and five natural-gas producing fields in the Cook Inlet and holds operated and nonoperated working interests on the North Slope.

In 2008, the company's U.S. operations outside California and the Gulf of Mexico averaged 296,000 barrels of net oil-equivalent production per day, composed of 101,000 barrels of crude oil, 974 million cubic feet of natural gas and 33,000 barrels of natural gas liquids. Capital spending is focused in the Permian Basin, the Rockies, East Texas and South Texas. During the year, the company drilled 250 wells and participated in 403 partner-operated wells.



Chevron Activity Highlight

In this portion of the U.S. portfolio of assets, the company is managing historical base-production decline rates in existing fields with well workovers, artificial-lift techniques, facility and equipment improvements, enhanced-recovery methods, such as water and carbon dioxide (CO<sub>2</sub>) injection, and development drilling.

Examples of such activity include CO<sub>2</sub> projects in the Vacuum Field of southeast New Mexico and at the McElroy, Dollarhide and Reinecke fields in West Texas. In the McAllen Ranch Field in south Texas, drilling five development wells and installing additional facilities resulted in an increase of 22 million cubic feet per day of net natural-gas production, bringing the field to a new production record of 171 million cubic feet per day in first-half 2008. At the South Texas Laredo Lobo Field, 10 development wells were drilled, increasing net daily natural-gas production by more than 18 million cubic feet. The company's working interest in both fields is nearly 100 percent.

In the Piceance Basin in northwestern Colorado, the company is continuing a natural-gas development of approximately 35,000 acres (142 sq km), in which it holds a 100 percent operated working interest. An estimated 3 trillion cubic feet of natural gas are potentially recoverable from this project. Development drilling, which began in 2007, surpassed 100 wells in 2008. An eight-mile (13-km) pipeline to transport the gas to a nearby gathering system was completed in third quarter 2008. Construction of compression and dehydration facilities to produce 60 million cubic feet per day of natural gas was expected to be completed in mid-2009. The full development plan includes drilling more than 2,000 wells from multi-well pads. Reserves are expected to be recognized over the life of the project based upon drilling results.

Also in the Piceance Basin is a significant oil-shale resource, part of an estimated 2 trillion barrels of oil shale located in Utah, Wyoming and Colorado. In 2007, Chevron was one of three companies granted a research, development and demonstration lease by the Bureau of Land Management for the purpose of demonstrating a viable commercial technology for the extraction of oil shale in the Piceance Basin. In 2008, Chevron commenced drilling a 19-well hydrology testing program as a first step in attempting to unlock this vast resource.

In Alaska's Cook Inlet, Chevron initiated a development program in two offshore fields in 2007. At Granite Point Field, 3-D seismic was acquired and facilities and rigs were upgraded to support new development drilling that began in the first quarter of 2008. At the McArthur River Field, conversion projects to reduce gas-lift operations and lower fuel-gas consumption were also completed during the year.

On the North Slope of Alaska, Chevron continued an exploratory drilling program at the White Hills prospect, which encompasses oil and gas leases on more than 450,000 acres (1,821 sq km) of state of Alaska lands.

## Africa

In Africa, the company is engaged in exploration and production activities in Angola, Chad, Democratic Republic of the Congo, Libya, Nigeria and Republic of the Congo. Net daily oil-equivalent production of 352,000 barrels during 2008 in these countries represented about 15 percent of the companywide total, including oil sands.



### Angola

The company operates and holds a 39.2 percent interest in Block O, a concession adjacent to the Cabinda coastline, and a 31 percent interest in a production-sharing contract (PSC) for deepwater Block 14, located west of Block O. The company also has a 20 percent nonoperated working interest in Block 2, which is adjacent to the northwestern part of Angola's coast south of the Congo River, and a 16.3 percent nonoperated working interest in the onshore Fina Sonangol Texaco (FST) concession area.

During 2008, total daily liquids production averaged 534,000 barrels (145,000 net).

### Block O

**Production** Block O is divided into areas A and B and contains 21 fields that produced a total average of 344,000 barrels of liquids per day (109,000 net) in 2008. Area A comprises 15 producing fields and averaged total daily production of 191,000 barrels of crude oil (60,000 net) and 2,000 barrels of liquefied petroleum gas (LPG) (1,000 net). Area B has six producing fields and averaged total daily production of 132,000 barrels of crude oil and condensate (41,000 net) and 19,000 barrels of LPG (7,000 net). The Block O concession extends through 2030.

**Development** Drilling activity within the block continues at a high level. Several major infrastructure projects are being undertaken to eliminate routine flaring of natural gas, handle increasing production volumes and renew older facilities.

In Area A, drilling at Banzala was expected to continue through third quarter 2009. The Greater Takula infrastructure project in Area A was completed in August 2008 and involved the upgrade and debottlenecking of four offshore platforms and onshore treating facilities to increase production and water treatment capacity. Reserves were reclassified to proved developed upon start-up.

Start-up of the Takula Gas Processing Platform occurred in December 2008, and the Cabinda Gas Plant was scheduled to begin operations in the second half of 2009. The Takula and Malongo Flare and Relief Modification Project was scheduled to start up in stages beginning the second half of 2009 and continue into 2011. These projects, which are major components of the Area A Gas Management Project, are expected to eliminate the routine flaring of natural gas by reinjecting excess natural gas into the various Takula and Malongo reservoirs.

The first phase of development targeting the northern portion of the Mafumeira Field in Area A, Mafumeira Norte, continued with the installation of the platform topsides in December 2008. First production was scheduled for third quarter 2009. Maximum total daily production is expected to be 35,000 barrels of crude oil in 2011.

In Area B, development drilling at the Nemba and Kokongo fields occurred throughout 2008. As of early 2009, FEED continued on the South N'Dola field development in Area B and feasibility studies were under way for areas that included Greater Vanza/Longui in Area B and Southern Malongo in Area A. Work also continued on the Nemba Enhanced Secondary Recovery and Flare Reduction project, with gas injection start-up planned for 2010 and the elimination of routine flaring in the Nemba area planned for 2012.

**Exploration** In 2008, two delineation wells were drilled in Area A. One well found commercial quantities of hydrocarbons and was put into production. An exploration well in Area B was completed in January 2009, and the results were being evaluated. Acquisition of ocean-bottom cable seismic data in Block O started December 2008 and is expected to be finalized in 2010.



### Block 14

**Production** In 2008, total daily production was 168,000 barrels of liquids (33,000 net) from BBLT (Benguela Belize-Lobito Tomboco), Kuito and Landana fields.

**Development** Since 1995, when the exploration license was first awarded, Block 14 has undergone an aggressive exploration program, resulting in 11 discoveries.

Development of the Tombua and Landana fields continued with installation of producing facilities late in 2008, with first oil expected in second-half 2009. The maximum total daily production from Tombua and Landana of 100,000 barrels of crude oil is anticipated in 2011. Proved undeveloped reserves were recognized for Tombua and Landana in 2001 and 2002, respectively. Reclassification from proved undeveloped to proved developed occurred in 2006 and 2007. Further reclassification is expected at start-up and as the drilling program is completed. Development and production rights for these fields expire in 2028. The total cost of the Tombua-Landana project is estimated at \$3.8 billion.

The Negage project was under evaluation in 2008, and no production start-up date was determined. At the end of 2008, the company had not recognized proved reserves for this project. Development and production rights for the Negage Field expire in 2029.

**Exploration** Two satellite exploration wells and one appraisal well were drilled in Block 14 in 2008, all in the Lucapa provisional development area. The two satellite exploration wells resulted in the discovery of subcommercial quantities of hydrocarbons. The appraisal well continued the successful appraisal of the 2006 Lucapa discovery and resulted in the additional discovery of a deeper reservoir in Block 14. Studies to evaluate development alternatives were under way in early 2009, with FEED expected in 2010. At the end of 2008, the company had not recognized proved reserves for Lucapa.

An appraisal well commenced drilling in January 2009 at the 2007 Malange discovery, and development alternatives were under review in early 2009. At the end of 2008, no proved reserves had been recognized for this prospect.

### Block 2 and FST Area

**Production** Total daily production averaged 22,000 barrels of liquids (3,000 net) in 2008.

**Angola Liquefied Natural Gas (LNG)** Angola LNG is an integrated natural-gas utilization project, for which partners made a final investment decision at the end of 2007. The onshore LNG plant in the northern part of the country is designed with a capacity to process 1 billion cubic feet of natural gas per day (5.2 million metric tons per year offtake) and to provide a commercial option for Angola's natural-gas resources. Chevron has a 36.4 percent interest in Angola LNG Limited, which will operate the plant. Construction began in early 2008, and start-up is expected in 2012. The company initially recorded proved undeveloped natural-gas reserves for the producing operations associated with this project in 2007. The life of the LNG plant is estimated to be in excess of 20 years.

### Angola-Republic of the Congo Joint Development Area

Chevron is the operator and holds a 31.3 percent interest in the Lianzi Development Area located in a joint development area shared equally between Angola and Republic of the Congo.

**Development** The Lianzi project entered FEED in December 2008, and further development planning was scheduled for 2009.

### Democratic Republic of the Congo

Chevron has a 17.7 percent nonoperated working interest in a concession off the coast of Democratic Republic of the Congo.

**Production** Total production in 2008 from seven fields averaged 13,000 barrels of crude oil per day (2,000 net).

### Republic of the Congo

Chevron has a 31.5 percent nonoperated working interest in the Nkossa, Nsoko and Moho-Bilondo exploitation permits and a 29.3 percent nonoperated working interest in the Kitina exploitation permit, all of which are offshore.

**Production** Average total production in 2008 from Republic of the Congo fields was 64,000 barrels of liquids per day (11,000 net). Nkossa production continued to be affected by a 2007 explosion and fire, but was expected to return to full capacity mid-2009.

**Development** Moho-Bilondo produced first oil in April 2008. Production is from subsea well clusters that are connected to a floating processing unit. Maximum total daily production of 90,000 barrels of crude oil is expected in 2010.

Proved undeveloped reserves were initially recognized in 2001. Transfer to the proved developed category occurred upon start-up. The development and production rights for Moho-Bilondo expire in 2030.

**Exploration** In 2008, one successful appraisal well was drilled in the Moho-Bilondo exploitation permit area. Another exploration well started drilling first quarter 2009 in the same area.

### Chad/Cameroon

Chevron is a nonoperating working-interest partner in an ongoing project to develop crude-oil fields in southern Chad and transport the produced volumes about 665 miles (1,070 km) by underground pipeline to the coast of Cameroon for export to world markets. Chevron holds a 25 percent interest in the producing operations and an approximate 21 percent interest in the two affiliates that own the pipeline. The Chad producing operations are conducted under a concession agreement that expires in 2030.



**Production** Total crude-oil production in 2008 from six fields in the Doba Basin averaged 127,000 barrels per day (28,000 net).

**Development** In late 2008, the development application for the Timbre Field in the Doba Basin area was approved.

**Exploration** Acreage not associated with field development rights granted by the government of Chad was relinquished in February 2009.

### Libya

**Exploration** Chevron operates and holds a 100 percent interest in the onshore Block 177 exploration license. The exploration drilling program began in February 2009.

### Nigeria

The company operates and holds a 40 percent interest in 13 concessions predominantly in the onshore and near-offshore regions of the Niger Delta and varying interests in deepwater offshore blocks. The concessions include approximately 2.2 million acres (8,900 sq km) and are operated under a joint-venture arrangement with Nigerian National Petroleum Corporation (NNPC), which owns a 60 percent interest. At the end of 2008, the company had acreage positions in 12 deepwater blocks: Oil Mining Lease

(OML) 113 (18 percent nonoperated working interest), OML 127 (80 percent-owned and operated), OML 128 and OML 129 (46.2 percent nonoperated working interests), OML 132 (100 percent-owned and operated), OML 138 and OML 139 (30 percent nonoperated working interest), OML 140 (95 percent-owned and operated), Oil Prospecting Lease (OPL) 214 (20 percent nonoperated working interest), OPL 221 (40 percent nonoperated working interest), OPL 223 (30 percent nonoperated working interest) and OPL 247 (54 percent-owned and operated).

**Production** In 2008, total daily production averaged 376,000 barrels of crude oil, 181 million cubic feet of natural gas and 16,000 barrels of LPG. The company's net oil-equivalent production in 2008 was 154,000 barrels per day.

### Niger Delta

**Production** In 2008, total daily production from 32 fields in the Niger Delta averaged 332,000 barrels of crude oil, 154 million cubic feet of natural gas and 6,000 barrels of LPG. The company's net oil-equivalent production was 126,000 barrels per day. Natural-gas production capacity that was restricted by 180 million cubic feet per day as a result of vandalism in 2006 was fully restored in March 2008 following completion of repairs to an NNPC pipeline.

At SOWIP (South Offshore Water Injection Project), an enhanced crude-oil recovery project in OML 90, water injection increased to 180,000 barrels per day by year-end 2008, and total production of crude oil averaged 15,000 barrels per day for the year (5,000 net). The maximum injection rate is expected to increase to 240,000 barrels per day in 2010 once all of the water injection pipelines are installed.

### Development

**Western Niger Delta Re-entry** In 2003, Chevron's production in the Western Niger Delta was shut in following community unrest and vandalism of facilities. Ninety percent of the production had been restored by the end of 2007, and during 2008, the balance was restored at all seven swamp fields (Abiteye, Makaraba, Utonana, Opuekeba, Benin River, Gbokoda and Dibi). Total average production of crude oil was 77,000 barrels per day for the year (25,000 net).

Construction activities that began in 2007 on the Olero Creek rebuild project continued in 2008, with project completion anticipated in 2011. An early-oil initiative resulted in total production of 5,000 barrels per day (2,000 net) during 2008.

In early 2008, work began to replace an aging trunkline that transports the area's crude oil from Abiteye to processing facilities at Escravos. Completion is planned for 2010.

**Exploration** Shallow-water exploration activities in 2008 included drilling an exploration well at the Ekura prospect in OML 89 and acquiring seismic data covering OML 53.



### Deep Water Development

**Agbami Project** The Agbami Field produced first crude oil in July 2008. By early 2009, total production was averaging 170,000 barrels per day (116,000 net). Development drilling and completion operations were expected to result in maximum total liquids production of 250,000 barrels per day by year-end 2009. Chevron's operated interest under a unit agreement is 68.2 percent.

Agbami is at a water depth of 4,800 feet (1,463 m), with subsea wells tied back to a floating production, storage and offloading (FPSO) vessel. The geologic structure spans 45,000 acres (182 sq km) across OML 127 and OML 128. The field is one of the largest deepwater discoveries in Nigeria and contains an estimated 1 billion barrels of potentially recoverable crude oil and natural gas liquids.

The company initially recognized proved undeveloped reserves for Agbami in 2002. A portion of the proved undeveloped reserves were reclassified to proved developed with production start-up. The total cost for the first stage of the project was \$7 billion. Plans for subsequent stages include drilling of up to 16 wells. A final investment decision for a 10-well second stage was scheduled for second-half 2009. The leases that contain the Agbami Field expire in 2023 and 2024.

**Bonga SW/Aparo** The Aparo Field in OML 132 and OML 140 and the Bonga SW Field in OML 118 share a common geologic structure and are planned to be developed jointly. The geologic structure lies 70 miles (113 km) off the coast of the western Niger Delta region in 4,300 feet (1,311 m) of water. Chevron will have an approximate 20 percent nonoperated working interest in the proposed unitized area. The project was delayed in 2008 to secure partner alignment on scope and the commercial terms. The partners signed a preliminary unitization agreement in January 2009. The final investment decision is dependent on a final unitization agreement. Proved reserves were not recognized for this project at the end of 2008.

**Nsiko** Chevron operates and holds a 95 percent interest in the Nsiko discovery in OML 140. This discovery lies in approximately 5,800 feet (1,768 m) of water, 90 miles (145 km) off the coast of the western Niger Delta region. Subsurface evaluations and field development planning were completed in 2008. Development activities and FEED are expected to commence once commercial terms are resolved. At the end of 2008, the company had not recognized proved reserves for this project.

**Usan** Chevron holds a 30 percent nonoperated working interest in this development project in OML 138, which lies in 2,461 feet (750 m) of water, 62 miles (100 km) off the coast of the eastern Niger Delta region. The development plan involves subsea wells producing to an FPSO. FEED was completed in 2007. All major construction contracts were awarded in early 2008. Development drilling was scheduled to begin in second-half 2009. The company recognized proved undeveloped reserves in 2004. Production start-up of the 20-year project is scheduled for 2012, at which time a portion of the proved undeveloped reserves is expected to be reclassified to the proved developed category. Maximum total daily production of 180,000 barrels of crude oil is anticipated within one year of start-up.

**Exploration** During 2008, the company continued its evaluation of deepwater crude-oil opportunities. Chevron participated in the drilling of three wells that encountered hydrocarbons - two at the Uge prospect in OPL 214 and one at the Aje prospect in OML 113. Evaluation of these discoveries was under way in early 2009, and additional exploratory drilling was planned for first-half 2009. At the end of 2008, proved reserves had not been recognized for these discoveries.

### Natural Gas Commercialization Projects

**Escravos Gas Project (EGP) Phase 3A** Construction continued during 2008 on the Chevron-operated and 40 percent-owned EGP Phase 3A expansion in Escravos that was expected to be completed in late 2009 and begin production in 2010. Project scope includes offshore natural-gas gathering and compression infrastructure and a second natural-gas processing facility. The project is designed to increase daily processing capacity from 285 million to 680 million cubic feet of natural gas and increase daily LPG and condensate export capacity from 15,000 to 58,000 barrels. The facilities are scheduled to process natural gas from the Meji, Delta South, Okan and Mefa fields. Proved undeveloped reserves associated with EGP Phase 3A were recognized in 2002. These reserves are expected to be reclassified to proved developed as various project milestones are reached and related projects are completed. The anticipated life of the project is 25 years. Total capital costs for the project are estimated at \$2.1 billion.

**EGP Phase 3B** This Chevron-operated and 40 percent-owned development in Escravos is expected to start up in 2013. The EGP Phase 3B project is a continuation of the company's Western Delta Gas Development Program, the aim of which is to eliminate routine flaring of natural gas that is associated with the production of crude oil. The project includes installation of a 120 million-cubic-foot-per-day natural-gas-gathering and compression platform near the existing Meren 1 complex, installation of approximately 75 miles (121 km) of subsea pipelines, and modifications to nine existing production platforms. The project is designed to receive natural gas from the Meren, Parabe, Malu, Isan, Opolo, Ewan, Tapa and Delta fields and transport it to the Escravos Gas Plant for processing and sale. In early 2009, the tendering process for the engineering, procurement, construction and installation contract was under way. Total capital costs for the project are estimated at \$2 billion.

**EGTL** Chevron and NNPC are developing a 34,000-barrel-per-day gas-to-liquids (GTL) facility at Escravos that is designed to process 320 million cubic feet per day of natural gas from the EGP Phase 3A project. At the end of 2008, engineering was essentially complete and facility construction was under way. Two GTL reactors were installed in December 2008, and the remaining process modules were scheduled for installation during 2009. Chevron Nigeria Limited has a 75 percent interest and will operate the plant, which is scheduled for start-up in 2012. The estimated cost of the project is \$5.9 billion.

**Olokola LNG Project** Chevron has a 19.5 percent interest in the OKLNG (OKLNG Free Zone Enterprise), which will operate the Olokola LNG project. Plans include a multi-train natural-gas liquefaction facility and marine terminal located northwest of Escravos. The project entered FEED in 2006 and is expected to be implemented in phases, commencing with construction of two trains having 12.6 million metric tons per year of total capacity. Approximately 50 percent of the natural gas supplied to the plant is expected to be provided from the producing areas associated with Chevron's joint venture with NNPC. At the end of 2008, a final investment decision had not been reached, and the company had not recognized proved reserves associated with this project.

**Onshore Asset Gas Management (OAGM)** Chevron operates and holds a 40 percent interest in six crude-oil fields collectively referred to as the Onshore Area. In 2003, civil unrest in the area resulted in vandalism of the compression infrastructure. The OAGM project is designed to restore these facilities and to supply 125 million cubic feet of natural gas to the Nigerian domestic gas market. As of early 2009, early construction work had begun, with the main construction contract expected to be awarded in 2010.

**West African Gas Pipeline** Chevron is the largest shareholder in West African Gas Pipeline Company Limited, with a 36.7 percent interest. The company constructed, owns and operates the 421-mile (678-km) West African Gas Pipeline, which is designed to supply Nigerian natural gas to customers in Ghana, Benin and Togo for industrial applications and power generation. First gas was shipped December 2008. Compression facilities to increase the pipeline capacity to 170 million cubic feet of natural gas per day are targeted for completion in 2010.

### Nigeria - São Tomé e Príncipe Joint Development Zone (JDZ)

Chevron operates and holds a 45.9 percent interest in JDZ Block 1. In 2008, technical studies concluded that an earlier discovery was uneconomic. Identification and analysis of other prospects within the JDZ were ongoing in early 2009.

## Asia-Pacific

Major producing countries in the Asia-Pacific region include Australia, Azerbaijan, Bangladesh, Kazakhstan, the Partitioned Neutral Zone located between Saudi Arabia and Kuwait, and Thailand. Net daily oil-equivalent production of 849,000 barrels during 2008 in these countries represented about one-third of the companywide total, including oil sands.

### Australia

Chevron is the largest holder of undeveloped natural-gas resources in Australia, having built a significant resource position off the northwest coast.

During 2008, the total daily production was 159,000 barrels of crude oil and condensate, 23,000 barrels of LPG, and 2.3 billion cubic feet of natural gas. The company's net oil-equivalent production in 2008 was 96,000 barrels per day.

**Barrow Island and Thevenard Island** On Barrow Island and Thevenard Island off the northwest coast of Australia, Chevron operated total production of 9,000 barrels per day of crude oil in 2008 (5,000 net). Chevron's interests are 57.1 percent for Barrow and 51.4 percent for Thevenard.

**Browse Basin** During 2008, Chevron conducted major successful appraisal drilling programs in the Calliance and Torosa fields. A commitment well was also drilled in Block WA274P, testing the northern extension of the Ichthys Field in east Browse Basin. The company's nonoperated working interests range from 16.7 percent to 20 percent and 24.8 percent to 50 percent in the Browse Basin blocks and east Browse Basin blocks, respectively. At the end of 2008, proved reserves had not been recognized for the fields in Browse Basin.





**Greater Gorgon Area** Chevron holds significant equity interests in the large natural-gas resource of the Greater Gorgon Area off the coast of Western Australia. The company holds a 50 percent interest across most of the area and is the operator of the planned Gorgon LNG project. Chevron and partners have agreed to combine the development of Gorgon and the nearby Io/Jansz natural-gas fields as one large-scale project.

**Development** Chevron's development plan for the Gorgon resource includes a three-train, 15 million-metric-ton-per-year LNG configuration on Barrow Island. Environmental approval from the Western Australian Environmental Protection Authority had not been issued as of early 2009. Nonbinding Heads of Agreement (HOA) are in place for sales to three utility companies in Japan and GS Caltex in South Korea, and negotiations continued into 2009 to finalize binding sales agreements from these HOAs. Purchase commitments from each of these customers are expected to range from 250,000 to 1.5 million metric tons per year over 25 years. A final investment decision was expected in second-half 2009 after receipt of environmental approvals, finalization of LNG sale agreements and completion of FEED. Expected project start-up is 2014.

At the end of 2008, the company had not recognized proved reserves for any of the Greater Gorgon Area fields. Recognition is contingent on securing sufficient LNG sales agreements and achieving other key project milestones, including receipt of environmental permits. The project's estimated economic life is at least 40 years from the time of start-up.

**Exploration** In 2008, 3-D seismic was acquired for Block WA268P, which includes the Chandon discovery. At the end of 2008, proved reserves had not been recognized for this discovery.

**North West Shelf Venture (NWSV)** Chevron has a 16.7 percent nonoperated working interest in the NWSV in Western Australia. The joint venture operates offshore producing fields and extensive onshore facilities that include five LNG trains. The producing operations are composed of the North Rankin, Goodwyn, Perseus, Angel and Echo Yodel producing natural-gas fields and the Wanaea, Cossack, Lambert and Hermes producing crude-oil fields. The NWSV concession expires in 2034.

**Production** Total daily production during 2008 averaged 150,000 barrels of crude oil and condensate (25,000 net), 23,000 barrels of LPG (4,000 net), and 2.2 billion cubic feet of natural gas (374 million net). Approximately 70 percent of the natural gas was sold in the form of LNG to major utilities in Japan, South Korea and China, primarily under long-term contracts. A total of 201 LNG cargoes were sold in 2008. Approximately 790 million cubic feet of natural gas per day (132 million net) was sold to the Western

Australia domestic market, significantly higher than in 2007 due to a reduction of available gas supply elsewhere for the market.

**Development** The fifth LNG train (Train 5) achieved first production from the LNG facility in September 2008. Train 5 has the capacity to process 4.2 million metric tons of LNG per year, increasing total plant capacity to more than 16 million metric tons per year. The expansion project also included a second jetty for additional berthing capacity, additional boil-off gas compression and a third fractionation train for additional LPG handling.

Start-up of the Angel natural-gas field occurred in October 2008. The development included an unmanned production platform and subsea pipeline that tied in to existing pipeline infrastructure to the onshore LNG and domestic natural-gas plants.

NWSV is studying additional mid- to long-term natural-gas supply projects for the five LNG trains and domestic natural-gas plant. The final investment decision was made in March 2008 on North Rankin 2 (NR2), the first of these additional projects. NR2 is designed to recover remaining low-pressure natural gas from the North Rankin and Perseus natural-gas fields and includes necessary tie-ins and refurbishment of North Rankin A. Upon completion, both platforms are designed to be operated as a single integrated facility. Total estimated project cost is \$4.7 billion, and start-up is expected in 2013. Proved undeveloped reserves were recorded in prior years and are scheduled to be transferred to proved developed upon completion of the project. Additional gas supply is planned through development of several small fields on the western flank of the Goodwyn reservoirs. Appraisal drilling was ongoing in 2009 to determine development concept in 2010, with start-up expected by 2014. These small fields contain an aggregate of 3 trillion to 4 trillion cubic feet of potentially recoverable natural gas.

NWSV is also advancing plans to extend the period of crude-oil production. The NWS Oil Redevelopment Project is designed to replace an FPSO and a portion of existing subsea infrastructure that service production from Cossack, Hermes, Lambert and Wanaea offshore fields. A final investment decision was made in November 2008, and start-up is expected in 2011. The total estimated project cost is \$1.9 billion, and the project is expected to extend production past 2020.

**Wheatstone** The Wheatstone and Iago fields are contained in three permits located between NWSV and the Greater Gorgon Area. The company has a 100 percent interest in Wheatstone and a 66.7 percent interest in the permit area that contains approximately 50 percent of Iago. In early 2008, Chevron announced plans to develop an LNG project associated with its Wheatstone natural-gas discovery. The facility is expected to be a multi-train development with a separate, but co-located domestic natural-gas plant. Chevron completed a successful seven-well appraisal program in 2008 in Wheatstone and Iago. In December 2008, Ashburton North along the West Pilbara coast was selected as the preferred site for the LNG processing facility. Engineering studies were under way to move the project into FEED during second-half 2009. At the end of 2008, the company had not recognized proved reserves for this project.

**Exploration** In connection with the appraisal drilling at Wheatstone and Iago, a significant extension of Iago was confirmed in July 2008.

### Azerbaijan

Chevron holds a 10.3 percent nonoperated working interest in the Azerbaijan International Operating Company (AIOC) and the crude oil AIOC is producing in the Caspian Sea from the Azeri-Chirag-Gunashli (ACG) project. Chevron also has an 8.9 percent interest in the Baku-Tbilisi-Ceyhan (BTC) pipeline, which transports the majority of AIOC production from Baku, Azerbaijan, through Georgia to Mediterranean deepwater port facilities at Ceyhan, Turkey.



**Production** AIOC's total crude-oil production in 2008 averaged 689,000 barrels per day (28,000 net). AIOC exports its production primarily via the BTC pipeline and the Western Route Export Pipeline (WREP), which is wholly owned by AIOC. The 1,094-mile (1,762-km) BTC pipeline has a capacity of 1.2 million barrels per day. WREP runs 515 miles (829 km) from Baku, Azerbaijan, to the terminal at Supsa, Georgia, on the Black Sea and has a capacity of 145,000 barrels per day.

As alternatives to the primary export pipelines, AIOC could use rail tank cars that connect with a Georgian Black Sea port and/or, provided there is spare capacity, a northern pipeline route that connects to an existing pipeline system in Russia and extends to the Russian Black Sea port of Novorossiysk.

**Development** First production from ACG Phase III occurred in the second quarter of 2008. The project is designed to develop the deepwater Gunashli Field. Producing operations include water injection from subsea wells.

Total daily production was expected to ramp up to more than 700,000 barrels by mid-2009. Proved undeveloped reserves for ACG were reclassified to proved developed upon ACG Phase III start-up. Additional reclassifications are expected to occur as new wells are drilled and completed. AIOC operations are conducted under a 30-year PSC that expires in 2024.

## Kazakhstan

Chevron has the largest holding of hydrocarbons in Kazakhstan by a private company, with a 50 percent interest in the Tengizchevroil (TCO) affiliate and a 20 percent nonoperated working interest in the Karachaganak Field. TCO production is from the Tengiz and Korolev fields.

Total daily production in 2008 from TCO and Karachaganak was 629,000 barrels of crude oil and natural gas liquids and 1.3 billion cubic feet of natural gas. The company's net oil-equivalent production in 2008 was 267,000 barrels per day. Chevron also holds a 15 percent interest in the Caspian Pipeline Consortium (CPC) pipeline, which provides the critical export route for crude oil from both TCO and Karachaganak.

**Tengiz and Korolev** TCO is operating and developing the Tengiz and Korolev crude-oil fields in western Kazakhstan under a 40-year concession that expires in 2033.

**Production** Total daily production in 2008 averaged 377,000 barrels of crude oil (156,000 net), 494 million cubic feet of natural gas (195 million net) and 28,000 barrels of natural gas liquids (12,000 net).

**Development** In 2008, TCO completed the Sour Gas Injection (SGI) and Second Generation Plant (SGP) project at a total cost of \$7.4 billion. The project increased total daily production capacity to 540,000 barrels of crude oil, 760 million cubic feet of natural gas and 46,000 barrels of natural gas liquids.

The SGI portion of the facilities takes approximately one-third of the sour gas separated from the crude-oil production at the SGP processing train and reinjects this gas at very high pressures into the Tengiz reservoir. SGI is designed to increase production efficiency and recoverable volumes as the injected gas maintains higher reservoir pressure and displaces oil toward the producing wells. The company recognized additional proved reserves associated with the SGI expansion in 2008. In early 2009, TCO was evaluating options for another significant expansion project based on SGI/SGP technologies.

During 2008, the majority of TCO's production was exported through the CPC pipeline. Incremental production not transported via the CPC pipeline was moved by rail to Black Sea ports or to Aktau, Kazakhstan, and then via tanker to Baku, Azerbaijan, for shipment through the BTC pipeline to Ceyhan or by rail to Black Sea ports.

## Karachaganak

Karachaganak is a natural gas and condensate field located in northwest Kazakhstan. Chevron holds a 20 percent nonoperated working interest in the project that is being developed in phases. Karachaganak operations are conducted under a 40-year PSC that expires in 2038.

**Production** Total daily production during 2008 averaged 224,000 barrels of liquids (41,000 net) and 843 million cubic feet of natural gas (153 million net). Approximately 163,000 barrels per day of processed liquids (30,000 net) were exported and sold at prices

available in world markets. Substantially all of the exported volumes were transported through the CPC pipeline. A portion was exported via the Atyrau-Samara (Russia) pipeline. Liquids not exported by these pipelines were sold as unstable condensate into the Russian market.

**Development** Work continued during 2008 on a fourth oil-stabilization train designed to process sour-condensate production into 56,000 barrels per day of stabilized and sweetened oil (11,000 net). The project has a slight positive impact on field production rates and enables export of the stabilized oil to high-value world markets. The fourth train is expected to start up in 2011.

Engineering studies continued during 2008 of Phase III expansion alternatives for the field. As of early 2009, the timing of a final investment decision on a preferred alternative was uncertain. At the end of 2008, proved reserves had not been recognized for this project phase.

**CPC** CPC operates a 935-mile (1,505-km) crude-oil export pipeline from the Tengiz Field in Kazakhstan to tanker-loading facilities at Novorossiysk on the Russian coast of the Black Sea. During 2008, CPC transported an average of 675,000 barrels of crude oil per day to Novorossiysk, composed of 557,000 barrels per day originating from Kazakhstan and 118,000 barrels per day from Russia. In addition, approximately 15,000 barrels per day of Tengiz crude was discharged from CPC at Atyrau for loading onto rail cars. In late 2008, CPC partners signed a Memorandum of Understanding to expand the pipeline design capacity to 1.4 million barrels per day. The expansion could provide additional transportation capacity to accommodate TCO production. As of early 2009, the required governmental approvals for the expansion had not been received, and the timing of a final investment decision was uncertain.

## Russia

Exploration and delineation activities in the Pyakutinsky and Aikhetinsky license areas, located in the Yamal-Nenets region of western Siberia, were completed in 2008. Results did not demonstrate the presence of commercial quantities of hydrocarbons. Chevron elected not to exercise its option to acquire a 49 percent interest in Northern Taiga Neftegaz LLC, holder of the Pyakutinsky and Aikhetinsky licenses.

## Turkey

Chevron holds a 25 percent nonoperated working interest in the 550,000-acre (2,226-sq-km) Silopi licenses in southeast Turkey on trend with production in Iraq's northern Zagros Fold Belt. Additional seismic work was conducted in 2008, and preparations were under way to drill the Lale prospect in mid-2009.

### Bangladesh

Chevron holds interests in three operated PSCs in Bangladesh covering onshore Block 12 (Bibiyana Field), onshore Blocks 13 and 14 (Jalalabad and Moulavi Bazar fields), and offshore Block 7. The company has a 98 percent interest in Blocks 12, 13 and 14 and increased its interest in Block 7 during 2008 from 43 percent to 88 percent through an acquisition. The rights to produce from Jalalabad expire in 2025, from Moulavi Bazar in 2028 and from Bibiyana in 2034.



**Production** In 2008, total daily production averaged 698 million cubic feet of natural gas and 5,000 barrels of condensate. The company's net oil-equivalent production in 2008 was 71,000 barrels per day.

**Development** In 2008, a 3-D seismic survey for Moulavi Bazar was completed. Future plans include seismic processing and geological studies.

**Exploration** In June 2008, Chevron reached agreement with PetroBangla, the Bangladesh national oil company, and the Bangladesh Energy Ministry to extend the evaluation period for Block 7 exploration prospects. Additional seismic work and one exploration well are required by 2011.

### Cambodia

Chevron operates and holds a 55 percent interest in 1.2 million acres (4,709 sq km) in Block A, located in the Gulf of Thailand.

**Exploration** A four-well exploration and appraisal program was completed in 2007. As of early 2009, commerciality of the prospects was being evaluated. At the end of 2008, proved reserves had not been recognized.

### Myanmar

Chevron has a 28.3 percent nonoperated working interest in a PSC for the production of natural gas from the Yadana and Sein fields in the Andaman Sea. The company also has a 28.3 percent interest in a pipeline company that transports the natural gas from Yadana to the Myanmar-Thailand border for delivery to power plants in Thailand. The PSC expires in 2028.

**Production** Most of the natural gas from the Yadana Field is purchased by Thailand's PTT Public Company Limited (PTT) and contributes to the fuel requirements of three major power plants in Thailand. A small amount of production is dedicated to the Myanmar market. Total natural-gas production during 2008 averaged 705 million cubic feet per day (89 million net).

**Development** The Medium Compression Platform project was completed in the first quarter of 2009. The project consists of a compression platform with two natural-gas compression trains, which are expected to maintain the contract-production levels and maximize ultimate recovery from the fields.

### Thailand

In the Gulf of Thailand, Chevron is the operator and holds interests of 51.7 percent in Blocks B8/32 and 9A, 51 percent in Block G4/43, 71.3 percent in Block G4/48, a range from 60 percent to 80 percent in Blocks 10, 10A, 11, 11A, 12 and 13, and 35 percent in Block B12/27. The company also has a 16 percent nonoperated working interest in Blocks 14A, 15A, 16A, G9/48 and G8/50, known collectively as the Arthit Field.

The company sells all of its Thailand natural-gas production to PTT, the national oil company of Thailand, under long-term natural-gas sales agreements. The natural gas is used mainly in power generation, but is also consumed by the industrial and transportation sectors and the petrochemical industry. Chevron's production is used to supply approximately one-third of Thailand's total demand for natural gas.

**Production** In the Pattani Field, Blocks 10, 11, 12, 13 and B12/27 produce crude oil, condensate and natural gas from 16 operating areas. In other fields in the Pattani Basin, Blocks B8/32 and 9A produce crude oil and natural gas from six operating areas. First production from Block G4/43 started in January 2008. Total average daily production in 2008 from all blocks was 129,000 barrels of crude oil and condensate and 1.6 billion cubic feet of natural gas. The company's net oil-equivalent production in 2008 was 210,000 barrels per day.

The partner-operated Arthit Field started production in March 2008 with total average daily production since start-up of 16,000 barrels of condensate and 317 million cubic feet of natural gas. From the date of start-up, the company's net oil-equivalent daily production from Arthit averaged 10,000 barrels per day in 2008.

**Development** For all properties, 13 wellhead platforms were installed and 292 development wells were drilled in 2008. A final investment decision was made in March 2008 for the 69.8 percent-owned and operated Platong Gas II project, which is designed to add total gas processing capacity of 420 million cubic feet per day.



**Development** The Vietnam Gas Project is aimed at developing an area in the two Malay Basin PSCs to supply natural gas to state-owned PetroVietnam (PVN). The project includes installation of wellhead and hub platforms, a floating storage and offloading vessel, field pipelines and a central processing platform. The timing of first natural-gas production is dependent upon the outcome of commercial negotiations. Maximum total natural-gas production of 500 million cubic feet per day is projected within five years of start-up. At the end of 2008, proved reserves had not been recognized for this project. Total cost for the offshore development and pipeline project is expected to exceed \$4 billion.

In 2008, the company continued to work with PVN on the development concept and commercial terms associated with the offshore development and natural-gas-pipeline project. The company also continued discus-

sions during 2008 with state-owned Electricity of Vietnam on the possible construction of power plants in southern Vietnam to utilize natural gas from the development project.

**Exploration** In 2008, three exploration wells were drilled in Block B; one was successful. One exploration well was drilled in Block 52/97 and was also successful. In Block 122, the PSC obligations include seismic work and one well in this frontier exploration area. The acquisition of 2-D seismic data was completed in late 2008, with processing scheduled in 2009. Future offshore work is expected to be complicated by a territorial-claim issue between Vietnam and China. At the end of 2008, proved reserves had not been recognized for these activities.

### China

Chevron has one operated and three nonoperated working interests in China. The operated interest is in the Chuandongbei natural-gas area in the onshore Sichuan Basin. Chevron became operator in August 2008 with a 49 percent ownership. The area has exploration prospects and several discovered fields. In the South China Sea, the company has a 32.7 percent interest in offshore Blocks 16/08 and 16/19, located in the Pearl River Delta Mouth Basin. In Bohai Bay, the company holds a 16.2 percent interest in the unitized and producing BZ 25-1 Field in Block 11/19 and a 24.5 percent interest in the QHD 32-6 Field. The PSCs for Block 16/08, Block 16/19, QHD 32-6 and Block 11/19 expire in 2013, 2021, 2021 and 2022, respectively. In the onshore Ordos Basin, the company holds a 50 percent interest in the Linxing Block and was negotiating as of early 2009 for contract-term extensions for the 50 percent interests in the San Jiao Bei and Shenfu Blocks and the 35.8 percent interest in the Baode Block.

The estimated total cost of the project is \$3.1 billion. The new facilities will include a central processing platform, pipelines and five initial wellhead platforms and is expected to commence production in 2011. A contract for engineering, procurement, construction and installation was awarded in March 2008. The company plans to reclassify proved undeveloped reserves to proved developed throughout the project's 12-year life as the wellhead platforms are installed. Concessions for Blocks 10 through 13 expire in 2022.

**Exploration** In 2008, 13 exploration wells were drilled in the Gulf of Thailand, and all were successful. The Block G4/50 Exploration Joint Operating Agreement was signed in late 2008. A 3-D seismic survey and geological studies were scheduled for 2009, and three exploratory wells are planned for 2010. At the end of 2008, proved reserves had not been recognized for these activities.

Chevron also holds a 33.3 percent nonoperated working interest in the Thailand-Cambodia overlapping-claims area - Blocks 7, 8 and 9 - that is adjacent to Block B8/32 and operated interests that vary from 40 percent to 80 percent in the overlapping-claims area of Blocks 5, 6, 10, 11, 12, 13 and 14. As of early 2009, these areas were inactive, pending resolution of border issues between Thailand and Cambodia.

### Vietnam

The company is operator in three PSCs in Vietnam. In the northern part of the Malay Basin offshore southwest Vietnam, Chevron has a 42.4 percent interest in a PSC that includes Block B and Block 48/95 and a 43.4 percent interest in another PSC that covers Block 52/97. These PSCs have been unitized. The company has a 50 percent interest in a third PSC associated with Block 122 in Phu Khanh Basin, offshore eastern Vietnam.





**Production** In 2008, total average daily production was 87,000 barrels of crude oil and condensate and 80 million cubic feet of natural gas. The company's net oil-equivalent production in 2008 was 22,000 barrels per day.

**Development** Joint development of the HZ 25-3 and HZ 25-1 crude-oil fields in Block 16/19 commenced in 2007. The project includes the installation of a single platform, the drilling of 10 wells, and the use of existing infrastructure of Blocks 16/08 and 16/19. First production was planned in third quarter 2009 with ramp-up to a maximum total production of 11,000 barrels of crude oil per day expected in 2011.

During 2008, subsurface reservoir and front-end engineering work was completed in Chuandongbei. The full development plan includes two new sour-gas processing plants with an aggregate design capacity of 740 million cubic feet per day, gathering systems and development drilling. The total project cost is estimated at \$4.7 billion. A final investment decision was reached for the first stage of development, and proved undeveloped reserves were recognized at the end of 2008. The first-stage development includes the relocation and completion of three natural-gas purification trains and the completion of a sulfur plant. A final investment decision on the second stage of development was expected in the third quarter of 2009. This development included tie-in of additional fields and installation of additional processing and sulfur-treating facilities. The third stage includes expansion of processing capacity and tie-in of the remaining natural-gas fields. Other activities at Chuandongbei in 2008 included the initial acquisition of seismic data and other exploratory work to evaluate prospects in an area that spans 487,000 acres (1,969 sq km). The 30-year PSC for Chuandongbei expires in 2038.

**Exploration** During 2008, two appraisal wells were drilled in the Linxing Block, in the Ordos Basin. At the end of 2008, appraisal work was ongoing and proved reserves had not been recognized.

### Kuwait

Chevron is the operator of one of three consortia competing as of early 2009 for Project Kuwait, a project to develop Kuwait's northern fields. During 2008 and into 2009, the company continued dialogue with the Kuwaiti government about the development plans for this project.

Chevron elected not to extend the Upstream Technical Service Agreement (TSA) with Kuwait Oil Company that was established in 1994 and expired in August 2008. The company extended its Downstream TSA in 2008. This TSA was established in 2003 with Kuwait National Petroleum Corporation for technical assistance with local refineries.

### Partitioned Neutral Zone (PNZ)

Chevron holds a 30-year concession that expires in 2039 with the Kingdom of Saudi Arabia to operate the Kingdom's 50 percent interest in the hydrocarbon resources of the onshore area of the PNZ between Saudi Arabia and Kuwait. Under the concession agreement, Chevron has the right to Saudi Arabia's 50 percent interest in the hydrocarbon resources and pays a royalty and other taxes on volumes produced. This concession was to have expired in 2009, but was renewed in 2008.



**Production** During 2008, total daily production from four producing fields averaged 257,000 barrels of crude oil and 41 million cubic feet of natural gas. The company's net oil-equivalent production was 106,000 barrels per day. Eighty-seven wells were drilled during 2008, and the active well count at year-end 2008 was 976. Development drilling, well workovers and numerous facility-enhancement programs scheduled for 2009 and 2010 are expected to partially offset overall field decline.

**Development** As of early 2009, the commissioning of the second phase of a steamflood pilot project was on schedule, and initial steam injection was expected to begin in mid-2009. The Large Steamflood Pilot project entails drilling 16 injection wells and 25 producing wells and installing water-treatment and steam-generation facilities. The pilot is designed to determine the technical and economic viability of thermal-recovery projects in the Wafra Field. This pilot is a unique application of steam injection into a carbonate reservoir and if successful, could significantly increase recoverability of the heavy oil.

## Philippines

Chevron holds a 45 percent nonoperated working interest in the Malampaya natural-gas field, located about 50 miles (80 km) offshore Palawan Island in water depths of approximately 2,800 feet (853 m). The Malampaya development includes an offshore platform and a 314-mile (505-km) pipeline from the platform to the Batangas onshore natural-gas plant. This development represents the largest single foreign investment in the Philippines.



■ Chevron Interest      ● Natural Gas Field  
● Geothermal Field      ○ Terminal

**Production** Total daily production from Malampaya during 2008 averaged 368 million cubic feet of natural gas and 15,000 barrels of condensate. The company's net oil-equivalent production in 2008 was 26,000 barrels per day.

**Geothermal** Chevron develops and produces steam resources for the Tiwi and Mak-Ban geothermal plants under a service agreement with the National Power Corporation (NPC), a Philippine government-owned corporation. The combined generating capacity of the two plants is 637 megawatts. The service agreement is expected to be superseded by a new sales agreement that becomes effective upon completion of the NPC rehabilitation of the Mak-Ban geothermal plant. The timing of the plant rehabilitation is uncertain, as the Philippine government sold the Tiwi and Mak-Ban power plants in June 2008. As of early 2009, the transaction has not closed. Once the new sales agreement takes effect, Chevron would be granted the right to operate the steam fields under a contract with the Philippine Department of Energy for an additional 25 years.

## Indonesia

Chevron's operated interests in Indonesia are managed by several wholly owned subsidiaries, including PT. Chevron Pacific Indonesia (CPI), which operates a 100 percent interest in the Rokan and Siak PSCs on the island of Sumatra. Chevron's 90 percent interest in the MFK (Mountain Front Kuantan) PSC was extended by the government through January 2010.

Chevron also holds operated interests in five offshore PSC areas covering approximately 3.2 million acres (13,000 sq km). Four PSC areas are located offshore East Kalimantan in the Kutei Basin, including operated interests in East Kalimantan (92.5 percent), Makassar Strait (90 percent), Rapak (80 percent) and Ganai (80 percent). The fifth PSC is a 100 percent-owned interest in East Ambalat, located in the Tarakan Basin offshore northeast Kalimantan. Chevron's nonoperated working interests include the NE Madura III Block (40 percent) located in the East Java Sea Basin and the offshore South Natuna Sea Block B (25 percent) northeast of the Rokan Block. In November 2008, Chevron was awarded two exploration blocks with 100 percent interests in western Papua – West Papua I and West Papua III. Geological studies were planned for 2009 in preparation for 2-D seismic acquisition.

Total daily production in 2008 from all producing areas in Indonesia averaged 460,000 barrels of liquids and 416 million cubic feet of natural gas. The company's net oil-equivalent production in 2008 was 235,000 barrels per day.



■ Chevron Interest      ● Geothermal Field

### CPI

**Production** Total daily production averaged 407,000 barrels of crude oil (156,000 net) and 48 million cubic feet of natural gas (48 million net) in 2008.

During 2008, the majority of CPI's production came from fields under primary or secondary recovery within the Rokan PSC. Duri is the largest producing field in the Rokan PSC. Duri has been under steamflood since 1985 and is one of the world's largest steamflood developments. In 2008, 80 percent of the field was under steam injection, with total production averaging 196,000 barrels of crude oil per day (102,000 net).

The remaining production from Rokan is in the Sumatra light-oil area, consisting of more than 85 active fields that averaged 211,000 barrels of liquids (54,000 net) and 48 million cubic feet of natural gas (48 million net) per day in 2008. During 2008, 137 wells were drilled in this area. The Rokan PSC expires in 2021.

**Development** CPI continues to implement projects designed to sustain production, increase recovery and improve reliability from existing reservoirs. These include the expansion of waterflood recovery programs in Rokan to sustain production of the Sumatra light-oil fields and the development of new opportunities within and near the more mature fields.

In the Duri Field, 292 production and 89 steam injection wells were drilled during 2008. Development also continued in the northern region of the field, where approximately 120 million barrels of crude oil are estimated to be potentially recoverable. The development plan includes North Duri Development projects focused on sequential development of two northern expansion areas - North Duri Development-Area 12 and North Duri Development-Area 13. The first expansion in Area 12 started up in November 2008. Maximum total production of 34,000 barrels of crude oil per day is expected in 2012. A portion of proved undeveloped reserves for Area 12 was reclassified to proved developed at start-up.

In the Minas Field, 51 production wells were drilled during 2008 and efforts continued to optimize the waterflood program to sustain field production. Implementation also began of a pilot project for a chemical injection process that could further improve recoverability in Minas and surrounding fields.

**Exploration** The exploration program during 2008 for reservoirs in Rangau and South Aman Troughs in Central Sumatra Basin focused on lower-risk objectives. Two exploration wells resulted in commercial discoveries (Sihangat and Ganda) out of four prospects drilled in 2008. By year-end 2008, both discovery wells were placed on production.

#### Kutei Basin, East Kalimantan

**Production** During 2008, total daily production from the Kutei Basin averaged 31,000 barrels of liquids (16,000 net) and 271 million cubic feet of natural gas (195 million net). Chevron operates 12 producing fields offshore. Crude oil and natural gas produced from the northern fields are processed at the company-operated Santan terminal and liquids extraction plant. Natural gas is transported by pipeline to the state-owned Bontang LNG plant and to a fertilizer, ammonia and methanol complex. Crude oil and natural gas from the southern fields are sent to the company-operated Lawe-Lawe terminal. The stored crude oil is either exported by tanker or transported by pipeline to the state-owned Balikpapan Refinery. The natural gas is transported by pipeline and sold for use as fuel gas at Balikpapan.

**Development** The company advanced the development plan during 2008 for its deepwater natural-gas projects. During 2008, the 50 percent-owned and operated Sadewa Project remained under evaluation with a development decision expected by year-end 2009.

In October 2008, Chevron received approval for the development plan of the combined Gendalo-Gehem project. The development timing is dependent on government approvals, market conditions and achievement of key project milestones. The related Bangka project also remained under evaluation during 2008 and may be developed in parallel with Gendalo-Gehem. The company operates and holds an 80 percent interest in these projects. At the end of 2008, the company had not recognized proved reserves for either of these projects.

Chevron also continued work on several developments in the shelf area and began drilling in late 2008. First production from one of these developments, the Seturian Field, occurred in March 2009. The project is designed to supply natural gas to the Balikpapan Refinery.

#### East Java Sea Basin

**Exploration** A third obligation well in NE Madura III Block was deferred to mid-2009 due to lack of rig availability. The results of this well will be incorporated into the drilling plan for the final three obligation wells.

#### South Natuna Sea Block B

**Production** Block B production is from nine natural-gas fields and two fields that produce both crude oil and natural gas. Total daily production during 2008 averaged 86,000 barrels of liquids (9,000 net) and 386 million cubic feet of natural gas (76 million net).

**Development** Block B has a five-phase development project to support two long-term gas sales contracts to Malaysia and Singapore. Drilling for the initial three development phases continued through 2008. The North Belut development project is the fourth phase of the Block B development and is located approximately 40 miles (65 km) northeast of the Belanak FPSO. The North Belut Field, one of the largest hydrocarbon-bearing structures in the West Natuna Basin, has sufficient natural-gas reserves to meet approximately 50 percent of the total natural-gas volume required under the Malaysian sales contract. Additional development drilling in the North Belut Field began in November 2008, with first production expected in fourth quarter 2009.

#### Geothermal and Power

**Geothermal/Cogeneration** The company operates and holds a 95 percent interest in the Darajat geothermal field located in West Java, Indonesia. The field supplies steam to a three-unit power plant with a total operating capacity of 259 megawatts. The addition of a fourth unit, with up to 110 megawatts of capacity, was under evaluation during 2008, and a development decision was expected at the end of 2009 after further study of the reservoir. Also in West Java, Chevron operates and holds a 100 percent interest in the Salak geothermal field in the Gunung Salak contract area. The field supplies steam to a six-unit power plant with a total operating capacity of 377 megawatts.

Chevron also operates and holds a 95 percent interest in the North Duri Cogeneration Plant in Sumatra, supplying up to 300 megawatts of electrical power to CPI as well as steam in support of the Duri steamflood project.

## Other International

The "Other International" region is composed of Latin America, Canada and Europe.

### Argentina

Chevron holds operated interests in 17 concessions and one exploratory block in the Neuquen and Austral basins. Working interests range from 18.8 percent to 100 percent. Chevron also holds a 14 percent interest in Oleoductos del Valle S.A. pipeline, a crude-oil pipeline from the Neuquen producing area to the Atlantic coast.



Yellow square: Chevron Interest

**Production** During 2008, total daily production averaged 51,000 barrels of crude oil and 54 million cubic feet of natural gas. The company's net oil-equivalent production for the year was 44,000 barrels per day. In 2008, the company continued the development of El Trapiel Field with sequential projects to reduce production declines. The El Trapiel Expansion Project includes a maximum of 120 wells and a small facility, with completion expected by 2012.

### Brazil

Chevron holds working interests in three deepwater fields in the Campos Basin: Frade (formerly Block BC-4, 51.7 percent-owned and operated), Papa-Terra and Maromba (37.5 percent and 30 percent nonoperated working interests, respectively, part of the former Block BC-20). In the Santos Basin, the company holds a 20 percent nonoperated working interest in the Atlanta and Oliva fields (formerly Block BS-4).

### Development

**Frade** The Frade Field lies in approximately 3,700 feet (1,128 m) of water, 230 miles (370 km) northeast of Rio de Janeiro. In 2008, major construction activities included the work to convert a crude-oil tanker to an FPSO that was scheduled to be delivered in March 2009 and the installation of subsea systems and flowlines. Production start-up was expected in the second half of 2009. Proved undeveloped reserves were initially recognized in 2005, and reclassification to proved developed reserves was expected to occur near start-up. Estimated maximum total daily production of 82,000 barrels of crude oil and 31 million cubic feet of natural gas is anticipated in 2011. The concession that includes the Frade project expires in 2025. Total project cost is estimated at \$2.8 billion.

**Papa-Terra** The Papa-Terra Field lies in approximately 3,900 feet (1,189 m) of water. The single-phase development concept involves an FPSO and a tension leg well platform (TLWP). The production wells in the heavy-oil reservoir are to be completed to the TLWP; the production wells in the light-oil reservoir are to be completed subsea and tied back to the FPSO. The concession expires in 2032. At the end of 2008, proved reserves had not been recognized for this project.

**Maromba** In Maromba, design continued in 2009 on a pilot production system with a limited number of subsea wells and an FPSO. The object of the production pilot would be to evaluate the different reservoirs. The concession expires in 2033.

**Exploration** Evaluations of investment options continued in 2009 for the Atlanta and Oliva fields. Proved reserves had not been recognized for either field.

### Colombia

Chevron's activities in Colombia are focused on the production and commercialization of natural gas from properties in the Caribbean Sea and adjacent coastal areas of the Guajira Peninsula. The company operates the offshore Chuchupa and the onshore Ballena and Riohacha natural-gas fields as part of the Guajira Association contract. In exchange, Chevron receives 43 percent of the production for the remaining life of each field and a variable production volume from a fixed-fee Build-Operate-Maintain-Transfer (BOMT) agreement based on prior Chuchupa capital contributions. The BOMT agreement expires in 2016.

During 2008, natural-gas compression facilities were constructed to mitigate the decline of reservoir pressure. The facilities were expected to be placed in service in the second quarter of 2009.

**Production** Total production in 2008 averaged 567 million cubic feet of natural gas per day (209 million net).

### Trinidad and Tobago

The company has a 50 percent nonoperated working interest in four blocks in the offshore East Coast Marine Area of Trinidad, which includes the Dolphin and Dolphin Deep producing natural-gas fields and the Starfish discovery. Chevron also operates and holds a 50 percent interest in the Manatee area of Block 6d.

**Production** Total production during 2008 from the Dolphin and Dolphin Deep fields averaged 476 million cubic feet of natural gas per day (189 million net). These volumes were sold under three sales contracts.

**Development** In 2007, a domestic natural-gas sales agreement was signed for the Trinidad Incremental Gas Project, providing for the daily delivery of 220 million cubic feet of natural gas for 11 years, with a four-year extension. Drilling operations for the contract started in late 2007 at the Dolphin platform. The project scope includes five wells and a facility upgrade. First gas from the project was expected in the third quarter of 2009.

**Exploration** The company drilled a successful exploratory well in the Manatee area of Block 6d in 2005. This well extended the six shallow gas sands discovered in Venezuela's Loran Field in Block 2 into Trinidad and Tobago. In 2007, an overarching treaty supporting unitization was signed by the governments of Venezuela and Trinidad and Tobago. Negotiations were ongoing in 2009 in order to achieve a Loran/Manatee field-specific treaty. At the end of 2008, proved reserves had not been recognized.

### Venezuela

Chevron's production activities in Venezuela are performed by two affiliates in western Venezuela and one affiliate in the Orinoco Belt. Chevron also has interests in three offshore exploratory blocks - two in the Plataforma Deltana region and one off the coast of western Venezuela.

**Production** Total daily production in 2008 averaged 268,000 barrels of liquids and 125 million cubic feet of natural gas. The company's net oil-equivalent production in 2008 was 66,000 barrels per day.

**Petrobrascan** The company holds a 39.2 percent interest in Petrobrascan, which operates the onshore Boscan Field in western Venezuela under a 20-year contract expiring in 2026. During 2008, Petrobrascan total daily production averaged 103,000 barrels of liquids (27,000 net) and 17 million cubic feet of natural gas (7 million net). Eleven development wells were drilled in 2008, with nine completed and put on production by the end of the year. In addition, 29 major workovers were performed, and 3-D seismic over the southern half of the field was acquired.

**Petroindependiente** The company holds a 25.2 percent interest in Petroindependiente, which operates the LL-652 Field in Lake Maracaibo under a 20-year contract expiring in 2026. During 2008, Petroindependiente total daily production averaged 6,000 barrels of liquids (1,000 net) and 63 million cubic feet of natural gas (11 million net).

**Petropiar** Chevron holds a 30 percent interest in Petropiar, which operates the Hamaca project. The project is located in Venezuela's Orinoco Belt and has a total design capacity for processing and upgrading 190,000 barrels per day of extra heavy crude oil (8.5 degrees API gravity) into 180,000 barrels of lighter, higher-value synthetic crude oil (26 degrees API gravity). During 2008, total daily production averaged 159,000 barrels of liquids (34,000 net) and 45 million cubic feet of natural gas (9 million net). As of early 2009, expansion studies were in early stages.

**Exploration** Chevron operates and holds a 60 percent interest in Block 2 and a 100 percent interest in Block 3, in the offshore Plataforma Deltana region. In Block 2, which includes the Loran Field, a conceptual offshore development plan was completed in 2007. Loran is scheduled to provide the initial natural-gas supply for Delta Caribe LNG (DCLNG) Train 1, Venezuela's first LNG train.

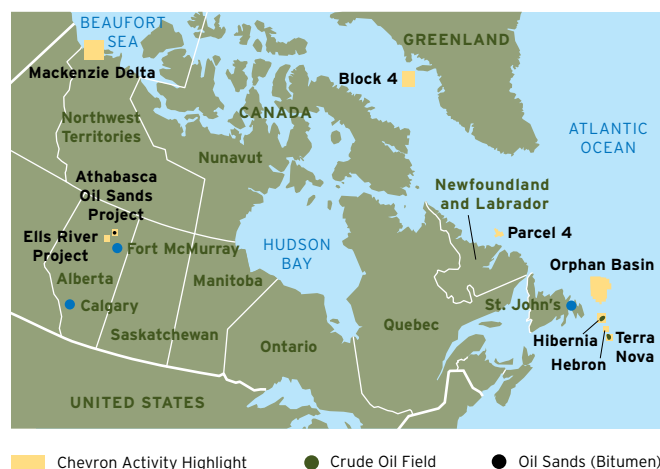
A DCLNG framework agreement was signed in September 2008, which provides Chevron with a 10 percent interest in the partner-operated Train 1 of the LNG plant and the associated offshore pipeline. At the end of 2008, proved reserves had not been recognized.

Chevron operates and holds a 100 percent interest in the Cardon III Block, located north of Lake Maracaibo in the Gulf of Venezuela offshore region. Seismic data in this block, which has natural-gas potential, was acquired in 2007. Drilling was planned to commence on an exploration well in first-half 2009.

Petróleos de Venezuela, S.A. (PDVSA), Venezuela's national oil and gas company, has the option to increase its ownership in each of the three company-operated blocks up to 35 percent upon declaration of commerciality.

### Canada

Chevron has ownership interests in oil sands projects at Athabasca and Ellis River in the province of Alberta, exploration and development projects offshore in the Atlantic region, and exploration and discovered resource interests in the Mackenzie Delta and Beaufort Sea region of Canada's western Arctic. Chevron's net daily production in 2008 from Canadian operations was 36,000 barrels of crude oil, 4 million cubic feet of natural gas and 27,000 barrels of bitumen from oil sands.



**Athabasca Oil Sands Project (AOSP)** The company holds a 20 percent nonoperated working interest in AOSP. Total daily bitumen production in 2008 averaged 126,000 barrels (27,000 net). Oil sands are mined from the Muskeg River Mine. Bitumen is extracted from the oil sands and upgraded into synthetic crude oil using hydroprocessing technology. AOSP has additional resources in place to support future production growth and to enable Chevron to participate on a 20 percent nonoperated working-interest basis in oil sands leases near Fort McMurray, Alberta. A first expansion of AOSP was under way during 2008. The 100,000-barrel-per-day project includes a new mine, named Jackpine, and upgrading facilities and is expected to increase bitumen production capacity to more than 255,000 barrels per day in late 2010. The projected cost of this expansion is \$13.7 billion. In 2008, a decision was made to postpone a second expansion.



**Ells River “In Situ” Oil Sands Project** In 2008, the company continued activities to progress development of heavy oil leases in the Athabasca region of northern Alberta. The area comprises more than 85,000 acres (344 sq km). The potential for production is through the utilization of Steam Assisted Gravity Drainage, an industry-proven “in situ” technology that uses steam and horizontal drilling to extract bitumen. At the 60 percent-owned and operated Ells River Project, the company completed a 63-well appraisal program and a small seismic program in 2008. Another seismic survey began in late 2008 and was completed in the first quarter of 2009. At the end of 2008, proved reserves had not been recognized.

**Atlantic Canada** At the 26.9 percent-owned and partner-operated Hibernia Field, average total crude-oil production in 2008 was 139,000 barrels (35,000 net) per day. Average annual production increased over the prior year, with normal production decline rates being offset by significant gains from improved reliability and successful well workovers. As of year-end 2008, Hibernia had produced 620 million of the estimated 960 million barrels of crude oil potentially recoverable over the field life. In 2008, one production well was completed into the Hibernia formation and another into the Ben Nevis Avalon formation. In addition, one dual-injection well supporting both the Hibernia and the Ben Nevis Avalon formations was completed. Planning activities were under way in early 2009 for a proposed Hibernia South Extension project.

Chevron holds a 26.6 percent nonoperated working interest in a development project at the Hebron Field located offshore the province of Newfoundland and Labrador. This heavy-oil field is estimated to contain between 400 million and 700 million of potentially recoverable barrels. Agreements were signed in 2008 with the government of Newfoundland and Labrador to allow development activities to begin. As of the end of 2008, the company had not recognized proved reserves for this project.

Chevron operates and holds a 50 percent interest in two Orphan Basin exploration licenses totaling 5.2 million acres (21,044 sq km). One wildcat well was drilled in 2006, and additional exploration activities are planned over the next three years.

In September 2008, Chevron was the successful bidder for a 100 percent-owned and operated interest in Parcel #4 in Eastern Labrador, which covers 574,000 acres (2,323 sq km) and is located approximately 75 miles (121 km) offshore in a water depth ranging between 500 feet and 1,600 feet (152 m and 488 m).

**Western Arctic** Chevron has an onshore exploration lease position in the Mackenzie Delta region. Under an extensive areawide farm-out agreement, three exploration wells were drilled on Chevron leases in 2008 and drilling activities on three additional wells were expected to be completed in second quarter 2009. In 2007, Chevron acquired a Beaufort Sea offshore exploration license that covers approximately 267,000 acres (1,081 sq km) located approximately 50 miles (80 km) northwest of the Mackenzie Delta onshore exploration lands. Chevron holds a 32.5 percent nonoperated working interest in the offshore Amauligak discovery and is continuing to assess development concept alternatives. The company also holds a 13 percent nonoperated working interest in the Issunagak discovery and additional minor working interests in other offshore licenses in the Beaufort Sea. At the end of 2008, proved reserves had not been recognized for any of these areas.

## Greenland

**Exploration** In October 2007, Chevron was awarded a 29.2 percent nonoperated working interest in the exploration license 2007/26 in Block 4 offshore West Greenland in the Baffin Basin. A 2-D seismic survey was completed in 2008, and interpretation of the survey data was expected to occur in 2009.

## Denmark

Chevron holds a 15 percent nonoperated working interest in the Danish Underground Consortium (DUC), which produces crude oil and natural gas from 15 fields in the Danish North Sea.

**Production** Average total daily production in 2008 from the DUC was 250,000 barrels of crude oil and 944 million cubic feet of natural gas. The company’s net oil-equivalent production in 2008 was 61,000 barrels per day.

**Development** During 2008, 11 development wells were drilled and completed in the Dan, Halfdan NE, Tyra SE, Valdemar North and Valdemar South fields. Halfdan Phase IV development was ongoing and scheduled for start-up in the fourth quarter of 2009. An Adda development was also planned in 2009 pending the successful completion of a long-reach development well from the neighboring Tyra platform.



**Exploration** In 2008, Chevron completed the farm-out of its 12 percent interest in the Gita and Maja licenses and relinquished the Sisi license. During 2008, an exploration well on the Ebba prospect and an appraisal well in the Halfdan Field were unsuccessful. An exploration well was a discovery of an extension to the south of the Valdemar Field, and the results were under evaluation as of early 2009.

#### Faroe Islands

**Exploration** Chevron operates and holds a 40 percent interest in License 008, which lies near the Rosebank/Lochnagar discovery in the United Kingdom. The company acquired additional 2-D seismic data for the area during 2008 and continued engineering and geological evaluation.

#### Netherlands

Chevron operates and holds interests in nine blocks in the Dutch sector of the North Sea. Five of the blocks, with a unitized interest of 34.1 percent, comprise the A/B Gas Project. The remaining four blocks have producing fields with interests ranging from 45.8 percent to 80 percent.

**Production** In 2008, average total daily production was 3,000 barrels of crude oil and 112 million cubic feet of natural gas. The natural-gas production included 106 million cubic feet per day associated with the first full year of production from the first stage of the A/B Gas Project. The company's net oil-equivalent production in 2008 was 9,000 barrels per day. A final investment decision for the second phase of the A/B Gas Project was planned for 2009.

#### Norway

**Production** Chevron holds a 7.6 percent nonoperated working interest in the Draugen Field. Total average production in 2008 was 74,000 barrels of crude oil per day (6,000 net).

**Exploration** Chevron relinquished its 40 percent rights to PL 325 in early 2008 after evaluation of 3-D seismic data. An unsuccessful exploration well was drilled during 2008 at PL 283, in which the company has a 12.5 percent nonoperated working interest. In the 40 percent nonoperated PL 397 license in the Barents Sea, processing of a 2006 3-D seismic survey was completed in 2008 and additional data was acquired. Processing was under way as of early 2009.

#### United Kingdom

Chevron has interests in 11 offshore producing fields in the United Kingdom, including five operated fields (Alba 23.4 percent, Caledonia 27.4 percent, Captain 85 percent, Erskine 50 percent and Strathspey 67 percent), one jointly operated field (Britannia 32.4 percent) and five partner-operated fields (Brodgar 25 percent, Callanish 16.5 percent, Clair 19.4 percent, Elgin/Franklin 3.9 percent and Jade 19.9 percent).

**Production** Total daily production in 2008 from the 11 fields was 251,000 barrels of crude oil and natural gas liquids and 1 billion cubic feet of natural gas. The company's net oil-equivalent production in 2008 was 106,000 barrels per day. Most of the production was from the Captain Field, which averaged 43,000 barrels of crude oil (37,000 net) and 7 million cubic feet of natural gas per day (6 million net); the Britannia Field, which averaged 15,000 barrels of crude oil (5,000 net) and 384 million cubic feet of natural gas per day (124 million net); and the Alba Field, which averaged 34,000 barrels of crude oil per day (8,000 net).

**Development** Active development drilling programs for Alba and Captain are expected to continue beyond 2011. A new 4-D seismic survey over Alba was acquired in 2008. At Captain, new development wells, primarily using horizontal drilling, added 3,000 barrels of net crude-oil production per day in 2008. Horizontal and dual lateral well technology expands the opportunities for development drilling and may enable increased rates of recovery.

**Alder** The Alder high-temperature, high-pressure crude-oil and natural-gas discovery, located approximately 17 miles (27 km) to the west of the Britannia Field, was being evaluated in early 2009 as a potential subsea development. The company operates and holds a 70 percent interest in the project, which is expected to start up in 2012 and reach maximum total daily production rates of 9,000 barrels of crude oil and 80 million cubic feet of natural gas the following year. This project has an estimated production life of nine years.

**Brodgar-Callanish Project** First production occurred in the second quarter of 2008 at 16.5 percent-owned Callanish and in the third quarter at 25 percent-owned Brodgar. Both fields are partner operated. By late 2008, the fields together sustained a total maximum daily production of 50,000 barrels of crude oil and 225 million cubic feet of natural gas per day. Project costs were \$1.5 billion. This project has an estimated production life of 15 years.

**Exploration** FEED was expected to commence in first-half 2009 for development of the 10 percent-owned and partner-operated Laggan/Tormore natural-gas discovery. Evaluation of Clair Phase 2 development alternatives was also progressing in early 2009. As of the end of 2008, proved reserves had not been recognized for either area.

**Rosebank/Lochnagar** The Rosebank/Lochnagar discovery is 81 miles (130 km) northwest of the Shetland Islands in 3,658 feet (1,115 m) of water. An exploration well in an adjacent structure was expected to be completed in the second quarter of 2009, and an appraisal well was planned for later in the year. The company operates and holds a 40 percent interest in the project. A final investment decision is planned for 2011, with first production projected for 2015. At year-end 2008, proved reserves had not been recognized.

## Gas

Chevron's gas strategy is to commercialize the company's equity natural-gas resource base while growing a high-impact global gas business. Significant progress was made in 2008 to connect the business and technical expertise across the entire natural-gas value chain - production, liquefaction, transportation, regasification, marketing and power generation.

### Business Strategies

- › Pursue profitable growth in liquefied natural gas (LNG).
- › Continue to develop and manage profitable supply chain networks, from resource to market.
- › Apply technology to reduce cost.
- › Leverage Chevron's competencies, networks and technology to access new natural-gas resources.
- › Use gas-to-liquids (GTL) as an option to commercialize equity natural-gas.

### 2008 Activities

**Angola LNG** Angola LNG is an integrated natural-gas utilization project encompassing offshore and onshore operations to commercialize natural-gas resources through LNG sales targeted to U.S. markets. Plant construction began in 2008. For information on significant project milestones, refer to page 19.

**EGTL** Chevron and NNPC (Nigerian National Petroleum Corporation) are developing a 34,000-barrel-per-day GTL facility at Escravos that is designed to process 320 million cubic feet per day of natural gas from the Escravos Gas Project Phase 3A. At year-end 2008, engineering was essentially complete and facility construction was under way. For more information on this project, refer to page 22.

**Gorgon** The Gorgon LNG project comprises the development of natural-gas production from fields in the Greater Gorgon Area off the northwest coast of Australia and construction of LNG facilities on Barrow Island. For information on the development of Greater Gorgon resources, refer to page 23.

**North West Shelf Venture (NWSV) LNG** The 16.7 percent-owned NWSV constructed a fifth LNG train as part of the expansion of its onshore LNG facilities in Western Australia. The Train 5 production facility came online in September 2008 and is expected to increase the joint venture's export capacity by up to 4.2 million metric tons of LNG per year, to more than 16 million metric tons. For more information on this project, refer to pages 23 and 24.

**Olokola LNG** Chevron has a 19.5 percent interest in the OKLNG Free Zone Enterprise (OKLNG) in Nigeria. OKLNG plans to build a multi-train natural-gas liquefaction facility and marine terminal located northwest of Escravos. During 2008, technical optimization was undertaken to reduce unit cost and improve the design and construction strategy with the aim of enhancing overall value. For more information on the development of this project, refer to page 22.

**Wheatstone** In 2008, Chevron announced plans to develop a new Australia LNG project associated with the company's 100 percent interest in the Wheatstone natural-gas discovery. The facility is expected to be a multi-train development with a separate but co-located domestic natural-gas plant and expansion capacity for additional LNG production trains. For more information on this project, refer to page 24.

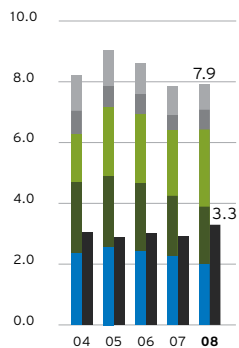
**North America Natural Gas Marketing and Trading** Chevron ranks among the leading marketers of natural gas in North America and has strong commercial relationships with utility and industrial customers and storage and pipeline operators. Sales of natural gas in North America during 2008 averaged approximately 7.5 billion cubic feet per day.

The company has access to LNG for the North America natural-gas market through the Sabine Pass LNG terminal in Cameron Parish, Louisiana, which was completed in second quarter 2008. Chevron has contracted for 1 billion cubic feet per day of regasification capacity at the terminal beginning in July 2009. Chevron also has a binding agreement to be one of the anchor shippers in a 3.2 billion-cubic-foot-per-day third-party-owned natural-gas pipeline.

The company has completed the permitting process to develop the Casotte Landing regasification facility adjacent to the company's Pascagoula refinery in Mississippi. Casotte Landing remains a development option for Chevron to deliver future LNG supplies to the United States.

## Upstream Operating Data

**Net Proved Reserves**  
Billions of BOE\*



■ Other International  
■ Indonesia  
■ Asia-Pacific  
■ Africa  
■ United States  
■ Affiliates

\*Barrels of oil-equivalent; excludes oil sands reserves.

### Proved Reserves - Crude Oil and Natural Gas Liquids\*

At December 31

Millions of barrels	2008	2007	2006	2005	2004
<b>Gross Crude Oil and Natural Gas Liquids</b>					
<b>Consolidated Companies</b>					
California	826	884	953	989	1,034
Gulf of Mexico	327	353	374	384	341
Other U.S.	439	524	572	611	493
Africa	1,632	1,852	2,056	2,203	2,196
Asia-Pacific	1,291	1,098	1,212	1,288	777
Indonesia	927	1,025	1,175	1,280	1,548
Other International	370	456	507	600	591
<b>Total Consolidated Companies</b>	<b>5,812</b>	<b>6,192</b>	<b>6,849</b>	<b>7,355</b>	<b>6,980</b>
<b>Equity Share in Affiliates</b>					
TCO	2,420	2,454	2,449	2,429	2,317
Other	626	626	701	522	539
<b>Total Gross Reserves</b>	<b>8,858</b>	<b>9,272</b>	<b>9,999</b>	<b>10,306</b>	<b>9,836</b>
<b>Net Crude Oil and Natural Gas Liquids</b>					
<b>Consolidated Companies</b>					
California	802	860	926	965	1,011
Gulf of Mexico	286	307	325	333	294
Other U.S.	382	457	500	533	432
Africa	1,385	1,500	1,698	1,814	1,833
Asia-Pacific	962	668	785	829	676
Indonesia	567	439	576	579	698
Other International	351	434	484	573	567
<b>Total Consolidated Companies</b>	<b>4,735</b>	<b>4,665</b>	<b>5,294</b>	<b>5,626</b>	<b>5,511</b>
<b>Equity Share in Affiliates</b>					
TCO	2,176	1,989	1,950	1,939	1,994
Other	439	433	562	435	468
<b>Total Net Reserves</b>	<b>7,350</b>	<b>7,087</b>	<b>7,806</b>	<b>8,000</b>	<b>7,973</b>

### Proved Reserves - Natural Gas\*

Billions of cubic feet

<b>Gross Natural Gas</b>					
<b>Consolidated Companies</b>					
California	298	322	316	309	320
Gulf of Mexico	1,023	1,113	1,299	1,162	1,267
Other U.S.	2,309	2,814	3,063	3,453	2,719
Africa	3,056	3,049	3,206	3,204	2,989
Asia-Pacific	12,549	12,250	11,871	10,305	5,922
Indonesia	514	553	652	755	555
Other International	3,369	3,603	3,677	3,971	3,902
<b>Total Consolidated Companies</b>	<b>23,118</b>	<b>23,704</b>	<b>24,084</b>	<b>23,159</b>	<b>17,674</b>
<b>Equity Share in Affiliates</b>					
TCO	3,348	3,440	3,435	3,591	3,427
Other	947	326	284	218	155
<b>Total Gross Reserves</b>	<b>27,413</b>	<b>27,470</b>	<b>27,803</b>	<b>26,968</b>	<b>21,256</b>
<b>Net Natural Gas</b>					
<b>Consolidated Companies</b>					
California	293	317	310	304	314
Gulf of Mexico	871	943	1,094	1,171	1,064
Other U.S.	1,986	2,417	2,624	2,953	2,326
Africa	3,056	3,049	3,206	3,191	2,979
Asia-Pacific	9,483	8,827	8,920	8,623	5,405
Indonesia	475	485	574	646	502
Other International	2,858	3,099	3,182	3,578	3,538
<b>Total Consolidated Companies</b>	<b>19,022</b>	<b>19,137</b>	<b>19,910</b>	<b>20,466</b>	<b>16,128</b>
<b>Equity Share in Affiliates</b>					
TCO	3,175	2,748	2,743	2,787	3,413
Other	878	255	231	181	134
<b>Total Net Reserves</b>	<b>23,075</b>	<b>22,140</b>	<b>22,884</b>	<b>23,434</b>	<b>19,675</b>

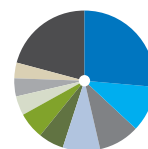
\* Proved reserves are estimated by the company's asset teams, composed of earth scientists and reservoir engineers. These proved-reserve estimates are reviewed annually by the company's Reserves Advisory Committee to ensure that rigorous professional standards and the reserves definitions prescribed by the SEC (Securities and Exchange Commission) are consistently applied throughout the company. Refer to the Glossary for a definition 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.

## Upstream Operating Data

### Net Oil-Equivalent Production<sup>1</sup>

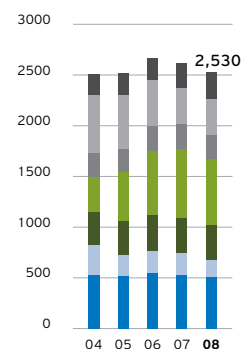
Thousands of barrels per day	Year ended December 31				
	2008	2007	2006	2005	2004
<b>Consolidated Companies</b>					
<b>United States</b>					
Alabama - Onshore	9	10	11	10	11
- Offshore	10	10	11	10	12
Alaska - Onshore	24	27	30	19	15
- Offshore	10	10	10	5	-
California	215	221	224	235	239
Colorado	25	27	27	26	25
Louisiana - Onshore	3	4	5	7	10
- Offshore	127	174	175	174	254
New Mexico	38	38	40	36	35
Oklahoma	11	12	13	14	15
Texas - Onshore	149	153	150	124	125
- Offshore	11	16	22	20	21
Utah	7	8	8	9	14
Wyoming	28	29	33	36	38
Other states	4	4	4	2	3
<b>Total United States</b>	<b>671</b>	<b>743</b>	<b>763</b>	<b>727</b>	<b>817</b>
<b>Africa</b>					
Angola	154	179	164	145	144
Chad	29	32	35	39	37
Democratic Republic of the Congo	2	3	3	1	4
Nigeria	154	129	144	136	129
Republic of the Congo	13	8	12	12	12
<b>Total Africa</b>	<b>352</b>	<b>351</b>	<b>358</b>	<b>333</b>	<b>326</b>
<b>Asia-Pacific</b>					
Australia	96	100	99	102	93
Azerbaijan	29	61	47	13	-
Bangladesh	71	47	21	10	-
China	22	26	26	26	18
Kazakhstan	66	66	62	61	52
Myanmar	15	17	15	5	-
Partitioned Neutral Zone	106	112	114	116	120
Philippines	26	26	24	35	28
Thailand	217	224	216	111	35
<b>Total Asia-Pacific</b>	<b>648</b>	<b>679</b>	<b>624</b>	<b>479</b>	<b>346</b>
<b>Total Indonesia</b>	<b>235</b>	<b>241</b>	<b>248</b>	<b>237</b>	<b>240</b>
<b>Other International</b>					
Argentina	44	47	47	52	56
Canada	37	36	47	57	71
Colombia	35	30	29	31	35
Denmark	61	63	68	71	68
Netherlands	9	4	4	3	-
Norway	6	6	6	9	11
Trinidad and Tobago	32	29	29	19	23
United Kingdom	106	115	115	133	163
Venezuela <sup>2</sup>	-	-	7	10	11
<b>Total Other International</b>	<b>330</b>	<b>330</b>	<b>352</b>	<b>385</b>	<b>438</b>
<b>Total International</b>	<b>1,565</b>	<b>1,601</b>	<b>1,582</b>	<b>1,434</b>	<b>1,350</b>
<b>Total Consolidated Companies</b>	<b>2,236</b>	<b>2,344</b>	<b>2,345</b>	<b>2,161</b>	<b>2,167</b>
<b>Equity Share in Affiliates</b>					
TCO	201	176	167	172	178
Petropiar (Hamaca prior to 2008)	35	41	38	41	24
Petroboscan <sup>3</sup>	28	28	7	-	-
Petroindependiente <sup>3</sup>	3	3	1	-	-
<b>Total Equity Share in Affiliates</b>	<b>267</b>	<b>248</b>	<b>213</b>	<b>213</b>	<b>202</b>
<b>Total Consolidated Companies and Affiliates</b>	<b>2,503</b>	<b>2,592</b>	<b>2,558</b>	<b>2,374</b>	<b>2,369</b>
<b>Other Produced Volumes</b>					
Athabasca Oil Sands in Canada	27	27	27	32	27
Boscan operating service agreement in Venezuela <sup>4</sup>	-	-	82	111	113
<b>Total Other Produced Volumes</b>	<b>27</b>	<b>27</b>	<b>109</b>	<b>143</b>	<b>140</b>
<b>Total Worldwide</b>	<b>2,530</b>	<b>2,619</b>	<b>2,667</b>	<b>2,517</b>	<b>2,509</b>

### Net Oil-Equivalent Production by Country\* Percentage



\*Includes equity share in affiliates and other produced volumes.

### Net Oil-Equivalent Production\* Thousands of barrels per day



■ Affiliates  
 ■ Other International  
 ■ Indonesia  
 ■ Asia-Pacific  
 ■ Africa  
 ■ United States - Offshore  
 ■ United States - Onshore

\*Includes other produced volumes.

<sup>1</sup> Net oil-equivalent production excludes royalty interests and a government's agreed-upon share of production under a production-sharing contract (PSC).

<sup>2</sup> Includes production from LL-652 through September 2006.

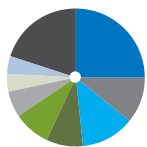
<sup>3</sup> Joint stock company formed in October 2006.

<sup>4</sup> Includes volumes through September 2006.



## Upstream Operating Data

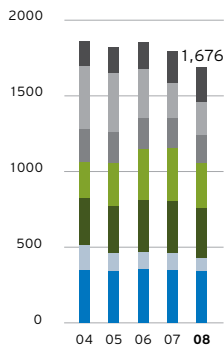
**Net Crude Oil & Natural Gas Liquids Production by Country\***  
Percentage



United States	25.1%
Indonesia	10.9%
Kazakhstan	12.5%
Angola	8.7%
Nigeria	8.5%
Partitioned Neutral Zone	6.1%
United Kingdom	4.2%
Thailand	4.0%
Others	20.0%

\*Includes equity share in affiliates and other produced volumes.

**Net Crude Oil & Natural Gas Liquids Production\***  
Thousands of barrels per day



Affiliates
Other International
Indonesia
Asia-Pacific
Africa
United States - Offshore
United States - Onshore

\*Includes other produced volumes.

### Net Crude Oil and Natural Gas Liquids Production<sup>1</sup>

Thousands of barrels per day		Year ended December 31				
		2008	2007	2006	2005	2004
<b>Consolidated Companies</b>						
<b>United States</b>						
Alaska	- Onshore	12	14	15	10	7
	- Offshore	5	5	5	3	-
California		201	205	207	217	221
Colorado		10	10	10	10	10
Louisiana	- Onshore	1	2	2	3	4
	- Offshore	77	106	101	104	145
New Mexico		21	21	20	19	22
Texas	- Onshore	76	77	79	61	61
	- Offshore	4	5	6	11	13
Wyoming		7	7	8	9	10
Other states		7	8	9	8	12
<b>Total United States</b>		<b>421</b>	<b>460</b>	<b>462</b>	<b>455</b>	<b>505</b>
<b>Africa</b>						
Angola		145	171	156	139	140
Chad		28	31	34	38	37
Democratic Republic of the Congo		2	3	3	1	4
Nigeria		142	126	139	125	119
Republic of the Congo		11	7	11	11	12
<b>Total Africa</b>		<b>328</b>	<b>338</b>	<b>343</b>	<b>314</b>	<b>312</b>
<b>Asia-Pacific</b>						
Australia		34	39	39	42	43
Azerbaijan		28	60	46	13	-
Bangladesh		2	2	-	-	-
China		19	22	23	26	18
Kazakhstan		41	41	38	37	31
Partitioned Neutral Zone		103	109	111	112	117
Philippines		5	5	6	8	7
Thailand		67	71	73	43	20
<b>Total Asia-Pacific</b>		<b>299</b>	<b>349</b>	<b>336</b>	<b>281</b>	<b>236</b>
<b>Total Indonesia</b>		<b>182</b>	<b>195</b>	<b>198</b>	<b>202</b>	<b>215</b>
<b>Other International</b>						
Argentina		37	39	38	43	45
Canada		36	35	46	54	62
Denmark		37	41	44	47	46
Netherlands		2	3	3	2	-
Norway		6	6	6	8	11
United Kingdom		71	78	75	83	106
Venezuela <sup>2</sup>		-	-	3	4	5
<b>Total Other International</b>		<b>189</b>	<b>202</b>	<b>215</b>	<b>241</b>	<b>275</b>
<b>Total International</b>		<b>998</b>	<b>1,084</b>	<b>1,092</b>	<b>1,038</b>	<b>1,038</b>
<b>Total Consolidated Companies</b>		<b>1,419</b>	<b>1,544</b>	<b>1,554</b>	<b>1,493</b>	<b>1,543</b>
<b>Equity Share in Affiliates</b>						
TCO		168	144	135	136	143
Petropiar (Hamaca prior to 2008)		34	39	36	40	24
Petroboscan <sup>3</sup>		27	28	7	-	-
Petroindependiente <sup>3</sup>		1	1	-	-	-
<b>Total Equity Share in Affiliates</b>		<b>230</b>	<b>212</b>	<b>178</b>	<b>176</b>	<b>167</b>
<b>Total Consolidated Companies and Affiliates</b>		<b>1,649</b>	<b>1,756</b>	<b>1,732</b>	<b>1,669</b>	<b>1,710</b>
<b>Other Produced Volumes</b>						
Athabasca Oil Sands in Canada		27	27	27	32	27
Boscan operating service agreement in Venezuela <sup>4</sup>		-	-	82	111	113
<b>Total Other Produced Volumes</b>		<b>27</b>	<b>27</b>	<b>109</b>	<b>143</b>	<b>140</b>
<b>Total Worldwide</b>		<b>1,676</b>	<b>1,783</b>	<b>1,841</b>	<b>1,812</b>	<b>1,850</b>

### Daily Net Production of Natural Gas Liquids

(Included above)

Thousands of barrels per day

United States	47	51	48	54	55
International	19	18	19	20	13

<sup>1</sup> Net liquids production excludes royalty interests and a government's agreed-upon share of production under a PSC.

<sup>2</sup> Includes production from LL-652 through September 2006.

<sup>3</sup> Joint stock company formed in October 2006.

<sup>4</sup> Includes volumes through September 2006.

## Upstream Operating Data

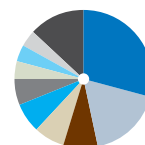
### Net Natural Gas Production<sup>1</sup>

Millions of cubic feet per day	Year ended December 31				
	2008	2007	2006	2005	2004
<b>Consolidated Companies</b>					
<b>United States</b>					
Alabama - Onshore	30	31	36	31	33
- Offshore	56	62	67	61	71
Alaska - Onshore	73	80	85	52	46
- Offshore	30	30	30	17	-
California	88	97	101	106	108
Colorado	90	98	100	98	91
Louisiana - Onshore	10	16	22	22	33
- Offshore	300	405	443	423	653
New Mexico	103	101	122	101	87
Oklahoma	45	52	55	57	67
Texas - Onshore	441	457	425	380	382
- Offshore	46	64	95	53	48
Utah	40	48	50	52	69
Wyoming	129	135	153	161	166
Other states	20	23	26	20	19
<b>Total United States</b>	<b>1,501</b>	<b>1,699</b>	<b>1,810</b>	<b>1,634</b>	<b>1,873</b>
<b>Africa</b>					
Angola	52	48	47	36	26
Chad	5	4	4	3	-
Democratic Republic of the Congo	1	2	2	-	-
Nigeria	72	15	29	68	59
Republic of the Congo	12	7	8	8	-
<b>Total Africa</b>	<b>142</b>	<b>76</b>	<b>90</b>	<b>115</b>	<b>85</b>
<b>Asia-Pacific</b>					
Australia	376	372	360	362	305
Azerbaijan	7	5	4	1	-
Bangladesh	414	275	126	59	-
China	22	22	18	-	-
Kazakhstan	153	149	143	142	125
Myanmar	89	100	89	32	-
Partitioned Neutral Zone	20	17	19	22	20
Philippines	128	126	108	163	131
Thailand	894	916	856	409	93
<b>Total Asia-Pacific</b>	<b>2,103</b>	<b>1,982</b>	<b>1,723</b>	<b>1,190</b>	<b>674</b>
<b>Total Indonesia</b>	<b>319</b>	<b>277</b>	<b>302</b>	<b>211</b>	<b>149</b>
<b>Other International</b>					
Argentina	45	50	54	55	64
Canada	4	5	6	19	51
Colombia	209	178	174	185	210
Denmark	142	132	146	146	130
Netherlands	40	5	7	4	-
Norway	1	1	1	2	2
Trinidad and Tobago	189	174	174	115	135
United Kingdom	208	220	242	300	340
Venezuela <sup>2</sup>	-	-	21	35	34
<b>Total Other International</b>	<b>838</b>	<b>765</b>	<b>825</b>	<b>861</b>	<b>966</b>
<b>Total International</b>	<b>3,402</b>	<b>3,100</b>	<b>2,940</b>	<b>2,377</b>	<b>1,874</b>
<b>Total Consolidated Companies</b>	<b>4,903</b>	<b>4,799</b>	<b>4,750</b>	<b>4,011</b>	<b>3,747</b>
<b>Equity Share in Affiliates</b>					
TCO	195	193	193	216	208
Petropiar (Hamaca prior to 2008)	9	10	9	6	3
Petroboscan <sup>3</sup>	7	6	1	-	-
Petroindependiente <sup>3</sup>	11	11	3	-	-
<b>Total Equity Share in Affiliates</b>	<b>222</b>	<b>220</b>	<b>206</b>	<b>222</b>	<b>211</b>
<b>Total Worldwide</b>	<b>5,125</b>	<b>5,019</b>	<b>4,956</b>	<b>4,233</b>	<b>3,958</b>
<sup>1</sup> Net natural gas production excludes royalty interests and a government's agreed-upon share of production under a PSC; includes natural gas consumed in operations:					
United States	70	65	56	48	50
International	450	433	419	356	293
<b>Total</b>	<b>520</b>	<b>498</b>	<b>475</b>	<b>404</b>	<b>343</b>

<sup>2</sup> Includes production from LL-652 through September 2006.

<sup>3</sup> Joint stock company formed in October 2006.

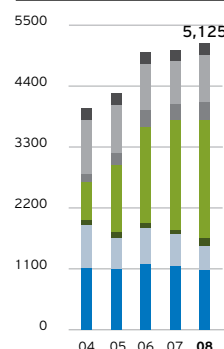
### Net Natural Gas Production by Country\* Percentage



United States	29.3%
Thailand	17.4%
Bangladesh	8.1%
Australia	7.3%
Kazakhstan	6.8%
Indonesia	6.2%
United Kingdom	4.1%
Colombia	4.1%
Trinidad and Tobago	3.7%
Others	13.0%

\*Includes equity share in affiliates.

### Net Natural Gas Production Millions of cubic feet per day



Affiliates
Other International
Indonesia
Asia-Pacific
Africa
United States - Offshore
United States - Onshore

## Upstream Operating Data

### Gross Oil-Equivalent Production

	Year ended December 31				
Thousands of barrels per day	2008	2007	2006	2005	2004
<b>Consolidated Companies</b>					
California	219	225	228	240	242
Gulf of Mexico	188	254	265	238	345
Other U.S.	342	359	370	331	333
Africa	451	432	427	411	391
Asia-Pacific	833	819	752	520	389
Indonesia	528	527	558	544	540
Other International	355	357	377	406	463
<b>Total Consolidated Companies</b>	<b>2,916</b>	<b>2,973</b>	<b>2,977</b>	<b>2,690</b>	<b>2,703</b>
<b>Equity Share in Affiliates</b>					
TCO	243	203	196	202	199
Petropiar (Hamaca prior to 2008)	49	49	45	47	30
Petroboscan*	42	42	11	-	-
Petroindependiente*	5	5	1	-	-
<b>Total Equity Share in Affiliates</b>	<b>339</b>	<b>299</b>	<b>253</b>	<b>249</b>	<b>229</b>
<b>Total Worldwide</b>	<b>3,255</b>	<b>3,272</b>	<b>3,230</b>	<b>2,939</b>	<b>2,932</b>

### Gross Liquids Production

Thousands of barrels per day					
<b>Consolidated Companies</b>					
California	205	208	211	222	224
Gulf of Mexico	101	140	134	132	183
Other U.S.	153	159	165	145	148
Africa	415	408	413	392	377
Asia-Pacific	388	406	392	320	273
Indonesia	459	471	499	504	514
Other International	197	211	222	252	290
<b>Total Consolidated Companies</b>	<b>1,918</b>	<b>2,003</b>	<b>2,036</b>	<b>1,967</b>	<b>2,009</b>
<b>Equity Share in Affiliates</b>					
TCO	202	165	159	162	161
Petropiar (Hamaca prior to 2008)	46	47	43	46	30
Petroboscan*	41	41	11	-	-
Petroindependiente*	3	2	-	-	-
<b>Total Equity Share in Affiliates</b>	<b>292</b>	<b>255</b>	<b>213</b>	<b>208</b>	<b>191</b>
<b>Total Worldwide</b>	<b>2,210</b>	<b>2,258</b>	<b>2,249</b>	<b>2,175</b>	<b>2,200</b>

### Gross Natural Gas Production

Millions of cubic feet per day					
<b>Consolidated Companies</b>					
California	87	98	101	107	109
Gulf of Mexico	519	685	784	638	973
Other U.S.	1,134	1,200	1,230	1,115	1,109
Africa	213	145	88	115	87
Asia-Pacific	2,670	2,477	2,159	1,200	697
Indonesia	415	334	353	241	153
Other International	946	877	929	923	1,036
<b>Total Consolidated Companies</b>	<b>5,984</b>	<b>5,816</b>	<b>5,644</b>	<b>4,339</b>	<b>4,164</b>
<b>Equity Share in Affiliates</b>					
TCO	246	230	222	239	227
Petropiar (Hamaca prior to 2008)	14	13	11	8	3
Petroboscan*	5	6	1	-	-
Petroindependiente*	16	17	5	-	-
<b>Total Equity Share in Affiliates</b>	<b>281</b>	<b>266</b>	<b>239</b>	<b>247</b>	<b>230</b>
<b>Total Worldwide</b>	<b>6,265</b>	<b>6,082</b>	<b>5,883</b>	<b>4,586</b>	<b>4,394</b>

\* Joint stock company formed in October 2006.

## Upstream Operating Data

### Natural Gas Realizations<sup>1</sup>

	Year ended December 31				
Dollars per thousand cubic feet	2008	2007	2006	2005	2004
United States	\$ 7.90	\$ 6.12	\$ 6.29	\$ 7.43	\$ 5.51
International	5.19	3.90	3.73	3.19	2.68

### Crude Oil and Natural Gas Liquids Realizations<sup>2</sup>

Dollars per barrel	2008	2007	2006	2005	2004
United States	\$ 88.43	\$ 63.16	\$ 56.66	\$ 46.97	\$ 34.12
International	86.51	65.01	57.65	47.59	34.17

### Natural Gas Sales

(Includes equity share in affiliates)  
Millions of cubic feet per day

United States	7,226	7,624	7,051	5,449	4,518
International	4,215	3,792	3,478	2,450	1,885
<b>Total</b>	<b>11,441</b>	<b>11,416</b>	<b>10,529</b>	<b>7,899</b>	<b>6,403</b>

### Natural Gas Liquids Sales

(Includes equity share in affiliates)  
Thousands of barrels per day

United States	159	160	124	151	177
International	114	118	102	120	105
<b>Total</b>	<b>273</b>	<b>278</b>	<b>226</b>	<b>271</b>	<b>282</b>

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

<sup>2</sup> U.S. realizations are based on crude-oil and natural gas liquids 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 share in affiliates.

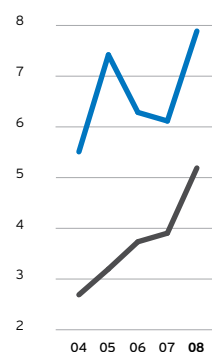
### Exploration and Development Costs\*

	Year ended December 31				
Millions of dollars	2008	2007	2006	2005	2004
<b>United States</b>					
California					
Exploration	\$ -	\$ 4	\$ -	\$ -	\$ -
Development	928	1,198	686	494	412
<b>Gulf of Mexico</b>					
Exploration	682	617	705	612	478
Development	1,923	2,237	1,632	639	457
<b>Other U.S.</b>					
Exploration	46	37	46	32	5
Development	1,497	1,775	868	596	372
<b>Total United States</b>					
Exploration	\$ 728	\$ 658	\$ 751	\$ 644	\$ 483
Development	4,348	5,210	3,186	1,729	1,241
<b>International</b>					
Africa					
Exploration	\$ 347	\$ 408	\$ 379	\$ 225	\$ 271
Development	3,723	4,176	2,890	1,871	1,047
<b>Asia-Pacific</b>					
Exploration	516	324	314	124	82
Development	4,484	1,897	1,788	1,026	567
<b>Indonesia</b>					
Exploration	68	64	90	31	15
Development	753	620	460	325	245
<b>Other International</b>					
Exploration	270	372	388	341	226
Development	1,879	1,504	1,019	713	542
<b>Total International</b>					
Exploration	\$ 1,201	\$ 1,168	\$ 1,171	\$ 721	\$ 594
Development	10,839	8,197	6,157	3,935	2,401

\* Consolidated companies only. Excludes costs of the Unocal acquisition in 2005 and other property acquisitions.

### Natural Gas Realizations

Dollars per thousand cubic feet

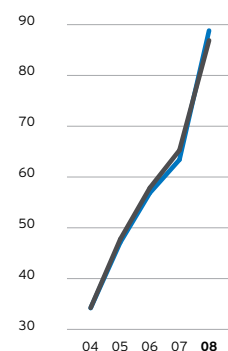


■ United States  
■ International\*

\*Includes equity share in affiliates.

### Crude Oil & Natural Gas Liquids Realizations

Dollars per barrel



■ United States  
■ International\*

\*Includes equity share in affiliates.

## Upstream Operating Data

Proved and Unproved Oil and Gas Acreage*		At December 31				
	Gross Acres	Net Acres				
Thousands of acres	2008	2008	2007	2006	2005	2004
<b>United States</b>						
<b>Onshore</b>						
Alabama	85	73	75	76	79	50
Alaska	1,590	761	850	805	827	339
California	310	292	294	291	292	257
Colorado	264	232	234	274	274	211
Louisiana	305	272	274	344	399	448
New Mexico	530	343	354	376	389	310
Oklahoma	338	202	204	224	229	224
Texas	4,481	3,280	3,405	3,684	3,844	3,143
Utah	36	23	81	79	82	106
Wyoming	259	146	163	185	200	226
Other states	302	217	230	253	262	212
<b>Total Onshore</b>	<b>8,500</b>	<b>5,841</b>	<b>6,164</b>	<b>6,591</b>	<b>6,877</b>	<b>5,526</b>
<b>Offshore</b>						
Alaska Coast	17	4	4	23	23	8
Gulf Coast	3,370	2,369	2,732	3,646	4,304	3,657
Pacific Coast	12	6	6	8	5	5
<b>Total Offshore</b>	<b>3,399</b>	<b>2,379</b>	<b>2,742</b>	<b>3,677</b>	<b>4,332</b>	<b>3,670</b>
<b>Total United States</b>	<b>11,899</b>	<b>8,220</b>	<b>8,906</b>	<b>10,268</b>	<b>11,209</b>	<b>9,196</b>
<b>Africa</b>						
Angola	2,394	828	737	887	923	918
Chad	8,173	2,043	2,043	2,043	2,043	2,043
Democratic Republic of the Congo	250	44	44	44	22	-
Equatorial Guinea	-	-	-	-	142	473
Libya	2,796	2,796	2,796	2,796	-	-
Nigeria	6,402	2,871	2,871	3,120	3,150	3,868
Republic of the Congo	158	49	50	59	54	53
<b>Total Africa</b>	<b>20,173</b>	<b>8,631</b>	<b>8,541</b>	<b>8,949</b>	<b>6,334</b>	<b>7,355</b>
<b>Asia-Pacific</b>						
Australia	15,848	7,950	9,106	8,740	9,444	3,832
Azerbaijan	108	11	11	41	41	30
Bahrain	-	-	-	-	-	48
Bangladesh	2,058	1,828	1,258	2,115	2,117	-
Cambodia	1,163	640	640	853	853	853
China	2,375	1,081	1,079	812	2,431	3,656
Georgia	-	-	206	206	206	-
Kazakhstan	80	16	16	16	16	16
Myanmar	6,476	1,832	1,832	1,832	1,829	-
Partitioned Neutral Zone	1,576	788	788	788	788	786
Philippines	206	93	93	93	98	93
Thailand	18,459	9,531	9,531	8,059	5,603	2,578
Turkey	502	125	251	251	1,363	251
Vietnam	2,515	1,201	1,479	1,479	617	-
<b>Total Asia-Pacific</b>	<b>51,366</b>	<b>25,096</b>	<b>26,290</b>	<b>25,285</b>	<b>25,406</b>	<b>12,143</b>
<b>Total Indonesia</b>	<b>8,414</b>	<b>5,689</b>	<b>6,234</b>	<b>6,885</b>	<b>7,494</b>	<b>3,534</b>
<b>Other International</b>						
Argentina	2,634	1,402	1,548	1,671	2,133	3,101
Brazil	225	74	74	180	725	677
Canada	25,563	15,244	14,900	14,633	14,943	14,664
Colombia	203	87	87	87	87	101
Denmark	420	63	81	79	66	74
Faroe Islands	170	68	68	68	68	-
Germany	98	26	26	26	123	123
Greenland	3,088	1,029	1,029	-	-	-
Netherlands	53	22	22	22	22	-
Norway	1,026	252	549	549	372	587
Trinidad and Tobago	168	84	84	84	84	84
United Kingdom	2,257	980	979	1,328	430	385
Venezuela	1,255	1,239	1,239	1,239	1,252	1,035
<b>Total Other International</b>	<b>37,160</b>	<b>20,570</b>	<b>20,686</b>	<b>19,966</b>	<b>20,305</b>	<b>20,831</b>
<b>Total International</b>	<b>117,113</b>	<b>59,986</b>	<b>61,751</b>	<b>61,085</b>	<b>59,539</b>	<b>43,863</b>
<b>Total Consolidated Companies</b>	<b>129,012</b>	<b>68,206</b>	<b>70,657</b>	<b>71,353</b>	<b>70,748</b>	<b>53,059</b>

\* Net acreage includes wholly owned interests and the sum of the company's fractional interests in gross acreage. Consolidated companies only.



## Upstream Operating Data

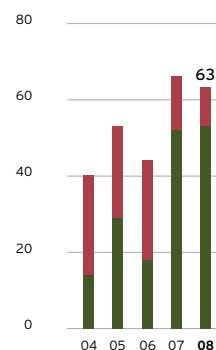
### Net Wells Completed\*

	Year ended December 31									
	2008		2007		2006		2005		2004	
	Productive	Dry	Productive	Dry	Productive	Dry	Productive	Dry	Productive	Dry
<b>Consolidated Companies</b>										
<b>California</b>										
Exploratory	-	-	-	-	-	-	-	-	-	-
Development	533	-	620	-	600	-	661	-	636	1
<b>Total California</b>	<b>533</b>	<b>-</b>	<b>620</b>	<b>-</b>	<b>600</b>	<b>-</b>	<b>661</b>	<b>-</b>	<b>636</b>	<b>1</b>
<b>Gulf of Mexico</b>										
Exploratory	8	1	4	7	9	8	14	8	13	8
Development	26	3	30	1	34	5	29	3	43	3
<b>Total Gulf of Mexico</b>	<b>34</b>	<b>4</b>	<b>34</b>	<b>8</b>	<b>43</b>	<b>13</b>	<b>43</b>	<b>11</b>	<b>56</b>	<b>11</b>
<b>Other U.S.</b>										
Exploratory	-	1	-	1	7	-	5	6	3	1
Development	287	1	225	4	317	6	256	4	221	3
<b>Total Other U.S.</b>	<b>287</b>	<b>2</b>	<b>225</b>	<b>5</b>	<b>324</b>	<b>6</b>	<b>261</b>	<b>10</b>	<b>224</b>	<b>4</b>
<b>Africa</b>										
Exploratory	2	1	6	2	1	-	4	1	3	1
Development	33	-	43	-	45	2	38	-	36	-
<b>Total Africa</b>	<b>35</b>	<b>1</b>	<b>49</b>	<b>2</b>	<b>46</b>	<b>2</b>	<b>42</b>	<b>1</b>	<b>39</b>	<b>1</b>
<b>Asia-Pacific</b>										
Exploratory	10	1	14	10	18	7	10	-	16	-
Development	203	1	223	-	235	1	150	-	84	-
<b>Total Asia-Pacific</b>	<b>213</b>	<b>2</b>	<b>237</b>	<b>10</b>	<b>253</b>	<b>8</b>	<b>160</b>	<b>-</b>	<b>100</b>	<b>-</b>
<b>Indonesia</b>										
Exploratory	4	1	1	-	2	-	5	-	2	-
Development	462	-	374	-	258	-	107	-	163	-
<b>Total Indonesia</b>	<b>466</b>	<b>1</b>	<b>375</b>	<b>-</b>	<b>260</b>	<b>-</b>	<b>112</b>	<b>-</b>	<b>165</b>	<b>-</b>
<b>Other International</b>										
Exploratory	39	2	41	6	6	3	7	4	3	7
Development	41	-	52	-	43	-	79	-	84	-
<b>Total Other International</b>	<b>80</b>	<b>2</b>	<b>93</b>	<b>6</b>	<b>49</b>	<b>3</b>	<b>86</b>	<b>4</b>	<b>87</b>	<b>7</b>
<b>Total Consolidated Companies</b>	<b>1,648</b>	<b>12</b>	<b>1,633</b>	<b>31</b>	<b>1,575</b>	<b>32</b>	<b>1,365</b>	<b>26</b>	<b>1,307</b>	<b>24</b>
<b>Equity Share in Affiliates</b>										
Exploratory	-	-	-	-	1	-	8	-	-	-
Development	16	-	3	-	13	-	23	-	20	-
<b>Total Equity Share in Affiliates</b>	<b>16</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>20</b>	<b>-</b>
<b>Total Worldwide</b>	<b>1,664</b>	<b>12</b>	<b>1,636</b>	<b>31</b>	<b>1,589</b>	<b>32</b>	<b>1,396</b>	<b>26</b>	<b>1,327</b>	<b>24</b>

\* Net Wells Completed includes wholly owned wells and the sum of the company's fractional interests in jointly owned wells completed during the year, regardless of when drilling was initiated. Completion refers to the installation of permanent equipment for the production of crude oil or natural gas or, in the case of a dry well, the reporting of abandonment to the appropriate agency. Some exploratory wells are not drilled with the intention of producing from the well bore. In such cases, "completion" refers to the completion of drilling. Further categorization of productive or dry is based on the determination as to whether hydrocarbons in a sufficient quantity were found to justify completion as a producing well, whether or not the well is actually going to be completed as a producer.

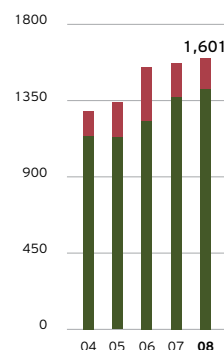
### Net Productive Exploratory Wells Completed

Number of wells



### Net Productive Development Wells Completed

Number of wells



### Net Productive Wells<sup>1,2</sup>

	At December 31				
	2008	2007	2006	2005	2004
<b>Consolidated Companies</b>					
<b>United States</b>					
Oil	33,595	33,217	33,067	32,712	29,270
Gas	5,569	6,043	6,212	6,014	5,733
<b>Total United States</b>	<b>39,164</b>	<b>39,260</b>	<b>39,279</b>	<b>38,726</b>	<b>35,003</b>
<b>International</b>					
Oil	10,290	10,538	9,903	9,891	9,447
Gas	1,837	1,730	1,513	891	257
<b>Total International</b>	<b>12,127</b>	<b>12,268</b>	<b>11,416</b>	<b>10,782</b>	<b>9,704</b>
<b>Total Consolidated Companies</b>	<b>51,291</b>	<b>51,528</b>	<b>50,695</b>	<b>49,508</b>	<b>44,707</b>
<b>Equity Share in Affiliates</b>					
Oil	413	375	375	149	123
Gas	2	-	-	-	-
<b>Total Equity Share in Affiliates</b>	<b>415</b>	<b>375</b>	<b>375</b>	<b>149</b>	<b>123</b>
<b>Total Worldwide</b>	<b>51,706</b>	<b>51,903</b>	<b>51,070</b>	<b>49,657</b>	<b>44,830</b>

<sup>1</sup> Net Productive Wells includes wholly owned wells and the sum of the company's fractional interests in wells completed in jointly owned operations.

<sup>2</sup> Includes wells producing or capable of producing and injection wells temporarily functioning as producing wells. Wells that produce both crude oil and natural gas are classified as oil wells.

# Downstream

Improve returns and selectively grow, with a focus on integrated value creation.

## Highlights

The company enjoys a strong global presence in all aspects of the downstream industry – refining, marketing and transportation. Refining assets are located in North America, the United Kingdom, South Africa and the Asia-Pacific rim. Downstream markets refined products and lubricants under the premium brands of Chevron, Texaco and Caltex.

### Industry Conditions

Industry refining margins were volatile during 2008. Refining margins in international markets were lower than in the United States throughout the year.

Industry marketing margins were depressed in the first half of 2008, but improved during the second half of the year before declining toward year-end. U.S. marketing margins were at or near zero for several months of the year. The U.S. Energy Information Administration reported that consumption in 2008 of refined products in the United States declined by nearly 6 percent from the 2007 average, representing the largest annual decline since 1980. The major factors behind the decline were record-high retail prices in the first half of the year, which were associated with record-high prices for crude oil, and the severe economic downturn in the second half of the year.

### Business Strategies

Downstream's business strategy is to improve returns and selectively grow, with a focus on integrated value creation. In support of this, Downstream has identified the following enabling strategies:

- › Drive top competitive performance in the base business through excellence in operations and leverage of technology.
- › Grow selectively in refining flexibility and yield.
- › Align portfolio to capture integration value across the energy supply chain.
- › Develop enhanced supply-chain and commercial capabilities.

### 2008 Accomplishments

- › Achieved a Chevron record for downstream personal safety – lowest-ever lost-time injury rate.
- › Achieved a record-high utilization rate for Chevron-operated refineries.
- › Completed a number of projects at core refineries to improve high-value product yield and lower feedstock costs.
- › Announced plans to construct a 25,000-barrel-per-day base oil manufacturing facility at the Pascagoula, Mississippi, refinery.
- › Announced agreements to sell marketing and other businesses in Nigeria, Kenya, Uganda, Benin, Cameroon, Republic of the Congo, Côte d'Ivoire, Togo and Brazil.

### 2009 Outlook

- › Continue safe operations while improving refinery reliability and utilization.
- › Advance projects to improve feedstock flexibility, high-value product yield and energy efficiency.
- › Continue rationalization of Marketing and Lubricants asset portfolios.
- › Increase integration across the energy value chains.
- › Enhance supply-chain and commercial capabilities through advanced tools and processes.
- › Implement technology to improve refining operations and capabilities.

Downstream Overview



## Downstream Financial and Operating Highlights<sup>1</sup>

Dollars in millions	2008	2007
Segment income	\$ 3,429	\$ 3,502
Fuel refinery crude oil inputs (Thousands of barrels per day) <sup>2</sup>	1,850	1,813
Fuel refinery capacity at year-end (Thousands of barrels per day) <sup>2</sup>	2,059	2,035
U.S. gasoline and jet fuel yields (Percent of U.S. refinery production)	64%	64%
Refined-product sales (Thousands of barrels per day)	3,429	3,484
Motor gasoline sales (Thousands of barrels per day)	1,281	1,309
Number of marketing retail outlets at December 31	25,017	25,082
Refining capital expenditures	\$ 3,056	\$ 2,207
Marketing capital expenditures	\$ 507	\$ 598
Transportation and other downstream capital expenditures	\$ 642	\$ 638
Total downstream capital expenditures	\$ 4,205	\$ 3,443

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

<sup>2</sup> Refinery input and capacity exclude asphalt plant volumes.

## Refining

Chevron's global refining system can process more than 2 million barrels of crude oil per day. The system is anchored by seven core refineries that continue to increase in complexity, flexibility and scale and that are located in key areas that make up more than 75 percent of the company's total fuel-refining capacity. Five of these core refineries - located in Singapore, Thailand, South Korea, and Richmond and El Segundo, California - provide Pacific Basin coverage. The other two refineries, in Pascagoula, Mississippi, and Pembroke, United Kingdom, supply the Atlantic Basin.

Chevron's portfolio of refineries is well positioned in the attractive growth regions of the Asia-Pacific rim and southern Africa. Many of these refineries have large hydroprocessing units capable of converting lower-quality crude oil into a variety of clean, high-value light products and have the flexibility to maximize mid-distillate production. This type of refinery configuration enables the company to take advantage of the significant price differential that often exists between light, sweet crude oils and the less-costly heavy, sour crudes.

### Business Strategies

- › Achieve world-class operational excellence in safety, reliability and environmental performance.
- › Selectively grow refining flexibility and yield and improve optimization and integration of the manufacturing system.
- › Deploy technology to enhance competitiveness.

### Achieving World-Class Operational Excellence

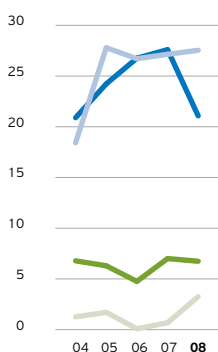
During 2008, the company continued its focus on safe operations, environmental performance and refinery reliability. Top priorities were process safety, equipment reliability, and the systematic identification and elimination of potential disruptions to refinery operations.

### Selectively Growing Refining Flexibility and Yield

Projects completed at El Segundo and Pascagoula during 2008 improved the flexibility to process lower-cost crude-oil feedstocks that are heavier and contain higher sulfur levels. At the 50 percent-owned Yeosu Refinery in South Korea, a new hydrocracker complex and vacuum distillation unit increased high-value product yield and also lowered feedstock costs. Other projects under way at the end of 2008 at Richmond and Yeosu are designed to further enhance feedstock flexibility.

At Pascagoula, construction progressed during 2008 on a continuous catalytic reformer, which is designed to improve reliability and increase daily gasoline production at the refinery by 10 percent, or 600,000 gallons, by mid-2010. Design and engineering work also advanced at Pascagoula to build a new lubricant base-oil complex. Additional detail on this project is provided in the Lubricants section on page 48.

**Industry Refining Margins**  
Dollars per barrel



■ U.S. Gulf Coast (Maya 5-3-1-1)\*  
■ U.S. West Coast (Blended 5-3-1-1)\*  
■ Singapore (Dubai 3-1-1-1)\*  
■ Northwest Europe (Brent 3-1-1-1)\*

\*Numbers: A-B-C-D  
A = Crude oil  
B = Motor gasoline  
C = Diesel fuel - U.S.  
C = Gasoil - Non-U.S.  
D = Jet fuel - U.S.  
D = Fuel oil - Non-U.S.

At the company's 50 percent-owned Singapore Refinery, modifications continued during 2008 to meet new regional specifications for lower-sulfur diesel fuels. Project completion was targeted for the second quarter of 2009.

### Deploying Technology to Enhance Competitiveness

During 2008, Chevron continued to maintain a leadership position in the licensing of hydroprocessing technologies and developed several new hydroprocessing catalysts to better meet clean-fuel specifications. Refer to the Technology section, on pages 59 and 60, for further detail on the deployment of technologies to enhance refining competitiveness.

## Marketing

The Marketing organization is responsible for the marketing, advertising, sale and delivery of products and services to retail, commercial and industrial customers worldwide. Approximately 25,000 retail outlets, including affiliate operations, are located primarily on the West Coast of North America, the U.S. Gulf Coast, Latin America, the Caribbean, Asia, southern Africa and the United Kingdom.

### Business Strategies

- › Provide clean, safe and reliable operations through operational excellence.
- › Align the marketing portfolio to capture integration value with the refining system.
- › Leverage brands to grow value in key markets.

### Improving Performance Through Operational Excellence

Chevron is dedicated to ensuring that its network of service stations, product terminals and transportation fleet operate safely and reliably. During 2008, the company made approximately 4 million deliveries through its 263 terminals worldwide.

Reliability is especially critical during natural disasters. Spare equipment and supplies are maintained in key facilities outside hurricane-prone areas. In 2008, this preparation allowed the company to quickly restore fuel-delivery operations and provide electrical generators, food and water to communities affected by hurricanes Gustav and Ike in the Caribbean and along the U.S. Gulf Coast.

In the area of safety, employee and contractor personal-safety performance reached world-class levels in 2008, with Marketing improving its safety performance from 2007 by more than 50 percent.

### Aligning the Marketing Portfolio

Chevron continues to align its marketing portfolio more closely with the company's refining system through market exits and divestitures of retail sites. During 2008, the company sold its heating-oil business in the United Kingdom and announced the sale of its marketing and other businesses in Nigeria, Kenya, Uganda, Benin, Cameroon, Republic of the Congo, Côte d'Ivoire and Togo and its fuels-marketing business in Brazil. Following the close of these sales, the company will have exited the fuels-marketing business in 22 countries since 2004.

Approximately 350 company-owned retail sites were also sold during 2008. In most cases, Chevron continues to supply branded fuels to these locations through new supply agreements. The disposition of retail sites in 2008 was a continuation of the strategy to focus the portfolio on areas of market strength. In addition, across Asia-Pacific and Africa, support services were optimized by consolidating fuels order-taking activities from 110 facilities and terminals to seven customer-service centers.

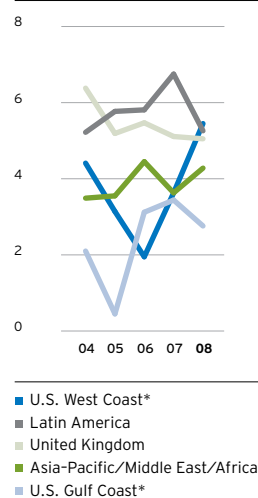
### Leveraging Brands to Capture Value

The company manages three premium brands – Chevron, Texaco and Caltex – each with a long-established and distinguished legacy. These brands continue to hold top positions in their markets around the world. In 2008, an independent source ranked Chevron as the most powerful gasoline brand in the United States for the fifth consecutive year.

During 2008, the company continued to execute its multi-year program to refresh the Chevron brand image. By the end of the year, more than 5,000 Chevron retail sites had been updated. The company's convenience store brand, ExtraMile, was ranked as the No. 1 convenience store by an independent survey for the second year in a row.

The company is further enhancing its market-leading position in clean premium fuels through the expanded incorporation of patented additives, such as Techron, into branded fuel formulations in several markets. In 2008, Chevron sold gasoline with Techron in 27 countries that comprised 90 percent of the branded gasoline sold worldwide. Chevron also introduced a pilot program featuring the new Chevron diesel with Techron<sup>®</sup>, an ultra-low-sulfur diesel, at 49 retail stations in the Sacramento, California, region.

**Industry/Chevron Marketing Fuel Margins**  
Dollars per barrel



\*Industry margins.



## Lubricants

Chevron is among the leading global marketers of finished lubricants and is the top U.S. supplier of premium lubricant base stocks west of the Rockies. The Lubricants global workforce, together with partners, provides value-added lubrication solutions to a mix of commercial, retail, industrial and marine customers. The product line of lubrication and coolant products includes such well-known branded products as Havoline, Delo, Ursa, Meropa and Taro, which are marketed globally under the three major brands - Chevron, Texaco and Caltex.

### Business Strategies

- › Operate with excellence.
- › Enhance business performance.
- › Grow profitably in select markets.

### Turning Strategy Into Action

In 2008, Lubricants achieved its strongest-ever financial performance and focused on continuously improving its base business by prioritizing markets and business sectors, creating value for its customers, improving supply-chain management, and leveraging its growing premium base-oil manufacturing capacity.

In August 2008, Chevron submitted an environmental permit application to the Mississippi Department of Environmental Quality for the construction of a premium base-oil facility at the company's Pascagoula, Mississippi, refinery. The facility is expected to have daily production of approximately 25,000 barrels of premium base oil for use in manufacturing high-performance lubricants, such as motor oils for consumer and commercial uses. With additional manufacturing capacity from the Pascagoula facility, Chevron would become the world's largest producer of premium base oil.

## Supply & Trading

The Supply & Trading organization manages Chevron's global supply chain to maximize the company's equity crude-oil revenues, reduce the cost of Downstream's raw materials and transportation, and optimize the supply of finished products to the market. Activities include supplying crude oil and refined products to the company's refining and marketing network, marketing crude oil and refined products to third parties, and managing associated market risks. Supply & Trading also markets aviation and marine fuels.

The company handles more than 300 different grades of crude oil and petroleum products. In addition, Chevron is among the leading global suppliers of jet fuel and aviation gasoline to commercial airlines, general aviation and military customers. Supply & Trading markets aviation fuel at more than 1,000 airports.

### Business Strategies

- › Optimize the company's raw-material selection, refined-product supply and related transportation network.
- › Promote integration of Chevron operations along the energy supply chain.
- › Extract value through marketing activities, which are enabled by the company's equity positions in crude oil and refined products.

### Developing New Opportunities for Chevron

In 2008, crude-oil selection options for the company's global refining system continued to grow, with the company refining 31 crude oils during the year that were new to individual refineries, including 14 new to the company's system. Supply & Trading also continued to expand the company's supply capabilities in biofuels such as ethanol. A new generation of information technology tools to enhance optimization of Downstream's energy supply chain began to be used in 2008.

## Transportation

The company's transportation businesses include Pipeline and Shipping operations that are responsible for transportation of crude oil, refined products, natural gas, liquefied petroleum gas (LPG) and liquefied natural gas (LNG) to customers worldwide.

Pipeline operations include an extensive network of company-owned crude oil, natural gas and refined-product pipelines and other infrastructure assets in North America. The company also has direct and indirect interests in other U.S. and international pipelines.

During 2008, Shipping operations managed approximately 3,000 deep-sea tanker voyages, using a combination of single-voyage charters, short- and medium-term charters, and a company-owned or bareboat-chartered fleet.

### Business Strategies

The strategies of the company's transportation businesses are focused on creating value by providing internal customers with innovative, high-quality transportation; commercial and risk management; and technical consulting. The goals of Pipeline and Shipping operations are to:

- › Deliver safe, incident-free transportation.
- › Reduce the total cost of transportation for Chevron operations.
- › Support the profitable growth of Chevron's upstream and downstream businesses.

### Supporting Profitable Growth

**Pipeline** During 2008, the company completed the construction of a 30-inch (76-cm) natural-gas-gathering pipeline serving the Piceance Basin in northwest Colorado and participated in the successful installation of the Amberjack-Tahiti lateral pipeline on the seafloor of the U.S. Gulf of Mexico. In February 2009, the company completed the expansion of the partially owned West Texas LPG Pipeline system.

Refer to pages 19, 22, 24 and 25 in the Upstream section for information on the Chad/Cameroon pipeline, the West African Gas Pipeline, the Baku-Tbilisi-Ceyhan Pipeline, the Western Route Export Pipeline and the Caspian Pipeline Consortium.

**Shipping** In 2008, the company took delivery of one U.S.-flagged product tanker capable of carrying 300,000 barrels of cargo. Two additional U.S.-flagged product tankers are scheduled for delivery in 2010. Shipping's owned and bareboat-chartered fleet is all double-hulled. Consistent with the company's LNG shipping coverage strategy, which aligns delivery timing of LNG vessels with Chevron's future equity LNG production, Shipping sold its two LNG shipbuilding contracts during 2008. In early 2009, the company continued to hold an option to purchase two new LNG vessels.



### Net Pipeline Mileage<sup>1,2</sup>

At December 31

(Includes equity share in affiliates)

2008

#### Crude Oil Lines

United States	2,886
International	700

**Total Crude Oil Lines 3,586**

#### Natural Gas Lines

United States	2,263
International	576

**Total Natural Gas Lines 2,839**

#### Product Lines

United States <sup>3</sup>	6,030
International	433

**Total Product Lines 6,463**

**Total Net Pipeline Mileage 12,888**

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

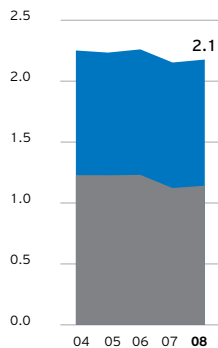
<sup>2</sup> Excludes gathering pipelines relating to U.S. and international crude oil and natural gas production function.

<sup>3</sup> Includes the company's share of chemical pipelines managed by the 50 percent-owned Chevron Phillips Chemical Company LLC.

## Downstream Operating Data

### Refinery Capacity at December 31\*

Millions of barrels per day

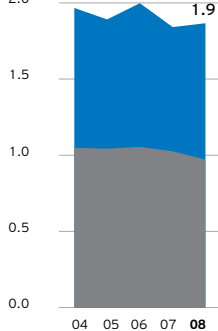


■ United States  
■ International

\*Includes equity share in affiliates.

### Refinery Crude-Oil Inputs\*

Millions of barrels per day



■ United States  
■ International

\*Includes equity share in affiliates.

## Refining Capacities and Crude-Oil Inputs

(Includes equity share in affiliates)

Year ended December 31

Thousands of barrels per day	Chevron Share of Capacity	Chevron Share of Refinery Inputs				
	At December 31, 2008	2008	2007	2006	2005	2004
<b>United States - Fuel Refineries</b>						
El Segundo, California	265	263	222	258	230	234
Kapolei, Hawaii	54	46	51	50	50	51
Pascagoula, Mississippi	330	299	285	337	263	312
Richmond, California	243	237	192	224	233	233
Salt Lake City, Utah	45	38	42	39	41	42
<b>Total United States Fuel Refineries</b>	<b>937</b>	<b>883</b>	792	908	817	872
<b>United States - Asphalt Plants</b>						
Perth Amboy, New Jersey <sup>1</sup>	80	8	20	31	28	40
Portland, Oregon <sup>2</sup>	-	-	-	-	-	2
<b>Total United States Asphalt Plants</b>	<b>80</b>	<b>8</b>	20	31	28	42
<b>Total United States</b>	<b>1,017</b>	<b>891</b>	812	939	845	914
<b>International - Wholly Owned</b>						
Canada - Burnaby, British Columbia	55	36	49	49	45	49
South Africa - Cape Town <sup>3</sup>	110	75	72	71	61	62
United Kingdom - Pembroke	210	203	212	165	186	209
<b>Total International - Wholly Owned</b>	<b>375</b>	<b>314</b>	333	285	292	320
<b>International - Affiliates</b>						
Australia - Brisbane (50%)	54	40	44	42	41	47
Australia - Sydney (50%)	67	53	58	57	52	52
Cameroon - Limbe (8%) <sup>4</sup>	-	1	3	3	-	-
Côte d'Ivoire - Abidjan (3.7%) <sup>5</sup>	-	-	2	2	2	2
Kenya - Mombasa (16%)	14	5	6	5	5	6
Martinique - Fort-de-France (11.5%)	2	2	1	2	2	2
Netherlands - Europoort (31%) <sup>6</sup>	-	-	24	104	103	98
New Zealand - Whangarei (12.7%)	13	12	12	12	12	12
Pakistan - Karachi (12%)	6	5	5	5	5	5
Singapore - Pualau Merlimau (50%) <sup>7</sup>	145	128	132	129	133	102
South Korea - Yeosu (50%)	350	327	307	307	303	305
Thailand - Map Ta Phut (64%)	96	80	94	97	88	93
<b>Total International - Affiliates</b>	<b>747</b>	<b>653</b>	688	765	746	724
<b>Total International</b>	<b>1,122</b>	<b>967</b>	1,021	1,050	1,038	1,044
<b>Total Worldwide</b>	<b>2,139</b>	<b>1,858</b>	1,833	1,989	1,883	1,958

<sup>1</sup> Perth Amboy plant idled in early 2008.

<sup>2</sup> Chevron sold the Portland asphalt plant in February 2005.

<sup>3</sup> Chevron holds 100 percent of the common stock issued by Chevron South Africa (Pty) Limited, which owns the Cape Town Refinery. A consortium of South African partners owns preferred shares ultimately convertible to a 25 percent equity interest in Chevron South Africa (Pty) Limited. None of those preferred shares had been converted as of March 2009.

<sup>4</sup> Chevron sold its ownership interest in Société Nationale de Raffinage in June 2008.

<sup>5</sup> Chevron sold its ownership interest in Société Ivoirienne de Raffinage in January 2008.

<sup>6</sup> Chevron sold its interest in this refinery (Nereco) in March 2007.

<sup>7</sup> Equity ownership increased in July 2004 from 33 percent to 50 percent.

## Refining Capacity at Year-End 2008

(Includes equity share in affiliates)

Thousands of barrels per day	Chevron Share of Capacity <sup>1</sup>				
	Atmospheric Distillation <sup>2</sup>	Catalytic Cracking <sup>3</sup>	Hydro-cracking <sup>4</sup>	Residuum Conversion <sup>5</sup>	Lubricants <sup>6</sup>
<b>United States - Fuel Refineries</b>					
El Segundo, California	265	65	46	59	-
Kapolei, Hawaii	54	21	-	-	-
Pascagoula, Mississippi	330	86	58	98	-
Richmond, California	243	80	154	-	20
Salt Lake City, Utah	45	13	-	7	-
<b>Total United States Fuel Refineries</b>	<b>937</b>	<b>265</b>	<b>258</b>	<b>164</b>	<b>20</b>
<b>United States - Asphalt Plant</b>					
Perth Amboy, New Jersey <sup>7</sup>	80	-	-	-	-
<b>Total United States Asphalt Plant</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total United States</b>	<b>1,017</b>	<b>265</b>	<b>258</b>	<b>164</b>	<b>20</b>
<b>International - Wholly Owned</b>					
Canada - Burnaby, British Columbia	55	18	-	-	-
South Africa - Cape Town <sup>8</sup>	110	22	-	11	-
United Kingdom - Pembroke	210	90	-	26	-
<b>Total International - Wholly Owned</b>	<b>375</b>	<b>130</b>	<b>-</b>	<b>37</b>	<b>-</b>
<b>International - Affiliates</b>					
Australia - Brisbane (50%) <sup>9</sup>	54	18	-	-	-
Australia - Sydney (50%)	67	22	-	-	2
Kenya - Mombasa (16%) <sup>9</sup>	14	-	-	-	-
Martinique - Fort-de-France (11.5%) <sup>9</sup>	2	-	-	-	-
New Zealand - Whangarei (12.7%) <sup>9</sup>	13	-	3	-	-
Pakistan - Karachi (12%) <sup>9</sup>	6	-	-	-	-
Singapore - Pualau Merlimau (50%) <sup>9</sup>	145	23	17	16	-
South Korea - Yeosu (50%)	350	46	38	-	8
Thailand - Map Ta Phut (64%) <sup>9</sup>	96	13	17	7	-
<b>Total International - Affiliates</b>	<b>747</b>	<b>122</b>	<b>75</b>	<b>23</b>	<b>10</b>
<b>Total International</b>	<b>1,122</b>	<b>252</b>	<b>75</b>	<b>60</b>	<b>10</b>
<b>Total Worldwide</b>	<b>2,139</b>	<b>517</b>	<b>333</b>	<b>224</b>	<b>30</b>

<sup>1</sup> Capacities represent typical calendar-day processing rates for feedstocks to process units, determined over extended periods of time. Actual rates may vary depending on feedstock qualities, maintenance schedules and external factors.

<sup>2</sup> Atmospheric distillation is the first rough distillation cut. Crude oil is heated at atmospheric pressure and separates into a full boiling range of products, such as liquid petroleum gases, gasoline, naphtha, kerosene, gas oil and residuum.

<sup>3</sup> Catalytic cracking uses solid catalysts at high temperatures to produce gasoline and other lighter products from gas-oil feedstocks.

<sup>4</sup> Hydrocracking combines heavy gas-oil feedstocks and hydrogen at high pressure and temperature in the presence of a solid catalyst to reduce impurities and produce lighter products, such as gasoline, diesel and jet fuel.

<sup>5</sup> Residuum conversion includes thermal cracking, visbreaking, coking and hydrocracking processes, which rely primarily on heat to convert heavy residuum feedstock to the maximum production of lighter boiling products.

<sup>6</sup> Lubricants capacity is based on dewaxed base-oil production.

<sup>7</sup> Perth Amboy plant idled in early 2008.

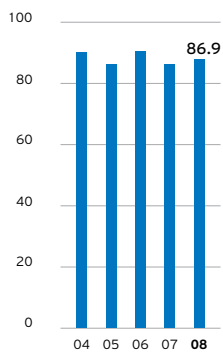
<sup>8</sup> Chevron holds 100 percent of the common stock issued by Chevron South Africa (Pty) Limited, which owns the Cape Town Refinery. A consortium of South African partners owns preferred shares ultimately convertible to a 25 percent equity interest in Chevron South Africa (Pty) Limited. None of those preferred shares had been converted as of March 2009.

<sup>9</sup> Source: 2008 Oil & Gas Journal Refining Survey.

## Downstream Operating Data

### Worldwide Refinery Utilization\*

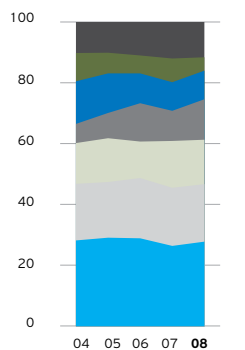
Percent of capacity



\*Includes equity share in affiliates.

### Sources of Crude-Oil Input for Worldwide Refineries (Wholly Owned)

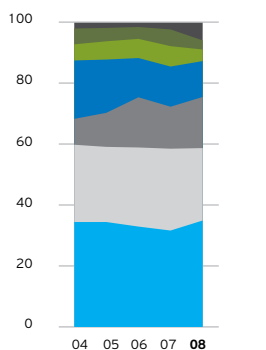
Percentage



■ Other ■ North Sea  
■ Africa ■ Mexico  
■ United States ■ Middle East  
■ South America

### Sources of Crude-Oil Input for U.S. Refineries (Wholly Owned)

Percentage



■ Other ■ South America  
■ Africa ■ Mexico  
■ Asia-Pacific ■ Middle East  
■ United States

### Refinery Crude Distillation Utilization

(Includes equity share in affiliates)

Percentage of average capacity	Year ended December 31				
	2008	2007	2006	2005	2004
United States - Fuel Refineries	94.8	85.0	98.6	89.9	95.9
Africa-Pakistan	63.6	65.0	63.6	54.9	56.0
Asia-Pacific <sup>1</sup>	88.3	92.4	93.1	91.2	91.4
Europe	96.8	97.8	80.4	86.5	91.9
Other	66.6	87.7	89.2	84.7	94.4
Worldwide <sup>1,2</sup>	86.9	85.4	89.6	85.3	89.2

### Utilization of Cracking and Coking Facilities<sup>3</sup>

(Wholly owned)

Percentage of average capacity

United States	86.1	77.6	85.8	76.1	87.9
---------------	------	------	------	------	------

### Sources of Crude-Oil Input for Worldwide Refineries

(Wholly owned)

Percentage of total input

Middle East	27.8	26.4	28.9	29.1	28.2
Mexico	18.9	19.1	19.8	18.3	18.6
North Sea	14.6	15.4	12.0	14.4	13.4
South America	13.3	9.9	12.6	8.3	6.3
United States	9.4	9.4	9.8	13.0	14.0
Africa	4.4	7.8	5.9	6.8	9.3
Other	11.6	12.0	11.0	10.1	10.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### Worldwide Refinery Production of Finished Products

(Wholly owned)

Thousands of barrels per day

Gasoline	565	598	569	529	564
Jet fuel	252	217	236	221	241
Gas oil	278	266	265	238	251
Fuel oil	99	99	90	104	100
Other	152	146	149	130	162
<b>Total</b>	<b>1,346</b>	<b>1,326</b>	<b>1,309</b>	<b>1,222</b>	<b>1,318</b>

### Sources of Crude-Oil Input for U.S. Refineries

(Wholly owned)

Percentage of total input

Middle East	35.0	31.7	33.0	34.5	34.5
Mexico	23.8	26.9	26.0	24.7	25.4
South America	16.8	13.8	16.5	11.2	8.5
United States - Excluding Alaska North Slope	6.3	7.6	7.0	7.8	8.5
United States - Alaska North Slope	5.5	5.6	5.9	9.7	10.7
Asia-Pacific - Including Indonesia	3.8	6.7	6.3	6.0	5.3
Africa	3.0	5.5	3.9	4.4	5.2
Other	5.8	2.2	1.4	1.7	1.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### U.S. Refinery Production of Finished Products

(Wholly owned)

Thousands of barrels per day

Gasoline	426	431	416	375	402
Jet fuel	211	174	200	189	203
Gas oil	170	157	170	136	148
Fuel oil	56	58	51	60	54
Other	128	128	132	115	148
<b>Total</b>	<b>991</b>	<b>948</b>	<b>969</b>	<b>875</b>	<b>955</b>

<sup>1</sup> 2004 through 2007 conformed to 2008 presentation.

<sup>2</sup> Includes asphalt plants. Perth Amboy plant idled in early 2008.

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



## Downstream Operating Data

### Refined-Product Sales

Thousands of barrels per day	Year ended December 31				
	2008	2007	2006	2005	2004
<b>United States</b>					
Gasoline	692	728	712	709	701
Gas oils and kerosene	229	221	252	231	218
Jet fuel	274	271	280	291	302
Residual fuel oil	127	138	128	122	148
Other petroleum products	91	99	122	120	137
<b>Total United States</b>	<b>1,413</b>	<b>1,457</b>	<b>1,494</b>	<b>1,473</b>	<b>1,506</b>
<b>International<sup>1</sup></b>					
Gasoline	589	581	595	662	715
Gas oils and kerosene	710	730	776	781	804
Jet fuel	278	274	266	258	250
Residual fuel oil	257	271	324	404	458
Other petroleum products	182	171	166	147	141
<b>Total International</b>	<b>2,016</b>	<b>2,027</b>	<b>2,127</b>	<b>2,252</b>	<b>2,368</b>
<b>Worldwide<sup>2</sup></b>					
Gasoline	1,281	1,309	1,307	1,371	1,416
Gas oils and kerosene	939	951	1,028	1,012	1,022
Jet fuel	552	545	546	549	552
Residual fuel oil	384	409	452	526	606
Other petroleum products	273	270	288	267	278
<b>Total Worldwide</b>	<b>3,429</b>	<b>3,484</b>	<b>3,621</b>	<b>3,725</b>	<b>3,874</b>
<sup>1</sup> Includes share of equity affiliates' sales:	512	492	492	498	502
<sup>2</sup> Includes buy/sell contracts:	-	-	50	217	180

### Light-Product Sales<sup>1,2</sup>

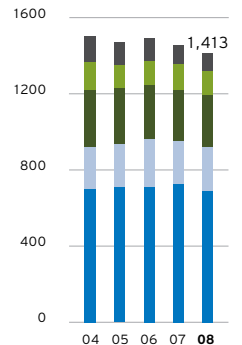
	Year ended December 31				
	2008	2007	2006	2005	2004
<b>Sales Revenues</b> (Millions of dollars)					
United States	\$ 51,279	\$ 41,561	\$ 38,474	\$ 32,716	\$ 24,451
International	65,686	53,904	51,195	47,743	39,448
<b>Total Sales Revenues</b>	<b>\$116,965</b>	<b>\$ 95,465</b>	<b>\$ 89,669</b>	<b>\$ 80,459</b>	<b>\$ 63,899</b>
<b>Sales Volumes</b> (Thousands of barrels per day)					
United States	1,195	1,220	1,244	1,231	1,221
International	1,256	1,278	1,329	1,373	1,433
<b>Total Sales Volumes</b>	<b>2,451</b>	<b>2,498</b>	<b>2,573</b>	<b>2,604</b>	<b>2,654</b>

<sup>1</sup> Consolidated companies only and includes amounts for buy/sell contracts prior to second quarter 2006.

<sup>2</sup> Light-product sales include motor gasoline, jet fuel, gas oils and kerosene.

### U.S. Gasoline & Other Refined-Product Sales

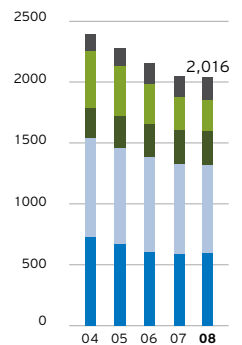
Thousands of barrels per day



■ Other  
■ Residual Fuel Oil  
■ Jet Fuel  
■ Gas Oils & Kerosene  
■ Gasoline

### International Gasoline & Other Refined-Product Sales\*

Thousands of barrels per day



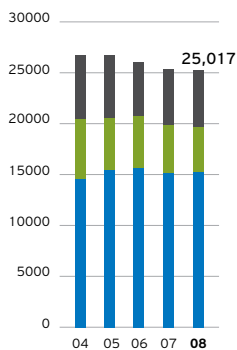
■ Other  
■ Residual Fuel Oil  
■ Jet Fuel  
■ Gas Oils & Kerosene  
■ Gasoline

\*Includes equity in affiliates.

## Downstream Operating Data

### Marketing Retail Outlets

Number of outlets



■ Affiliate  
■ Company  
■ Retailer

### Marketing Retail Outlets<sup>1,2</sup>

At December 31

	2008		2007		2006		2005		2004	
	Company	Other	Company	Other	Company	Other	Company	Other	Company	Other
United States	507	9,178	548	9,183	578	9,050	611	8,672	677	8,296
Canada	160	1	162	2	162	2	162	2	162	3
Europe	84	1,293	101	1,227	396	1,760	423	1,733	729	1,485
Latin America	977	2,442	1,040	2,510	1,134	2,575	1,218	2,760	1,296	2,863
Asia-Pacific	1,091	1,136	1,272	955	1,229	950	1,201	905	1,386	744
Africa-Pakistan	1,488	1,100	1,509	1,148	1,480	1,177	1,435	1,232	1,531	1,048
<b>Total</b>	<b>4,307</b>	<b>15,150</b>	<b>4,632</b>	<b>15,025</b>	<b>4,979</b>	<b>15,514</b>	<b>5,050</b>	<b>15,304</b>	<b>5,781</b>	<b>14,439</b>

<sup>1</sup> Excludes outlets of equity affiliates totaling 5,560, 5,425, 5,338, 6,128 and 6,313 for 2008, 2007, 2006, 2005 and 2004, respectively.

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

### Vessels - Crude-Oil and Refined-Product Tankers by Type, Dead-Weight Tonnage<sup>1</sup>

At December 31

	2008		2007		2006		2005		2004	
	U.S.	Int'l.	U.S.	Int'l.	U.S.	Int'l.	U.S.	Int'l.	U.S.	Int'l.
<b>Company-Owned and Bareboat-Chartered</b>										
25,000-65,000	5	-	4	-	3	-	3	-	3	-
65,000-120,000	-	6	-	6	-	5	-	4	-	4
120,000-160,000	-	4	-	5	-	5	-	6	-	6
160,000-320,000	-	6	-	6	-	6	-	6	-	6
Above 320,000	-	3	-	3	-	3	-	2	-	-
<b>Total Company-Owned and Bareboat-Chartered</b>	<b>5</b>	<b>19</b>	<b>4</b>	<b>20</b>	<b>3</b>	<b>19</b>	<b>3</b>	<b>18</b>	<b>3</b>	<b>16</b>
<b>Time-Chartered<sup>2</sup></b>										
25,000-65,000	-	10	-	16	-	14	-	11	-	10
65,000-120,000	-	7	-	8	-	8	-	7	-	9
<b>Total Time-Chartered</b>	<b>-</b>	<b>17</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>19</b>
<b>Total Crude-Oil and Refined-Product Tankers</b>	<b>5</b>	<b>36</b>	<b>4</b>	<b>44</b>	<b>3</b>	<b>41</b>	<b>3</b>	<b>36</b>	<b>3</b>	<b>35</b>

<sup>1</sup> Consolidated companies only. Excludes tankers used exclusively for storage.

<sup>2</sup> Includes time charters by consolidated companies for more than one year.

### Cargo Transported - Crude Oil and Refined Products\*

Year ended December 31

	2008		2007		2006		2005		2004	
	U.S.	Int'l.	U.S.	Int'l.	U.S.	Int'l.	U.S.	Int'l.	U.S.	Int'l.
Millions of barrels	32	255	36	278	25	297	28	271	33	275
Billions of ton-miles	5	328	6	333	3	344	2	285	3	299

\* Consolidated companies only. Includes cargo carried by company-owned, bareboat-chartered and time-chartered vessels; excludes single-voyage charters.

# Chemicals



Photo: Alkylation unit at night, Chevron Oronite's Gonfreville Manufacturing Plant, Gonfreville, France.



## Chevron Phillips Chemical Company LLC (CPChem)

CPChem is equally owned with ConocoPhillips Corporation and is one of the world's leading producers of commodity petrochemicals.

### Business Environment in 2008

Margins for commodity chemicals were off sharply in the first half of 2008 compared with the prior year, as sales prices could not keep pace with the rapidly rising cost of crude-oil feedstocks. As crude-oil prices began to decline in the third quarter of 2008, margins improved. During the fourth quarter, however, demand for commodity chemicals fell sharply as a result of the global economic slowdown, and margins were again squeezed.

Production volumes were lower during 2008 at five plant locations in Texas and Mississippi due to planned turnarounds for maintenance. Hurricanes in September in the U.S. Gulf of Mexico also disrupted operations at seven facilities in Texas. At the Orange, Texas, facility, storm-surge damage resulted in an extended curtailment of polyethylene production. Equity earnings from CPChem's Middle East joint ventures continued to contribute to CPChem's profits.

### Business Strategies

- › Protect employees, contractors and the community by maintaining a safety culture with a goal of zero injuries and incidents.
- › Deliver superior financial results through operational excellence and by leveraging core technologies to reduce costs.
- › Achieve customer satisfaction through reliable and incident-free delivery of quality competitive products.
- › Grow profitably through flawless execution of world-scale petrochemical projects, supported by secure, low-cost feedstocks and proximity to large growing markets, particularly Asia.

### 2008 Accomplishments

- › Maintained top-tier safety performance by participating in the Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP). For the year, CPChem had 16 star and one merit OSHA VPP sites.
- › Continued construction of the 22 million-pound-per-year Ryton polyphenylene sulfide (PPS) manufacturing facility at Borger, Texas, with completion scheduled for the second quarter of 2009. Ryton PPS is an engineering thermoplastic used in a variety of applications, including automotives and electronics.
- › Began commercial production in October at the 50 percent-owned styrene facility in Al Jubail, Saudi Arabia.
- › Commenced construction in January on a third petrochemical project in Al Jubail. The project scope of this joint venture includes an olefins unit and downstream polyethylene, polypropylene, 1-hexene and polystyrene units. Completion is expected in 2011.
- › Completed nearly 40 million work-hours on the 49 percent-owned Q-Chem II project in Mesaieed, Qatar. Q-Chem II includes a high-density polyethylene and normal alpha olefins plant and a separate joint venture for an ethylene cracker, of which Q-Chem II owns 54 percent of the capacity rights. Start-up was anticipated in late 2009.
- › Formed Americas Styrenics LLC, a 50/50 joint venture with Dow Chemical Company that began operations in May and is expected to enable the partners to gain scale and improve asset utilization.
- › Entered into an agreement in August for the dismantlement and salvage of the plant in Guayama, Puerto Rico.

### Manufacturing and Research and Development Locations

At year-end 2008, CPChem had manufacturing facilities at 35 locations:

United States	Major Products	International	Major Products
Torrance, California (50%)	Polystyrene	Kallo-Beveren, Belgium	Ryton PPS Compounds
Allyn's Point, Connecticut (50%)	Polystyrene	Tessenderlo, Belgium	Organosulfur Chemicals
Joliet, Illinois (50%)	Polystyrene	Guaruja, Brazil (50%)	Polystyrene
St. James, Louisiana	Styrene	Jinshanwei, China (40%)	HDPE
Pascagoula, Mississippi	Paraxylene, Benzene	Zhangjiagang, China	Polystyrene
Hanging Rock, Ohio (50%)	Polystyrene	Cartagena, Colombia (50%)	Polystyrene
Marietta, Ohio (50%)	Polystyrene	Mesaieed, Qatar (49%)	Ethylene, HDPE, 1-Hexene
Cedar Bayou Facility, Baytown, Texas	Ethylene, Propylene, HDPE, Alpha Olefins, LLDPE and LDPE	Al Jubail, Saudi Arabia (50%)	Benzene, Cyclohexane, Styrene and Propylene
Borger, Texas	Specialty Chemicals, Ryton PPS	Singapore (50%)	HDPE
Conroe, Texas	Drilling Specialty Chemicals	Singapore	Ryton PPS Compounds
La Porte, Texas	Ryton PPS Compounds	Yochon, South Korea (60%)	K-Resin SBC
Sweeny Facility, Old Ocean, Texas	Ethylene, Propylene		
Orange, Texas	HDPE		
Pasadena Plastics Complex, Pasadena, Texas	HDPE, K-Resin SBC, Polypropylene (60%)		
Port Arthur, Texas	Ethylene, Propylene, Cyclohexane		
Nine Other Locations	Polyethylene Pipe and Pipe Fittings		

For other information on CPChem's major businesses, refer to the Web site at [www.cpchem.com](http://www.cpchem.com).

## Chevron Oronite Company

Chevron Oronite is a world leader in the development, manufacture and marketing of performance-enhancement additives for lubricating oils and fuels. Oronite lubricant additives are blended into refined base oil to produce finished lubricant packages used in most engine applications, such as passenger cars, heavy-duty diesel trucks and buses, ships, locomotives, and motorcycles. Each engine type has different needs and industry specifications, requiring a mix of additive formulations to properly protect the engines from premature wear, corrosion and deposit-related performance problems. Typically, several additive components, such as dispersants, detergents, inhibitors and viscosity index improvers, are combined to meet the desired performance standards. Also, specialty additives are marketed for other oil applications, such as power transmission fluids and hydraulic oils.

Oronite fuel additives are used to improve engine performance and extend engine life. The main additive applications are for gasoline and diesel fuels. Many fuel additive packages are unique and are blended specifically for a single customer. Fuel performance standards vary for customers throughout the world, and each region delivers specific packages for its area.

Oronite headquarters are in San Ramon, California, with regional offices in the Americas, Asia-Pacific and Europe/Africa/Middle East. Major manufacturing facilities and technology centers are located in each region to provide superior service and value to customers.

### Business Strategies

- › Achieve world-class operational excellence by:
  - Building an incident- and injury-free culture throughout the organization.
  - Improving supply-chain safety and reliability.
  - Enhancing process safety by standardizing production processes and equipment design.
- › Deliver superior financial results by improving the effectiveness and reliability of global supply-chain operations, managing operating costs, and improving customer satisfaction.
- › Enhance organizational capability by implementing a new global enterprise resource planning (ERP) system that will provide consistent and integrated global data to improve the speed and accuracy of decision making.
- › Grow profitability by selectively expanding business areas, optimizing the product portfolio, aligning resources and advancing core competencies.

### 2008 Accomplishments

- › Achieved world-class safety performance.
- › Reached 5 million hours of work with zero lost days due to injury at the Omaezaki, Japan, product blending and shipping facility and R&D center. The time period dated back to 1989 when the plant was commissioned.
- › Started operation in December of the hydrofluoric acid replacement alkylation units at the plant in Gonfreville, France, and commenced commercial production in January 2009. This new facility eliminates the use of hydrofluoric acid as a catalyst and benzene as a feedstock, making the process safer and more environmentally friendly.
- › Began full commercial production at the Gonfreville plant of new sulfur-free detergent components for marine engine applications and low-sulfur components for automotive engine-oil applications.
- › Implemented the Oronite Supplemental Compliance Assurance Process, which is an effort to further improve ability to become a more reliable supplier and to lower overall risk profile.
- › Completed all major milestones for implementation of a new ERP system and went live in February 2009.

### Manufacturing and Research and Development Locations

At year-end 2008, Chevron Oronite manufactured, blended, and/or conducted research and development at 10 locations:

United States	Products/Services	International	Products/Services
Richmond, California	Technology Center	Maua, Brazil	Lube Additives M&D
Belle Chasse, Louisiana	Fuel and Lube Additives, Manufacturing and Distribution (M&D)	Gonfreville, France	M&D and Technology Center
		Omaezaki, Japan (82.8%)	Lube Additives Blending, Distribution and Technology Center
San Antonio, Texas	Testing and Development	Chennai, India (50%)	Lube Additives M&D
		San Juan del Rio, Mexico (40%)	Lube Additives M&D
		Rotterdam, Netherlands	Technology Center
		Palau Sakra, Singapore	Lube Additives M&D



## Other Businesses

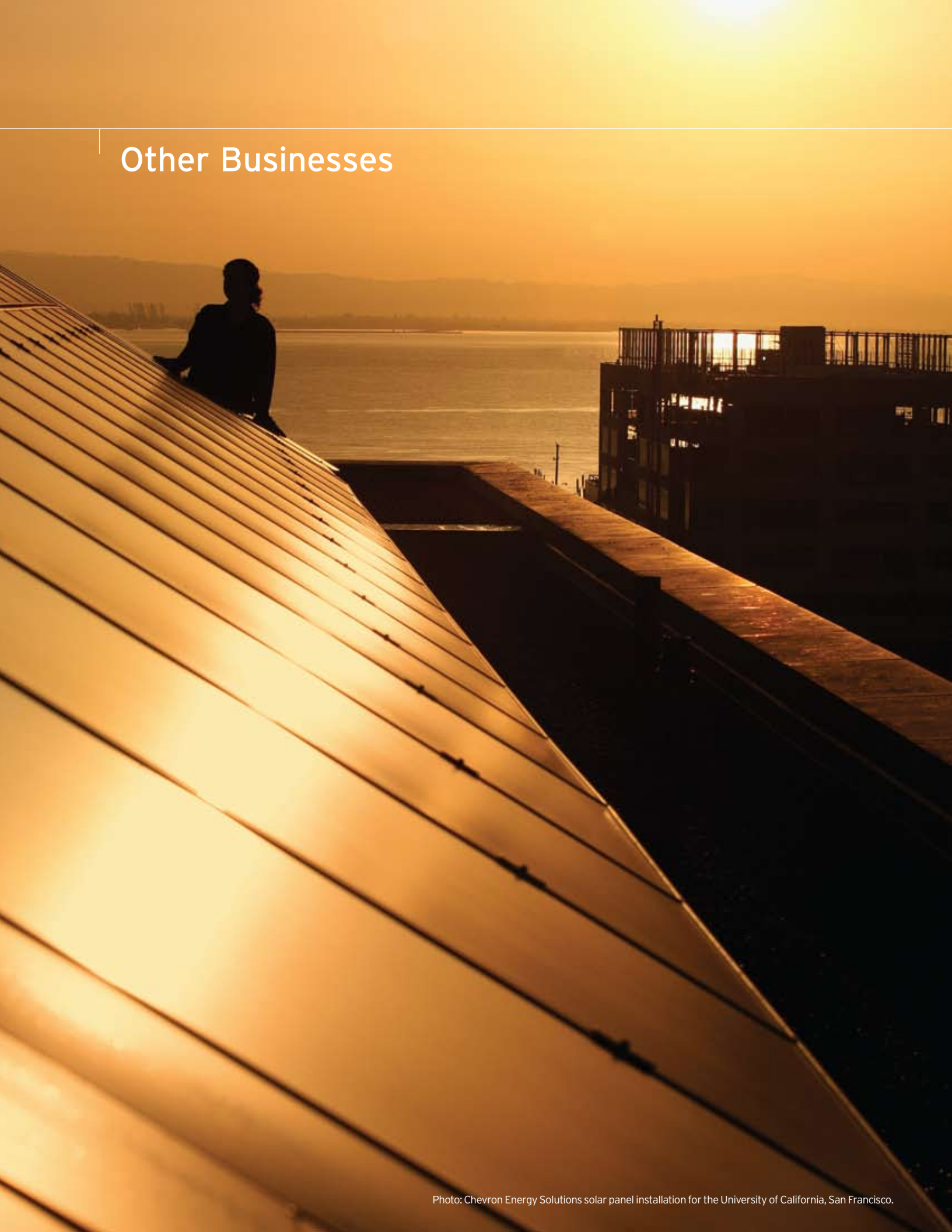


Photo: Chevron Energy Solutions solar panel installation for the University of California, San Francisco.

## Technology

Chevron has three technology companies in support of the company's worldwide businesses. To deliver superior performance and growth and meet business needs, technology solutions and plans are developed and prioritized through collaboration between the technology companies and the businesses.

### Business Strategies

The main strategy is to leverage technology to deliver superior performance in Chevron's core businesses. The supporting strategies focus on establishing leading positions in emerging and transformational technologies.

- › Align technology resources with business needs to achieve world-class performance.
- › Position Chevron to successfully compete in future energy markets.
- › Develop and retain key technical capabilities.
- › Develop world-class technology deployment capabilities.

### 2008 Accomplishments

#### Upstream

- › Built and operated advanced facilities for real-time monitoring and analysis of production in the U.S. Gulf of Mexico, including managing and optimizing natural-gas compressors.
- › Deployed an integrated information-management platform at Agbami Field in Nigeria that provides access to subsurface, subsea and topsides data and enables automated event detection and production optimization.
- › Developed an augmented virtual environment for real-time, remote 3-D surveillance of oil field operations in the San Joaquin Valley of California.
- › Planned deployment of a new earth modeling and interpretation platform that will incorporate proprietary workflows to significantly improve efficiencies for exploration and production over the next 10 to 15 years.
- › Pioneered with Los Alamos National Laboratory on a unique approach to monitor real-time, high-bandwidth data from producing wells and deployed the first commercial unit in a steamflood well in Bakersfield, California.
- › Performed a small-scale steam injection test into a carbonate reservoir in the Partitioned Neutral Zone located between Saudi Arabia and Kuwait.
- › Deployed the Nautronix Subsea Network, a full-field underwater positioning system, at the Frade Field in Brazil.
- › Initiated the qualification of larger processing unit trains for LNG facilities.
- › Completed deployment of polyester mooring lines to enhance reliability of deepwater facilities and enable future ultra-deepwater developments.
- › Completed full qualification of titanium completion tubulars to industry specifications, enabling the use of titanium in the industry's harshest corrosion environments that are exposed to hydrogen sulfide, carbon dioxide, and high salinity and temperatures.
- › Built and tested a pilot plant for the rapid bioremediation of drill cuttings.
- › Completed and began executing a five-year information technology investment strategy and roadmaps for Chevron operating companies and service functions.
- › Patented a catenary flexible conduit for LNG transfer.

#### Downstream

- › Successfully completed proof-of-concept testing of Vacuum Resid Slurry Hydrocracking technology at the pilot scale.
- › Successfully managed key portions of industry consortia for the capture and geologic storage of carbon dioxide, with emerging-oxygen-fired-boiler and post-combustion-capture technologies nearing a commercial-scale demonstration phase.
- › Deployed new infrared-camera technology to detect hydrocarbon emissions and further improve operational reliability and safety.
- › Launched a new fluidized catalytic cracker testing lab as part of Chevron's Center of Excellence for Catalysis.

#### Information Technology and Infrastructure

- › Developed Chevron's 10-year information technology strategy.
- › Launched deployment of a 24-month global update of Chevron's computing infrastructure and desktop/laptop equipment.
- › Continued strategic investment in next-generation information technologies to enable better subsurface interpretation and improved drilling and well-completion information.
- › Initiated prototype solutions for real-time oil field data management: optimization of compression, steam system and production; operator routine duties; and reservoir management.
- › Deployed an information system to optimize Downstream's global supply chain.

### Biofuels/Hydrogen

- › Launched Catchlight Energy LLC, a 50-50 joint venture between Chevron and Weyerhaeuser Company that is focused on the research, development and commercialization of profitable, low-carbon biofuels from nonfood, forest-based resources.
- › Continued research activities aimed at the commercialization of next-generation biofuels with the University of California at Davis, the Georgia Institute of Technology, Texas A&M University and the National Renewable Energy Laboratory.
- › Safely operated five demonstration hydrogen fueling stations across the United States to further understand the readiness of hydrogen as a transportation fuel.
- › Initiated field trials for Chevron's second on-site hydrogen production unit that provides fuel to a fleet of fuel cell cars at Chevron's demonstration hydrogen fueling station near Detroit, Michigan.

### Power Generation

Chevron has an interest in 13 power generation facilities through joint-venture structures and has more than 20 years of experience in successfully developing and operating commercial power projects for utilities and large industrial customers worldwide. The vision of the global power organization is to be the "center of excellence" for Chevron's power-generation assets, including those embedded in production and refining facilities. The joint-venture companies operate efficient combined-cycle and gas-fired cogeneration facilities that utilize waste-heat recovery to produce additional electricity and to support industrial thermal hosts. A number of the company facilities provide steam for heavy-oil producing operations.

In addition to the power-generation business, Chevron is the leading producer of geothermal energy, with major operations in Indonesia and the Philippines. For additional information on the company's geothermal activities, see pages 29 and 30.

### Business Strategies

- › Develop power projects to commercialize the company's equity natural gas.
- › Develop cogeneration opportunities and evaluate alternative-energy projects at company facilities.
- › Leverage power-related organizational capability across Chevron.

### Chevron Energy Solutions (CES)

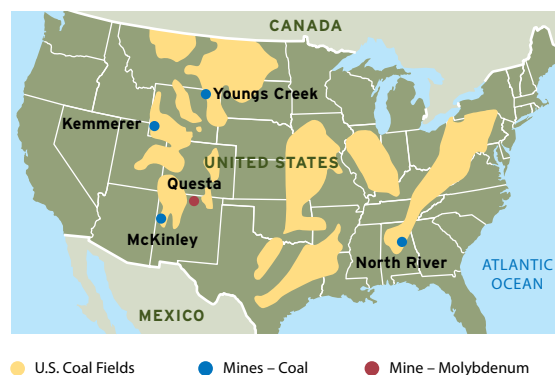
CES is a wholly owned subsidiary that provides public institutions and businesses with sustainable projects designed to increase energy efficiency and reliability, reduce energy costs, and utilize renewable and alternative-power technologies. CES has developed hundreds of projects that help government, education and other customers reduce energy costs and carbon footprint. Major projects completed by CES in 2008 included several large solar panel installations in California.

## Mining

Chevron's U.S.-based mining company produces and markets coal and molybdenum.

The company operates two surface coal mines (McKinley in New Mexico and Kemmerer in Wyoming), one underground coal mine (North River in Alabama) and a molybdenum mine in Questa, New Mexico. The company also owns a 50 percent interest in Youngs Creek Mining Company LLC, a joint venture to develop a coal mine in northern Wyoming.

In September 2008, the company sold its rare-earth (lanthanides) processing facilities and mine in Mountain Pass, California, and its 33 percent interest in Sumikin Molycorp, a manufacturer of neodymium compounds in Japan. The petroleum coke calciner assets of Chicago Carbon Company were also sold. As of early 2009, the North River Mine and other undeveloped Alabama coal reserves were actively being marketed for sale.



### Business Environment for Minerals in the United States

Coal markets are dominated by electricity generators, which consume about 90 percent of the coal used in the United States. Competition in the power industry places a premium on low-cost, low-sulfur, coal-fired power generation.

Molybdenum is primarily used as an alloy agent in steel. Continued strong demand supported high sales prices for molybdenum through the third quarter of 2008. During the fourth quarter, demand and prices dropped sharply as a result of the general economic slowdown and the falloff in demand for steel.

### Business Strategies

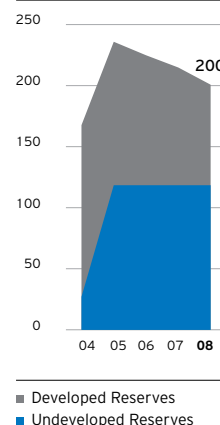
The company's goal is to manage profitable growth and sustainability opportunities while maximizing cash flow by employing the following strategies:

- › Mine coal and molybdenum in a safe and environmentally responsible manner.
- › Manage assets to improve productivity and further reduce costs while managing capital expenditures.
- › Optimize mine sales and production volumes and the value of coal and molybdenum reserves.
- › Maintain a mining competency within Chevron.

### 2008 Accomplishments

- › Improved safety performance, receiving industry awards for safety at Questa and Mountain Pass mines.
- › Exceeded three years without a lost work-day injury at the Kemmerer Mine.
- › Continued land acquisition and environmental baseline activities in northern Wyoming.
- › Implemented innovative reclamation techniques, receiving an *Excellence in Reclamation Award* at the McKinley Mine.
- › Divested nonstrategic assets (discussed above).

**Coal Reserves**  
Millions of tons



### Mining Operations<sup>1</sup>

Mine Name/Affiliate	State/ Country	Principal Operation		Estimated Annual Capacity	Annual Sales				
				At 12/31/08	2008	2007	2006	2005	2004
Coal:			Sulfur Content						
Kemmerer	Wyoming	Truck-and-Shovel (T&S)	Low	5.5	5.0	5.2	4.6	4.5	4.5
McKinley	New Mexico	Dragline/T&S	Low	3.2	3.2	3.7	5.2	5.5	5.8
North River	Alabama	Longwall	Medium	3.1	2.9	3.1	2.8	3.6	3.6
Inter-American Coal (30%) <sup>2</sup>	Venezuela	T&S	Low	-	-	-	-	0.5	0.7
Total Coal Sales				11.8	11.1	12.0	12.6	14.1	14.6
Minerals:			Type of Mineral						
Mountain Pass <sup>3,4</sup>	California	T&S	Rare Earths	-	2.5	4.3	5.3	2.4	-
Questa <sup>3</sup>	New Mexico	Underground	Molybdenum	4.2	4.1	3.9	4.0	1.2	-
CBMM (35%) <sup>2</sup>	Brazil	T&S	Niobium	-	-	-	6.1	7.7	-

<sup>1</sup> Sales and capacity represent the company's share. Quantities at the coal facilities and niobium facility are shown in millions of tons. Volumes of the rare earth and molybdenum facilities are expressed in millions of pounds.

<sup>2</sup> Chevron's interest in Inter-American Coal was sold in late 2005; Chevron's interest in CBMM was sold in mid-2006.

<sup>3</sup> Environmental reclamation activities are in progress at Questa and Mountain Pass (offsite remediation).

<sup>4</sup> Mining operations at Mountain Pass were sold in September 2008.

## Reference

### Glossary of Energy and Financial Terms

#### Energy Terms

**Acresage** Land leased for crude oil and natural gas exploration and production.

**Additives** Chemicals to control engine deposits and improve lubricating performance.

**Artificial Lift** Use of artificial means in a production well to improve flow rates. Generally this is achieved with a mechanical device inside the well or by gas injection.

**Barrels of Oil-Equivalent** A unit of measure to quantify crude oil, natural gas liquids and natural gas amounts using the same basis. Natural gas volumes are converted to barrels on the basis of energy content. See *oil-equivalent gas* and *production*.

**Biofuel** Any fuel that is derived from biomass - recently living organisms or their metabolic byproducts - from sources such as farming, forestry and biodegradable industrial and municipal waste.

**Condensate** Hydrocarbons that are in a gaseous state at reservoir conditions but condense into liquid as they travel up the well bore and reach surface conditions.

**Development** Drilling, construction and related activities following discovery that are necessary to begin production and transportation of crude oil and/or natural gas.

**Enhanced Recovery** Techniques used to increase or prolong production from crude oil and natural gas fields.

**Exploration** Searching for crude oil and/or natural gas by utilizing geologic and topographical studies, geophysical and seismic surveys, and drilling of wells.

**Gasification** Commercially proven process that converts low-value hydrocarbons into clean synthesis gas.

**Gas-to-Liquids** A process that converts natural gas into high-quality transportation fuel and other products.

**Integrated Energy Company** A company engaged in all aspects of the energy industry: exploring for and producing crude oil and natural gas (upstream); refining, marketing and transporting crude oil, natural gas and refined products (downstream); manufacturing and distributing petrochemicals (chemicals); and generating power.

**Liquefied Natural Gas** Natural gas that is liquefied under extremely cold temperatures to facilitate storage or transportation in specially designed vessels.

**Liquefied Petroleum Gas** Light gases, such as butane and propane, that can be maintained as liquids while under pressure.

**Natural Gas Liquids** Separated from natural gas, these include ethane, propane, butane and natural gasoline.

**Oil-Equivalent Gas** The volume of natural gas needed to generate the equivalent amount of heat as a barrel of crude oil. Approximately 6,000 cubic feet of natural gas is equivalent to one barrel of crude oil.

**Oil Sands** Naturally occurring mixture of bitumen (a heavy, viscous form of crude oil), water, sand and clay. Using hydro-processing technology, bitumen can be refined to yield synthetic crude oil.

**Petrochemicals** Chemicals derived from petroleum, they include: aromatics - used to make plastics, adhesives, synthetic fibers and household detergents; and olefins - used to make packaging, plastic pipes, tires, batteries, household detergents and synthetic motor oils.

**Production** *Total production* refers to all the crude oil, natural gas liquids and natural gas produced from a property. *Gross production* is the company's share of total production before deducting both royalties paid to landowners and government's agreed-upon share of production under a *production-sharing contract* (PSC). *Net production* is *gross production* minus both royalties paid to landowners and government's agreed-upon share of production under a PSC. *Oil-equivalent production* is the sum of the barrels of liquids and the oil-equivalent barrels of natural gas produced. See *barrels of oil-equivalent* and *oil-equivalent gas*.

**PSC** An agreement between a government and a contractor (generally an oil and gas company) in which production is shared between the parties in a prearranged manner. The contractor typically incurs all exploration, development and production costs that are subsequently recoverable out of an agreed-upon share of any future PSC production, referred to as cost recovery oil and/or gas. Any remaining production, referred to as profit oil and/or gas, is shared between the parties on an agreed-upon basis as stipulated in the PSC. The government also may retain a share of PSC production as a royalty payment, and the contractor may owe income taxes on its portion of the profit oil and/or gas. The contractor's share of PSC oil and/or gas production and reserves varies over time, as it is dependent on prices, costs and specific PSC terms.

**Refinery Utilization Rate** Represents average crude oil consumed in fuel and asphalt refineries for the year expressed as a percentage of the refineries' average annual crude unit capacity.

**Renewables** Energy resources that are not depleted when consumed or converted into other forms of energy (e.g. solar, geothermal, ocean and tide, wind, hydroelectric power, biofuels, and hydrogen).

**Reserves** Crude oil or natural gas contained in underground rock formations called *reservoirs*. *Proved reserves* are the estimated quantities that geologic and engineering data demonstrate can be produced with reasonable certainty from known reservoirs under existing economic and operating conditions. Estimates change as additional information becomes available. *Oil-equivalent reserves* are the sum of the liquids reserves and the oil-equivalent gas reserves. See *barrels of oil-equivalent* and *oil-equivalent gas*.

The rules of the U.S. Securities and Exchange Commission (SEC) permit oil and gas companies to disclose in their SEC filings only *proved reserves*. Certain terms, such as "probable" or "possible" reserves, "potentially recoverable" volumes, and "resources," among others, may be used to describe certain oil and gas properties in this document, which is not filed with the SEC. The company uses these other terms, which are not approved for use in SEC filings, because they are commonly used in the industry, are measures considered by management to be important in making capital investment and operating decisions, and provide some indication to stockholders of the potential ultimate recovery of oil and gas from properties in which the company has an interest. In that regard, potentially recoverable volumes are those that can be produced using all known primary and enhanced recovery methods. Investors should refer to disclosures in Chevron's *Annual Report on Form 10-K* for the year ended December 31, 2008.



**Synthetic Crude Oil** A marketable and transportable hydrocarbon liquid, resembling crude oil, that is produced by upgrading highly viscous or solid hydrocarbons, such as extra-heavy crude oil or *oil sands*.

**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 crude oil or natural gas production exists. *Appraisal wells* are exploratory wells drilled out from the side of a discovery well to determine the area of a new field. *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, that is, wells not capable of producing in commercial quantities.

### Financial Terms

**Capital Employed** The sum of stockholders' equity, total debt, capital lease obligations and minority interest. Average capital employed is computed by averaging the sum of capital employed at the beginning and end of the year.

**Cash Flow From Operating Activities** Cash generated from the company's businesses, an indicator of a company's ability to pay dividends and fund capital and common stock repurchase programs. Excludes cash flows related to the company's financing and investing activities.

**Current Ratio** Current assets divided by current liabilities.

**Debt Ratio** Total debt, including capital lease obligations, divided by total debt and stockholders' equity.

**Earnings** Total revenues less total expenses (including income taxes) expressed before or after extraordinary items and cumulative effect of changes in accounting principles.

**Goodwill** The excess of the purchase price of an acquired entity over the total fair value assigned to assets acquired and liabilities assumed.

**Interest Coverage Ratio** Income before income tax expense plus interest and debt expense and amortization of capitalized interest, divided by before-tax interest costs.

**Margin** The difference between the cost of purchasing, producing and/or marketing a product and its sales price.

**Net Income** The primary earnings measure for a company, as determined under accounting principles generally accepted in the United States (U.S. GAAP), detailed on a separate financial statement.

**Return on Average Stockholders' Equity** Net income divided by average stockholders' equity. Average stockholders' equity is computed by averaging the sum of the beginning-of-year and end-of-year balances.

**Return on Average Total Assets** Net income divided by average total assets. Average total assets is computed by averaging the sum of the beginning-of-year and end-of-year balances.

**Return on Capital Employed** Ratio is calculated by dividing net income (adjusted for after-tax interest expense and minority interest) by the average of total debt, minority interest and stockholders' equity for the year.

**Stockholders' Equity** The owners' share of the company - the difference between total assets and total liabilities.

**Total Stockholder Return** The return to stockholders as measured by stock price appreciation and reinvested dividends for a period of time.

## Additional Information

### Stock Exchange Listing

Chevron common stock is listed on the New York Stock Exchange. The symbol is "CVX."

### Publications and Other News Sources

Additional information relating to Chevron is contained in its *2008 Annual Report* to stockholders and its *Annual Report on Form 10-K* for the fiscal year ended December 31, 2008, filed with the U.S. Securities and Exchange Commission. Copies of these reports are available on the company's Web site, [www.chevron.com](http://www.chevron.com), or may be requested in writing to:

Chevron Corporation  
Comptroller's Department  
6001 Bollinger Canyon Road, A3201  
San Ramon, CA 94583-2324

The *2008 Corporate Responsibility Report* is available in May on the company's Web site, [www.chevron.com](http://www.chevron.com), or may be requested in writing to:

Chevron Corporation  
Policy, Government and Public Affairs  
6001 Bollinger Canyon Road, A2177  
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For additional information about the company and the energy industry, visit Chevron's Web site, [www.chevron.com](http://www.chevron.com). It includes articles, news releases, speeches, quarterly earnings information and the *Proxy Statement*.

### Legal Notice

As used in this report, the terms "Chevron" and "the company" may refer to Chevron Corporation, one or more of its consolidated subsidiaries, or to all of them taken as a whole, but unless the context clearly indicates otherwise, the term should not be read to include "affiliates" of Chevron, that is, those companies accounted for by the equity method (generally owned 50 percent or less) or investments accounted for by the cost method. All of these terms are used for convenience only and are not intended as a precise description of any of the separate companies, each of which manages its own affairs.

### Trademark Notice

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### Investor Information

If you have any questions regarding the data included herein, please contact:

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This publication was issued in March 2009 solely for the purpose of providing additional Chevron financial and statistical data. It is not a circular or prospectus regarding any security or stock of the company, nor is it issued in connection with any sale, offer for sale of or solicitation of any offer to buy any securities. This report supplements the *Chevron Corporation 2008 Annual Report* to stockholders and should be read in conjunction with it. The financial information contained in this *2008 Supplement to the Annual Report* is expressly qualified by reference to the *2008 Annual Report*, which contains audited financial statements, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and other supplemental data.

## Organizations

Organization Type/Name	Principal Business	Principal Areas of Activity
<b>Operating</b>		
Cabinda Gulf Oil Company Limited	Exploration and Production	Angola
Chevron Africa and Latin America Exploration and Production Company	Exploration and Production	Africa and Latin America
Chevron Argentina S.R.L.	Exploration and Production	Argentina
Chevron Asia Pacific Exploration and Production Company	Exploration and Production	Asia-Pacific
Chevron Canada Limited	Integrated Energy Activities	Canada
Chevron Europe, Eurasia and Middle East Exploration & Production Limited	Exploration and Production	International
Chevron Geothermal Indonesia, Ltd.	Power Generation	Indonesia
Chevron Global Energy Inc.	Integrated Energy Activities	International
Chevron Global Power Company	Electric Power and Cogeneration	Worldwide
Chevron Mining Inc.	Mining	United States
Chevron Nigeria Limited	Exploration and Production	Nigeria
Chevron North America Exploration and Production Company	Exploration and Production	North America
Chevron Oronite Company LLC	Lubricating Oils and Fuels Additives	Worldwide
Chevron Pipe Line Company	Crude Oil, Refined Products and Natural Gas Transportation	United States
Chevron Products Company	Refining, Marketing, Trading, Supply and Distribution of Crude Oil and Refined Products	United States
Chevron Thailand Exploration and Production, Ltd.	Exploration and Production	Thailand
Chevron Transport Corporation Ltd.	Marine Transportation	International
Chevron U.S.A. Inc.	Integrated Energy Activities	Worldwide
PT. Chevron Pacific Indonesia	Exploration and Production	Indonesia
Saudi Arabian Chevron Inc.	Exploration and Production	Partitioned Neutral Zone
Texaco Inc.	Exploration and Production	Worldwide
Unocal Corporation	Exploration and Production	Worldwide
<b>Affiliates</b>		
Angola LNG Limited (36.4%)	Liquefied Natural Gas	Angola
The Baku-Tbilisi-Ceyhan Pipeline Company (8.9%)	Crude Oil Transportation	Eurasia
Caltex Australia Limited (50%)	Refining and Marketing	Australia
Caspian Pipeline Consortium (15%)	Crude Oil Transportation	Eurasia
Catchlight Energy LLC (50%)	Biofuels	United States
Chevron Phillips Chemical Company LLC (50%)	Petrochemicals	Worldwide
Colonial Pipeline (23.4%)	Refined Product Transportation	United States
GS Caltex Corporation (50%)	Refining and Marketing	International
Petrobrascan, S.A. (39.2%)	Exploration and Production	Venezuela
Petroindependiente, S.A. (25.2%)	Exploration and Production	Venezuela
Petropiar, S.A. (30%)	Exploration and Production	Venezuela
Star Petroleum Refining Co., Ltd. (64%)	Refining	Thailand
Tengizchevroil LLP (50%)	Exploration and Production	Kazakhstan
West African Gas Pipeline Company Limited (36.7%)	Natural Gas Transportation	West Africa
<b>Services</b>		
Chevron Business and Real Estate Services	Property Management	Worldwide
Chevron Energy Solutions Company	Energy Services	United States
Chevron Energy Technology Company	Integrated Energy Technology and Services	Worldwide
Chevron Environmental Management Company	Environmental Remediation	United States
Chevron Information Technology Company	Information Technology	Worldwide
Chevron Services Company	Financial, Legal and Technical Support Services	Worldwide
Chevron Technology Ventures	Emerging Technologies	United States
<b>Finance</b>		
Chevron Canada Funding Corporation	Debt Financing	
Chevron Funding Corporation	Commercial Paper Issuer and Debt Financing	
Texaco Capital Inc.	Debt Financing	

Chevron Corporation has ownership interests in more than 1,000 subsidiaries, branches, divisions, partnerships and affiliates. The above listing represents the most significant of the company's operations. These organizations may represent legal entities or divisions of operating units of legal entities. Chevron's interest is 100 percent unless otherwise noted.

## Chevron 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 the Standard Oil conglomerate into 34 independent companies.
- 1926** Acquired Pacific Oil Company to become Standard Oil Company of California (Socal).
- 1936** Formed the Caltex Group of Companies, jointly owned by Socal and The Texas Company (later became Texaco), to manage exploration and production interests of the two companies in the Middle East and Indonesia and provide an outlet for crude oil through The Texas Company's European markets.
- 1947** Acquired Signal Oil Company, obtaining the Signal brand name and adding 2,000 retail stations in the western United States.
- 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 U.S. Gulf of Mexico, where the company was a major producer.
- 1984** Acquired Gulf Corporation - nearly doubling the size of crude-oil and natural-gas activities - and gained significant presence in industrial chemicals, natural gas liquids and coal. Changed name to Chevron Corporation to identify with the name under which most products were marketed.
- 1988** Purchased Tenneco Inc.'s U.S. Gulf of Mexico crude-oil and natural-gas properties, becoming one of the largest U.S. natural-gas producers.
- 1993** Formed Tengizchevroil, a joint venture with the Republic of Kazakhstan, to develop and produce the giant Tengiz Field, becoming the first major Western oil company to enter newly independent Kazakhstan.
- 1999** Acquired Rutherford-Moran Oil Corporation and Petrolera Argentina San Jorge S.A. These acquisitions provided inroads to Asian natural-gas markets and built on the company's Latin America business foundation.
- 2001** Merged with Texaco Inc. and changed name to ChevronTexaco Corporation. Became the second-largest U.S.-based energy company.
- 2002** Relocated corporate headquarters from San Francisco, California, to San Ramon, California.
- 2005** Acquired Unocal Corporation, an independent crude-oil and natural-gas exploration and production company. Unocal's upstream assets bolstered Chevron's already-strong position in the Asia-Pacific, U.S. Gulf of Mexico and Caspian regions. Changed name to Chevron Corporation to convey a clearer, stronger and more unified presence in the global marketplace.



2008 Annual Report



2008 Supplement to the Annual Report



2008 Corporate Responsibility Report

### Cautionary Statement Relevant to Forward-Looking Information for the Purpose of "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

This *2008 Supplement to the Annual Report* of Chevron Corporation contains forward-looking statements relating to Chevron's operations that are based on management's current expectations, estimates and projections about the petroleum, chemicals and other energy-related industries. Words such as "anticipates," "expects," "intends," "plans," "targets," "projects," "believes," "seeks," "schedules," "estimates," "budgets" and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond the company's control and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Unless legally required, Chevron undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are crude-oil and natural-gas prices; refining, marketing and chemicals margins; actions of competitors or regulators; timing of exploration expenses; timing of crude-oil liftings; the competitiveness of alternate-energy sources or product substitutes; technological developments; the results of operations and financial condition of equity affiliates; the inability or failure of the company's joint-venture partners to fund their share of operations and development activities; the potential failure to achieve expected net production from existing and future crude-oil and natural-gas development projects; potential delays in the development, construction or start-up of planned projects; the potential disruption or interruption of the company's net production or manufacturing facilities or delivery/transportation networks due to war, accidents, political events, civil unrest, severe weather or crude-oil production quotas that might be imposed by OPEC (Organization of Petroleum Exporting Countries); the potential liability for remedial actions or assessments under existing or future environmental regulations and litigation; significant investment or product changes under existing or future environmental statutes, regulations and litigation; the potential liability resulting from pending or future litigation; the company's acquisition or disposition of assets; gains and losses from asset dispositions or impairments; government-mandated sales, divestitures, recapitalizations, industry-specific taxes, changes in fiscal terms or restrictions on scope of company operations; foreign currency movements compared with the U.S. dollar; the effects of changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; and the factors set forth under the heading "Risk Factors" described on pages 30 and 31 of the company's *2008 Annual Report on Form 10-K*. In addition, such statements could be affected by general domestic and international economic and political conditions. Unpredictable or unknown factors not discussed in this report could also have material adverse effects on forward-looking statements.



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