Chevron Corporation 2000 Annual Report

Chevron

4 plus 1

'Our 4 plus 1 strategic intents define our company's primary goal – to achieve world-class performance.'

– Chairman Dave O'Reilly

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

4 plus 1

This is a promising time for the oil and gas industry, as demand for energy continues to rise around the world. Chevron's goal is to be the best in this challenging business, especially for investors. Our aim is to generate the highest stock price appreciation plus dividends among our strongest competitors over the 2000 through 2004 period. To do that, we intend to combine powerful strategies with world-class execution.

This *Annual Report* describes Chevron's year 2000 accomplishments and explains our plan for achieving long-term goals. Essential is the set of strategies we call **4 plus 1.**

The foundation is the "plus 1" – **organizational capability** – a system of competencies that when linked together form a unique capability. We intend to achieve this unique capability in four drivers of business success – **operational excellence, cost reduction, capital stewardship** and **profitable growth.**

Thus, **4 plus 1.** Success with this strategy will drive Chevron to world-class performance.

To Our Stockholders

4 plus 1

It is with a great deal of pride and pleasure that I take this opportunity to tell you about the tremendous success our company achieved in the year 2000.

First, our financial performance was superb, setting a new standard in the history of Chevron. Operationally, our performance was much improved, as we set several records for safety, reliability and production. We continued to build increased organizational capability in the key drivers of business success. And we announced plans to merge with Texaco to build a stronger company for the long term.

The most historic achievement of 2000 was our net income of $5.2 billion, by far the highest in the company's 121-year history. That performance benefited from sustained high prices for crude oil and natural gas, combined with strong refining margins, particularly in the United States. Underlying these results, however, was solid operating performance. For example, we increased our oil and gas production 3 percent from the year before, thereby taking advantage of high prices.

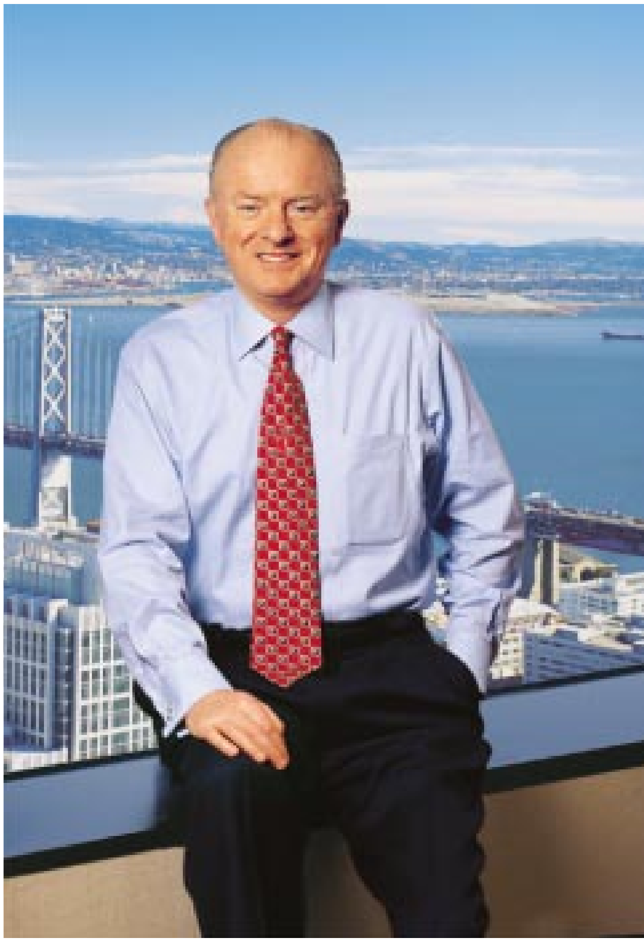
Improved reliability at our refineries resulted in higher production of value-added products, improving our profits while meeting our customers' needs when supplies were tight. In every operation, employees focused on improving safety and reliability, while at the same time continuing their focus on reducing costs. For example, improved processes for global procurement of goods and services saved more than $250 million during 2000 in operating expenses and capital expenditures.

The result of strong industry conditions and improved operating performance was a return on capital employed of 22 percent, excluding special items, an achievement that ranked No.1 among our industry peers worldwide.

While these were important accomplishments during 2000, we also took several steps to strengthen the company for the long term by:

- replacing more than 150 percent of the oil and gas we produced in 2000 through new discoveries, acquisitions and other additions – the eighth consecutive year the company has added more reserves than it has produced;
- reducing our debt ratio to 24 percent, the lowest since our 1984 merger with Gulf;

Dave O'Reilly
Chairman of the Board
and Chief Executive Officer



- implementing a $6 billion capital and exploratory spending plan for 2001, focused on our strategic priority to profitably grow our upstream (exploration and production) business;
- repurchasing $1.4 billion of common shares through a stock buyback program;
- strengthening our chemicals business by forming a world-class joint venture with Phillips Petroleum Company.

'4 plus 1' progress

Last year, we set two challenging goals for the five-year period from 2000 through 2004 – to be No.1 in total stockholder return (stock price appreciation plus dividends) relative to our peers and to achieve a minimum of 12 percent return on capital employed while continuing to grow the company.

We said that achieving our goals would require superior performance in four key areas – operational excellence, cost reduction, capital stewardship and profitable growth – and that building organizational capability in each would be critical to achieving our financial goals. We call these priorities "4 plus 1." I'd like to update you on our progress, which has been very good to date.

In 2000 and 2001, we are focusing initially on building world-class organizational capability in two of those areas – operational excellence and capital stewardship.

We've already achieved demonstrable progress in operational excellence, which entails safe, reliable, efficient and environmentally sound performance companywide. For example, in the upstream, our oil production operations at the Tengiz Field in Kazakhstan have attained 12 million hours without a lost-time incident while also achieving new production records. In the downstream (refining and marketing), our North American refineries have had their best safety performance ever. These and other accomplishments are detailed elsewhere in this *Annual Report*.

Despite our progress, it is essential that we continue to improve in safety, reliability, efficiency and environmental performance. We are building our capability through better work processes, enhanced training and certification, more rapid sharing of lessons learned, and increased focus on recognition and accountability.

The other area for enhanced organizational capability is capital stewardship, wisely investing our money – a key element for a company our size with a capital and exploratory budget of $6 billion. We've been seeing improvements in capital efficiency as our decision and execution processes are more widely deployed and lessons learned are shared across the organization.

We are increasing our organizational skills by providing project teams with improved decision-making tools and by continuing a rigorous analysis of completed projects so that lessons learned can be incorporated into the decisions and execution of future projects. For example, in the international upstream, these techniques have been applied in areas ranging from the North Sea and Angola to Australia and Canada – and they have led to important progress in shortening the time from discovery to first oil production; in the design, construction and start-up of production facilities; and in overall project cost.

You can be proud of Chevron's talented work force and the progress employees have made in these areas, as well as their aspirations to be world-class in each.

4 plus 1

Texaco merger update

As I write this letter in February, we're making excellent progress in our proposed merger with Texaco.

ChevronTexaco Corporation will have:

- top-tier upstream positions, with reserves of 11.2 billion barrels of oil equivalent;
- production of 2.7 million barrels per day and excellent exploration opportunities;
- an integrated, worldwide refining and marketing business;
- a global chemicals business and significant growth platforms in natural gas and power;
- industry-leading skills in technology innovation.

The merger will bring together two leading energy companies to form a global enterprise that, working from $78 billion in assets, is highly competitive across all energy sectors, is projected to achieve at least $1.2 billion in annual cost savings and is well positioned for growth.

In short, everything we've learned since the merger announcement in October has reinforced a positive outlook for the proposed new company. That's especially true in one very important way: As the two companies begin to work together to make the merger a success, we're already seeing evidence of a shared vision and teamwork that are at the heart of any successful venture. And we share common values, including protecting the environment, partnering with the communities where we operate, and promoting diversity and opportunity in our work force.

Dick Matzke
Vice Chairman

Our strong base business, our progress in developing a top-notch organization and our proposed merger with Texaco position us to prosper in a world where energy, in all its forms, is central to economic and social progress.

Energy: vital to economic growth

Concerns about global oil prices and availability, as well as regional natural gas and electricity supply and prices, have been very much in the news. Events of the past year have heightened the public's awareness of how much our well-being depends on sufficient supplies of affordable energy, efficiently utilized.

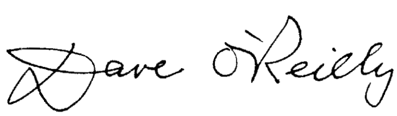
Energy is a key input to a healthy economy that is increasingly global, interdependent and dynamic – with enormous potential for improving the lives of people everywhere.

The United States has a special responsibility to support energy progress. As the largest economy in the world, inextricably linked to the global economy, our nation should take a leadership role in developing a long-term strategy to ensure that energy supplies are sufficient to support growth.

We at Chevron are committed to doing our part to responsibly develop energy supplies and services. When we complete our proposed merger with Texaco, the new ChevronTexaco Corporation will be even better positioned to fulfill that role. We will have the assets, financial strength and people to make a difference.

Chevron will be a vital partner in creating the energy that fuels progress. By doing so, we will serve our customers, the communities in which we operate and our stockholders.

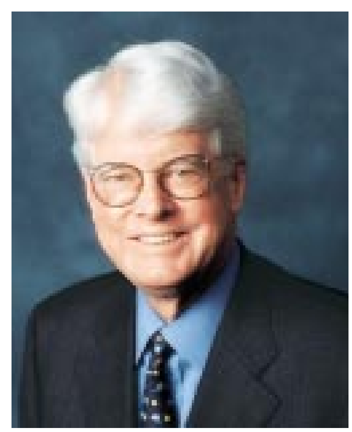
I'm very positive about the outlook for our company and very proud of the commitment and performance of the many thousands of Chevron people who have contributed to our success.



Dave O'Reilly
Chairman of the Board
and Chief Executive Officer
February 26, 2001

'I'd like to acknowledge the contribution of Jim Sullivan, who has retired as Vice Chairman after four decades of distinguished leadership with Chevron. Jim was especially concerned with the people of Chevron – that each employee be valued for making a unique contribution to the company. He was successful, and today's focus on organizational capability reflects his legacy.'

– Dave O'Reilly

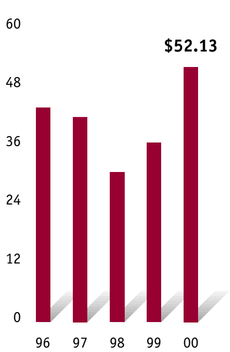


Jim Sullivan
Retired Vice Chairman

Financial Highlights

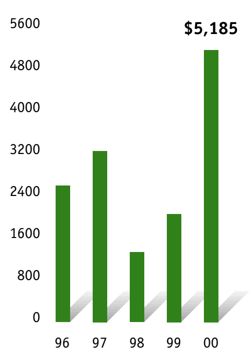
Millions of dollars, except per-share amounts	2000	1999	% Change
Net income	**$ 5,185**	$ 2,070	150%
Sales and other operating revenues	**$50,592**	$35,448	43%
Capital and exploratory expenditures*	**$ 5,153**	$ 6,133	(16)%
Total assets at year-end	**$41,264**	$40,668	1%
Total debt at year-end	**$ 6,232**	$ 8,919	(30)%
Stockholders' equity at year-end	**$19,925**	$17,749	12%
Cash flow from operating activities	**$ 8,662**	$ 4,481	93%
Common shares outstanding at year-end (Thousands)	**641,060**	656,346	(2)%
Per-share data			
Earnings – basic	**$ 7.98**	$ 3.16	153%
Earnings – diluted	**$ 7.97**	$ 3.14	154%
Cash dividends	**$ 2.60**	$ 2.48	5%
Stockholders' equity	**$ 31.08**	$ 27.04	15%
Market price at year-end	**$ 84.44**	$ 86.63	(3)%
Total debt/total debt plus equity	**23.8%**	33.4%	
Return on average stockholders' equity	**27.5%**	11.9%	
Return on average capital employed (ROCE)	**20.8%**	9.4%	
Return on average capital employed, excluding special items	**21.8%**	10.2%	

*Includes equity in affiliates



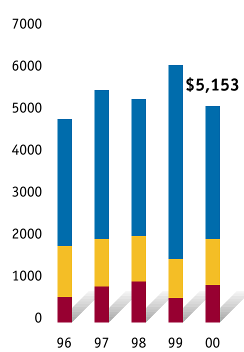
Total Revenues & Other Income
Billions of dollars

Revenues and other income increased sharply on higher prices for crude oil, natural gas and refined products.



Net Income
Millions of dollars

Net income of nearly $5.2 billion was the highest in the company's history.

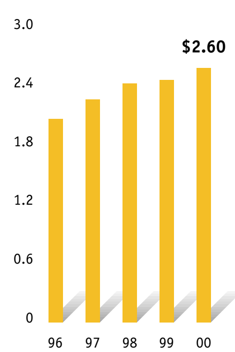


Capital & Exploratory Expenditures*
Millions of dollars

- *Exploration & Production*
- *Refining, Marketing & Transportation*
- *Other*

Exploration and production accounted for 62 percent of 2000 expenditures.

**Includes equity in affiliates*



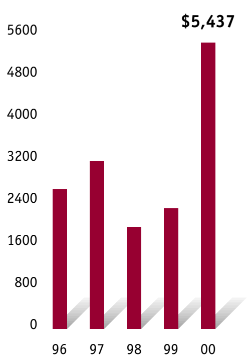
Cash Dividends Paid
Dollars per share

Annual dividends increased for the 13th consecutive year.

Operating Highlights

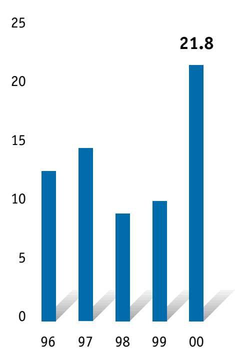
	2000	1999	% Change
Net production of crude oil and natural gas liquids[1] (Thousands of barrels per day)	**1,159**	1,127	3%
Net production of natural gas[1] (Millions of cubic feet per day)	**2,469**	2,513	(2)%
Sales of natural gas[1] (Millions of cubic feet per day)	**5,261**	4,936	7%
Refinery input[1] (Thousands of barrels per day)	**1,358**	1,424	(5)%
Sales of petroleum products[1,2] (Thousands of barrels per day)	**2,314**	2,324	–
Net proved reserves of crude oil, condensate and natural gas liquids[1] (Millions of barrels)	**5,001**	4,784	5%
Net proved reserves of natural gas[1] (Billions of cubic feet)	**9,552**	9,056	5%
Adjusted operating expenses per barrel	**$6.06**	$5.16	17%
Number of employees at year-end[3]	**28,159**	31,459	(10)%

[1]Includes equity in affiliates
[2]Restated to conform to 2000 presentation
[3]Excludes service station personnel



Earnings, Excluding Special Items
Millions of dollars

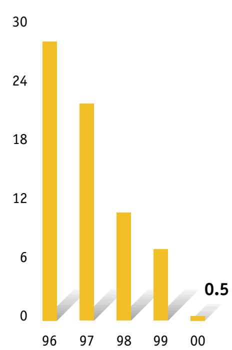
Operating earnings more than doubled, benefiting from sharply higher commodity and product prices and improved oil and gas production volumes.



Return on Average Capital Employed*
Percentage

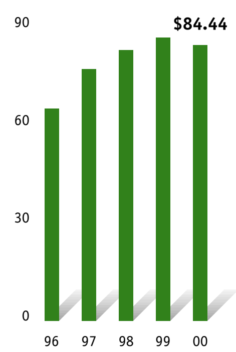
Increased profitability boosted Chevron's return on capital employed to 21.8 percent.

**Excluding special items*



Average Annual Return to Stockholders
Percentage

Chevron's return was flat in 2000, yet outperformed the S&P 500, which lost nearly 10 percent, and the tech-heavy Nasdaq, which fell nearly 40 percent.



Chevron Year-End Common Stock Price
Dollars per share

Chevron's stock price declined 2.5 percent in 2000, but outpaced the broader market.

Upstream

Exploration and Production

Employees at the Tengiz Field in Kazakhstan have established a record of operational excellence, working more than 12 million hours without a lost-time incident.

International

- Earnings more than doubled compared with 1999 results
- Reserves increase was twice the year's oil production
- Interest in the prolific Tengiz Field increased to 50 percent
- Two significant discoveries made offshore Angola
- Strategic exploration position staked in Brazil's deep water

North America

- U.S. operations earned nearly $2 billion
- Year-end production of 662,000 barrels a day was above target
- Natural gas production began at Fort Liard, Canada
- $2.4 billion oil sands project started in Alberta, Canada

International

Chevron's international exploration and production operations performed exceptionally well in 2000. International oil and equivalent gas production increased 7 percent, and the company increased its reserves by more than twice its annual production, including purchases and sales.

Caspian production grows; pipeline start-up nears

Gross crude oil production from the Tengiz Field in Kazakhstan averaged 229,000 barrels a day in 2000, up from an average of 214,000 in 1999. As a result of a plant expansion, production is expected to average 260,000 barrels a day in 2001. Tengiz is operated by the Tengizchevroil (TCO) joint venture, in which Chevron's equity interest grew to 50 percent from 45 percent upon completing an acquisition in early 2001. TCO exemplifies operational excellence, having surpassed 12 million work hours without a lost-time incident. It plans to invest $3 billion over the next four years to add production and processing capacity.

Construction of the Caspian Pipeline from the Tengiz Field to the Russian Black Sea port of Novorossiysk is on schedule. Start-up of the $2.6 billion project is expected midyear with initial capacity of 600,000 barrels a day. Chevron holds a 15 percent interest in the Caspian Pipeline Consortium.

Caspian Region

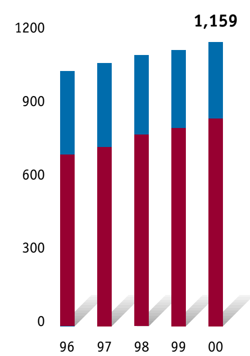
African projects yield multiple benefits

In Nigeria, gross operated production increased from an average of 420,000 barrels of oil and related liquids a day to 430,000 barrels at year-end 2000. Chevron's interest is 40 percent. In December, the company was awarded interests in three deepwater blocks that cover more than 1 million acres.

In addition, advances were made on major projects that promise environmental and economic advantages for the region. The Escravos Gas Project, which processes natural gas that's produced with crude oil, nearly doubled its capacity to 285 million cubic feet a day and expects to double it again by 2005.

Targeted for a 2005 completion is the 33,000-barrel-a-day Escravos gas-to-liquids plant, which will convert natural gas into environmentally friendly fuels. The project will use technology licensed from Sasol Chevron Holdings, Chevron's new 50 percent-owned joint venture that plans to invest $5 billion in gas-to-liquids ventures worldwide in the next five to 10 years.

Also, the West African Gas Pipeline, projected to start up in 2004, will provide Nigerian gas to utilities in the neighboring countries of Benin, Togo and Ghana. Chevron manages the $500 million project.



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

- *United States*
- *International***

Net liquids production rose 3 percent, with increased production in Kazakhstan, Angola, Argentina and Thailand.

*Includes equity in affiliates
**Includes Canada

Operating excellence in Angola yielded a record gross production rate of 550,000 barrels of oil a day in 2000. Production from Kuito, Angola's first deepwater field, peaked at more than 80,000 barrels a day. In the deepwater Block 14, where six significant discoveries have been made since 1996, including Lobito and Tomboco in 2000, Chevron's interest is 31 percent; in Block O, where a major enhanced recovery project is planned, it's 39.2 percent.

In May, the company signed a production-sharing contract with Equatorial Guinea to explore for oil in the deepwater Rio Muni Basin, with drilling to start in 2002. It also has joined, with a 25 percent working interest, a $3.5 billion project to develop Chad's Doba Basin oil fields and to build a connecting export pipeline through Cameroon. Total reserves are estimated at 1 billion barrels, with first production expected in 2004.

South America targeted as high-growth region

Chevron made a strategic move into exploration offshore Brazil, acquiring interests in four deepwater licenses totaling more than 4 million acres. The company has completed seismic surveys and will soon begin exploratory drilling in the offshore Salt Basin.

Chevron San Jorge (CSJ), a top Argentine producer, acquired two exploration permits and two production concessions in the Rio Negro province from Alberta Energy. At year-end, gross production of wholly owned CSJ was 82,000 barrels of oil and 56 million cubic feet of gas a day.

In Venezuela's Boscan Field, production increased from 92,000 barrels a day at year-end 1999 to 115,000 by May 2000, following the lifting of an OPEC-related curtailment. At year-end, gross oil production from Lake Maracaibo's LL-652 Field averaged 16,500 barrels a day, up from an average of 9,700 in 1999.

Thai developments move ahead

Since acquiring Rutherford-Moran's Thailand operations in 1999, Chevron has boosted average gross production by about 25 percent to 60,000 barrels of oil equivalent. In November, the company received government approval to develop North Jarmjuree, its fourth production area in the Gulf of Thailand. Based on drilling in 2000, Chevron's net share of gross proved reserves in Thailand doubled to 120 million barrels. Chevron's interest is 52 percent.

The $10 billion North West Shelf Project in Australia, in which Chevron has a one-sixth interest, plans to expand its Karratha liquefied natural gas plant 50 percent by 2004. This will allow the

Offshore Angola

South America

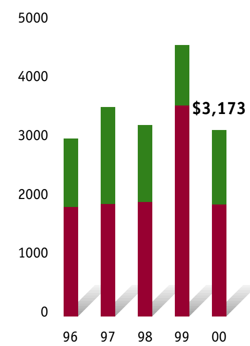
Workers complete the welding on a pipeline that now carries natural gas from Fort Liard in Canada's Northwest Territories to markets in Canada and the United States.

project partners to market more LNG to existing Japanese customers and to expand efforts to serve new customers in South Korea, Taiwan, India and China.

Production of 50 percent-owned Caltex Pacific Indonesia was down 5 percent to 705,000 barrels of oil a day due to natural field declines. The company has begun tests of a light-oil steamflood at the large Minas Field to evaluate a means of slowing the decline. In the fourth quarter 2000, a new cogeneration plant began operating at the Duri Field, the world's largest steamflood.

In the U.K. North Sea, the Britannia gas field reached peak production of 820 million cubic feet a day. Chevron has a 30 percent interest in Britannia and plans to develop several nearby fields.

In April, Chevron was awarded interests in three exploration blocks offshore Norway, one as operator. Exploratory drilling is expected to begin later this year.



Exploration & Production – Capital & Exploratory Expenditures*
Millions of dollars

• *United States*
• *International***

International projects accounted for 60 percent of exploration and production expenditures. 1999 included acquisitions in Thailand and Argentina.

**Includes equity in affiliates*
***Includes Canada*

North America

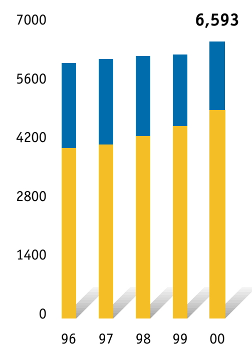
Chevron's exploration efforts remain focused on high-growth areas, namely the Gulf of Mexico's deep water and offshore eastern Canada. The company also took advantage of high oil and gas prices by increasing production in mature areas, including the shallower gulf shelf and California's San Joaquin Valley. In December, average net production was 662,000 barrels of oil and equivalent gas a day, higher than projected.

Earnings from U.S. upstream operations were about two and a half times 1999 earnings. U.S. operations generated more than $1.6 billion in cash during 2000. At the same time, the company increased U.S. capital expenditures 40 percent to $1.3 billion to help achieve Chevron's worldwide goal of growing production 4 to 4.5 percent a year.

Three projects tap Gulf of Mexico's deep water

At year-end, gross oil and equivalent gas production from Genesis and Gemini, the company's first two deepwater projects in the gulf, averaged 63,000 and 15,000 barrels a day, respectively. Genesis production hit a record 72,000 barrels a day in September. Chevron has a 57 percent interest in Genesis and 40 percent in Gemini. Start-up of Typhoon, the third deepwater project, is expected in the third quarter, with production anticipated to reach 45,000 barrels a day by year-end. Chevron's share is 50 percent.

Net production from the shallow-water Gulf of Mexico shelf reached an average of 255,000 barrels a day in September 2000, the highest in two years. Gas production from the Viosca Knoll Carbonate Trend, for example, tripled to about 240 million cubic feet a day. In California's San Joaquin Valley, the company is investing $150 million a year to boost production in mature fields, including Cymric, which hit an all-time record of 37,000 barrels a day in December 2000. These advances reflect the company's increased drilling and steam injection to take advantage of high oil prices.



Net Proved Reserves
Millions of OEG barrels*

- *United States*
- *International***

In 2000, net proved reserves increased for the eighth consecutive year.

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

Activity heats up in Canada

On Canada's east coast, offshore Newfoundland, the Hibernia Field produced an average of 144,000 barrels of oil a day in 2000, up from the 1999 average of 104,000. Chevron holds a 27 percent interest. The company is evaluating development of the Chevron-operated Hebron Field and exploration opportunities offshore Newfoundland and Nova Scotia.

Chevron began natural gas production at Fort Liard in Canada's Northwest Territories in May. By year-end, it was producing 120 million cubic feet a day of natural gas and byproducts from two wells. The gas is piped to markets in Canada and the United States. Chevron is the operator, with a 43 percent interest.

In 2000, the company and partners acquired exploration interests covering more than 1 million gross acres in the Mackenzie Delta, a region of the Northwest Territories with substantial natural gas potential.

In addition, construction began on state-of-the-art mining and extraction equipment for the $2.4 billion Athabasca Oil Sands Project in Alberta, Canada. Chevron's interest is 20 percent. Production is expected to begin in late 2002 and peak at 155,000 barrels of bitumen a day. Hydroprocessing technology will be used to upgrade the semisolid bitumen into high-quality synthetic oil.

Energy Marketing and Services

- Dynegy's reported net income tripled to $500 million
- Dynegy's total stockholder return was 220 percent
- Position in broadband marketing/trading established

Dynegy Inc., in which Chevron holds about 26 percent interest, continues to build on its expertise in marketing, trading and logistics. It has expanded its primary business of power generation and energy marketing to include broadband marketing and trading – buying and selling access to telecommunication lines. To this end, the company acquired Colorado's Extant Inc. and London-based iaxis Limited and created a new subsidiary, Dynegy Global Communications Inc., with strong positions in Europe and Australia.

Dynegy is one of the leading natural gas marketers in North America, with sales of more than 9.7 billion cubic feet per day. The company is a leading natural gas liquids marketer, with worldwide sales in excess of 565,000 barrels per day, and is also one of the largest processors of natural gas in North America, with production of more than 130,000 barrels per day.

When Dynegy acquired Illinova Corporation in February 2000, it added some 3,800 megawatts to its gross power generation capacity. Since then, two new power generation projects in North Carolina and Louisiana, along with an expansion in Illinois and an acquisition in New York, have added another 2,755 megawatts, bringing the company's total gross capacity to 16,600. A planned acquisition in Nevada is expected to boost capacity by another 1,330 megawatts, while new construction is projected to add 1,200 by midyear.

Online trading of energy and related products through the company's e-commerce portal Dynegy*direct* surpassed $3 billion by year-end, in less than three months of operation.

Chevron also is finding new opportunities in the fast-changing energy business. In July, it launched Chevron Energy Solutions (CES), a new unit created through the acquisition of PG&E Energy Services, a former subsidiary of PG&E Corporation. With offices in 13 states, CES provides businesses and institutions with a wide range of customized, energy management services related to energy efficiency, power quality, distributed generation, billing management, energy usage analysis and energy sourcing.

Downstream

Refining, Marketing and Transportation

Line supervisor Jack Smit of the Newport Jet Center in Southern California provides a variety of private-plane services, including a fill-up with Chevron jet fuel.

North America

- U.S. operating earnings rose 107 percent to $778 million
- Refining system achieved safest year in company history
- Sales of jet, aviation and diesel fuels increased by 8 percent
- All refineries increased yields, improved reliability

Caltex

- Asia-Pacific economic challenges dampened earnings
- Operating expense reduced through global purchasing
- Vortex gasoline and Delo 400 lubricant launched
- Liquid petroleum gas project started up in China

North America

Chevron's U.S. refineries improved their safety and efficiency in 2000, following through on one of the company's 4 plus 1 strategies – operational excellence. The facilities achieved their safest year ever with their lowest injury rate, a 20 percent improvement over 1999.

The company's El Segundo Refinery, in the Los Angeles area, replaced a 26-year-old hydrogen manufacturing furnace with a state-of-the-art unit, improving energy efficiency and operating flexibility. The Pascagoula, Mississippi, refinery completed a major protective dike to provide a bulwark against a major storm such as Hurricane Georges, which shut down the facility for four months in 1998.

Throughout the system, a greater availability of refining units increased by more than 2 percent the yield of higher-value products, such as motor gasoline, jet fuel and diesel fuel.

Jet, aviation and diesel fuel sales increase

U.S. Marketing strengthened its position as the top supplier of jet fuel and aviation gasoline in the Western states. Combined with diesel fuel, total sales increased 8 percent over 1999. Gasoline marketing continued to take advantage of a growing demand for convenience goods and services as nonfuel sales at company stores rose 16 percent compared with 1999. The rollout of ExtraMile Markets, the company's new convenience store brand, was expanded to 42 stores in eight states.

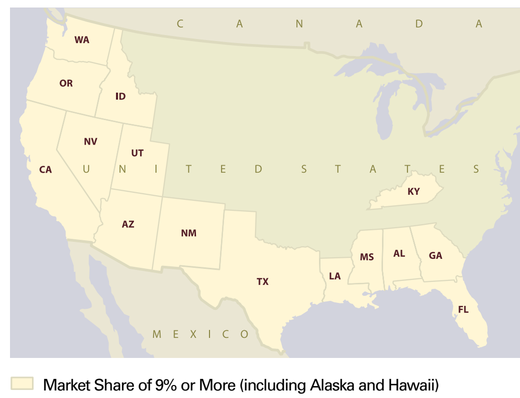
Total sales of refined products – primarily motor gasoline, jet, diesel and aviation fuels – increased by 2 percent compared with 1999, even though higher product prices reduced gasoline demand slightly. The company continued to optimize its network of service stations, investing in larger facilities and divesting smaller, underperforming sites. Retail gasoline sales are concentrated in the fastest growing parts of the country – the West, Southwest and South.

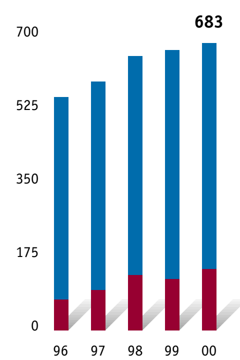
Lubricants and specialty products expand

Chevron's lubricants business continued to expand its global presence to serve a growing customer base. The company's Delo 400 MG brand of motor oil for diesel engines received North American, European and Asian regulatory approvals – a stellar achievement for a heavy-duty engine oil to meet all worldwide specifications.

Chevron Canada Limited's refined products margins improved in all markets despite rising crude oil prices, declining demand for premium gasoline and a sluggish economy in its British Columbia marketing area. The company's branded gasoline market share remained No.1.

U.S. Market Share for Motor Gasoline





U.S. Gasoline Sales Volumes
Thousands of barrels per day

- *Branded Gasoline*
- *Other*

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

Strong markets in western Canada allowed diesel and jet fuel margins to return to historic levels. Chevron maintained its position as the leading jet fuel marketer, with a domestic sales increase of 8 percent.

Caltex

Asia-Pacific economies continued to struggle, constraining growth in refined products demand, which, combined with a surplus of refining capacity, presented many challenges to Caltex, Chevron's refining and marketing affiliate in more than 60 countries in the Asia-Pacific region, Middle East, and south and east Africa.

These economic conditions dampened Caltex earnings in 2000 to $9 million, compared with $112 million in 1999. Excluding special items, Chevron's share of operating losses was $16 million in 2000, compared with earnings of $26 million in 1999. Chevron and Texaco each own 50 percent of Caltex.

However, an economic recovery is expected to gain momentum during the next several years, leading to increased demand and projected sales increases of up to 5 percent in motor gasoline and diesel fuel.

Caltex continues to streamline organization

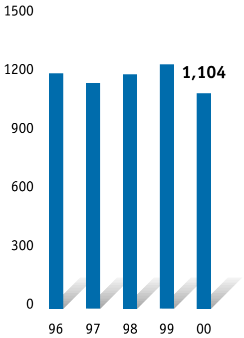
Caltex continued to tighten its organizational structure in 2000, following a major 1998-99 reorganization that led to relocating its headquarters to Singapore. In 2000, the company closed its Dallas home office and reduced its work force by 4 percent.

A focus on improved performance is intended to counter weak regional marketing and refining margins. Caltex business units have improved global purchasing systems and their management of the supply chain, reducing inventory levels by 18 percent. These and other changes have resulted in savings of more than $70 million.

Caltex continued to enhance its fuel and lubricant offerings through the introduction of Vortex gasoline and Delo 400 lubricants. Vortex, specially formulated for Caltex, has been well received in its markets. The introduction of Chevron's Delo 400 heavy-duty oil and completion of the rollout of Texaco's Havoline Energy lubricants build on the well-known brands of Caltex's parent companies.

Acquisition of the Anyang and Buchon power plants, as well as two gas companies, continued the expansion of LG-Caltex, Caltex's 50 percent-owned Korean joint venture, into that country's fast-growing natural gas market. Additionally, a major liquefied petroleum gas project in Shantou, China, began operations in February 2000.

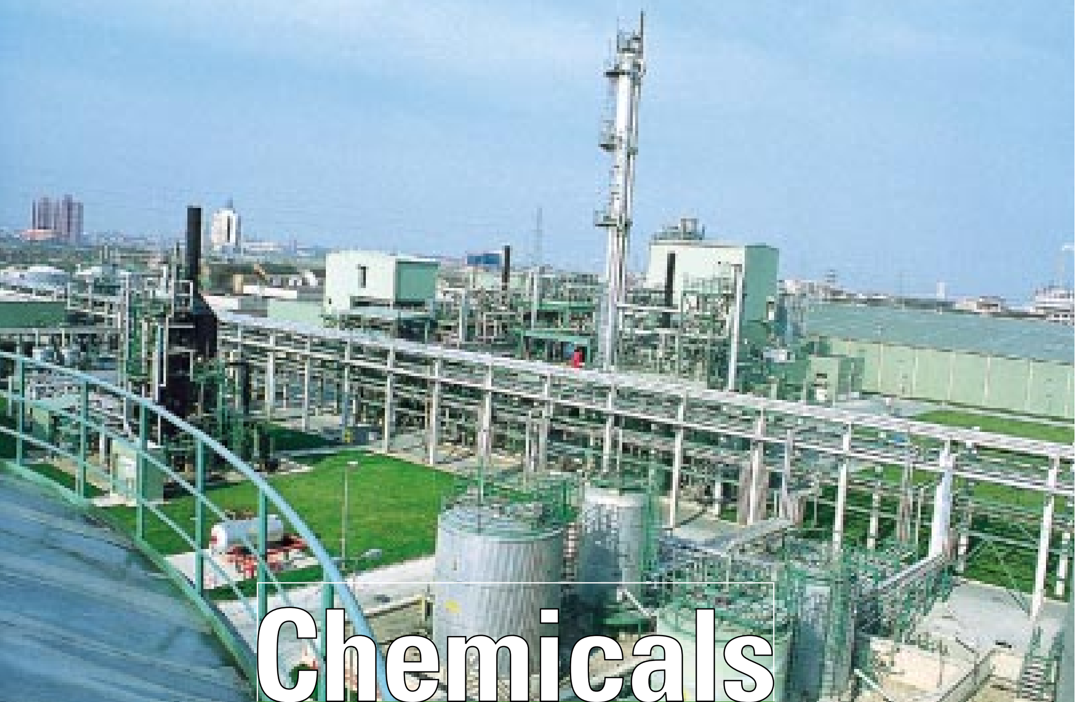
Caltex Region of Operations



Caltex Sales of Refined Products*
Thousands of barrels per day

Caltex refined products sales declined 11 percent, due primarily to a Caltex affiliate sale in the third quarter 1999.

**100 percent basis*



Chevron Phillips' first polystyrene plant in China started operating in November. The facility is located north of Shanghai in the Zhangjiagang Free Trade Zone of Jiangsu province.

Chemicals

- Formation of Chevron Phillips Chemical completed
- Construction of an olefins plant under way in Qatar

Chevron Phillips Chemical Company (CPCC) began operating July 1 as a stand-alone enterprise headquartered in Houston. The 50-50 joint venture with Phillips Petroleum Company is one of the world's top five producers of olefins and a top-five competitor in the aromatics business. Chevron retained 100 percent of its Oronite fuel and lubricant additives business.

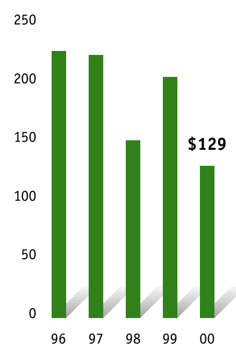
In 2000, product volumes and margins were constrained by increased energy and raw material costs, industry overcapacity, and reduced U.S. demand, particularly in the fourth quarter.

Despite a difficult second half, CPCC cut costs by $50 million through merger synergies and operating improvements. The joint venture is on schedule to reduce annual costs by $150 million during 2001.

Advances were made on a number of projects that position CPCC for long-term growth. The company's first polystyrene plant in China began operations in November. The $90 million facility in Zhangjiagang has an annual capacity of 100,000 tons.

In its first year of operation, a $650 million petrochemicals complex in Al Jubail, Saudi Arabia, achieved its design capacity, with production of 480,000 tons of benzene and 220,000 tons of cyclohexane. The facility is a 50 percent-owned joint venture with the Saudi Industrial Investment Group.

A Qatar olefins plant under construction also is expected to start operations late in 2002 with annual capacity of 1.1 billion pounds of ethylene and 1 billion pounds of polyethylene.



Worldwide Chemicals Earnings*
Millions of dollars

Operating earnings declined 37 percent, due to falling sales margins and volumes.

**Excluding special items*

InViso's "eShades" – high-tech headgear with lenses that replicate a 19-inch color monitor – give professionals in the field mobile access to computer workstations.

Technology

Miles from their respective desktops, a geologist scrutinizes a seismic section, and a refinery engineer accesses processing diagrams. Both solutions come from a start-up company called InViso, whose stakeholders include Chevron. Chevron's inclusive technology strategy supports and supplements every aspect of the business, leveraging collaborative innovation to extend the company's organizational capability.

A flurry of publications noted Chevron's technology savvy in 2000. In naming Chevron one of America's 50 best companies at using and understanding the Internet, *Smart Business* said the company "has become both an incubator of Web-based businesses and a technology venture capitalist." *PC Week* included Chevron among its "Fast Track 100" of Internet innovators, and *Business 2.0* and *Red Herring* lauded Chevron's high-tech leadership.

Largely unremarked, however, was Chevron's skill at partnership. In the past, like others in the industry, Chevron nurtured its own technologies, once even building its own laser plotters for seismic data before the commercial industry developed them. Today, there are more effective approaches, says Don Paul, Chevron's Vice President of Technology and Environmental Affairs: "Innovation moves along a wide front, much of it happening outside our industry." Chevron's strategy is to identify and intercept developments along that front, then tap key collaborators – internal and external – to apply these developments to its businesses.

Several recent areas of company activity show this approach in action.

Unifying its separate science and technology groups has led to a surge of partnering within Chevron to solve key business challenges. Oil fields may look more like refineries as advanced processing facilities shift closer to the wellhead. Greater focus on equipment reliability and risk-based inspections – familiar tools at manufacturing plants – keeps oil and gas flowing at optimum rates. Increasingly, says Gary Masada, President of Chevron Research and Technology Company, refinery-like equipment and methods will move "downhole." At the Tengiz oil field in Kazakhstan, downstream techniques improve hydrogen sulfide removal, allowing the cleansed crude oil to be marketed more widely. Offshore Africa, processing facilities will find their way to the ocean floor.

Widespread impact of technology

Coalitions inside the company speed the enabling of a Chevron knowledge network. Some two years ago, Chevron connected 32,000 employees with standardized computer equipment and software, creating a shared platform for every process and communication. Today, earth scientists meet as virtual teams, bridging geography and time zones; procurement is becoming digital; and Human Resources specialists interview, evaluate, transfer and hire employees online. "Information technology is now holistic at Chevron," says Sheila Taylor, General Manager of Global IT Delivery for Chevron Information Technology Company. "I don't know how to separate it from the rest of our business. It is *how* we do business."

Nowhere is partnership's contribution more apparent than in Chevron's leadership role in connecting with technology start-up companies. In 1999, Chevron launched two key complementary technology subsidiaries: Chevron Technology Ventures, the oil industry's first in-house venture capital firm, and Chevron *e*Business Development Company, aimed at linking to e-commerce business-to-business opportunities in the petroleum and petrochemicals industries. Partnering with key New Economy players is central to both initiatives. In 2000, Chevron incubated and helped launch four e-companies and invested in eight outside start-ups. Internally, the company is pursuing more than 150 e-business initiatives.

Core technologies

For all the clamor and glamour, technology's chief mission remains to support Chevron's core petroleum business. Inclusion, collaboration and leveraging are dominant themes. Current examples:

Reservoir Optimization: Industrywide, an average 70 percent of oil remains locked in reservoirs, unrecovered by conventional techniques. Late in 2000, Chevron and Schlumberger, the oil field services firm, launched a multiyear research project to provide the next-generation tools to increase recovery rates from existing reservoirs. The joint effort, says Technology VP Paul, "will allow us to develop a superior set of next-generation software products and modeling capabilities that neither would be able to accomplish individually."

Gas-to-Liquids (GTL): Converting natural gas into clean, powerful liquid fuels promises to expand energy supplies and conserve nonrenewable resources. Chevron allied with Sasol Limited, the world's largest synthetic fuels producer, to create a global joint venture. The first major project is targeting development of a world-class GTL facility in Nigeria. Now, with other research and government partners – including the U.S. Department of Energy – Chevron is making GTL even more practical.

e-Commerce: In 2000, Chevron and strategic partners created a "Virtual Value Chain" that extends from wellhead to consumer. Joined by Ariba, for example, Chevron launched PetroCosm, a worldwide, online marketplace that links buyers and sellers of petroleum equipment and services. For marketers, RetailersMarketXchange – a spinoff of the in-house Chevron Retailer Alliance – offers a Web-based platform to run every aspect of a retail convenience store. Other links in the chain include UpstreamInfo.com for managing exploration and production data.

Venture Investing: Also in 2000, Chevron invested in companies such as InViso, a start-up specializing in microdisplays. The postage-stamp viewing screens replicate a 19-inch, color monitor, allowing professionals in the field to access office workstations. The product's superior clarity and mobility won high honors from trade and professional associations.

Chevron is harnessing strategic partnerships as part of its organizational capability to turbocharge technology's power, generate effective solutions and spread risk. Although many of these initiatives probe the boundaries of future technologies, the near-term payoff – for consumers, employees and stockholders – is already becoming apparent.

Escuela Boscan, one of 10 schools built by Chevron near its Venezuelan operations, was inaugurated in June 1999. In all, the schools benefit some 4,500 students.

Global Citizenship

When an environmentalist visited Chevron's facilities in Papua New Guinea, he was surprised to find a greater abundance of endangered species thriving inside the oil field boundaries than outside. But for Chevron, protecting the environment is an old story – and an enduring corporate value. It's part of a philosophy of global citizenship, based on building strong relationships with people, communities and nations.

- In Venezuela, some 4,500 students attend 10 Chevron-built schools near the company's Boscan Field operations. Chevron also helps construct or rebuild orphanages, village water systems, and health and dental clinics.
- In Kazakhstan, Chevron joins with the United Nations, the European Bank for Reconstruction and Development, and the U.S. government to create the Small and Medium Enterprise program, benefiting area business firms and entrepreneurs with start-up funds and counseling.
- In the United States, thousands of Chevron employees have volunteered to restore oak woodlands, meadows and lakes in majestic Yosemite National Park. Other employees pitch in to fight AIDS, clean up beaches, and teach or tutor in local schools.

As these examples show, Chevron has long recognized the link between its success and that of communities where it operates. Most Chevron employees, after all, live near their work. And the skills and talents of those employees contribute to the quality of organizational capability – the "plus one" of Chevron's 4 plus 1 business strategies.

Being welcome in its host communities is an essential part of Chevron's corporate vision. To earn trust, Chevron knows its methods and motives must be based on respect for its neighbors.

Chevron's community investments include direct or in-kind financial support and donations by employees who volunteer their time and expertise. Generally, these efforts focus on health, education, environmental protection and local economic growth. Among the most dramatic results are those seen in Chevron's international operations.

In Nigeria, a long history of community support evolved into the "Tradition of Care," in which Chevron and its partners have invested more than $50 million since 1991. Housing, hospitals, schools and clinics have been built, scholarships and environmental awareness programs funded, and job training provided. A recent $5 million partnership with the International Foundation for Education and Self Help supports skills training, small-business development, and health and education programs.

Environmental contributions

Environmental awareness is a core element of Chevron's community assistance programs and its strategy of operational excellence. In Papua New Guinea, Chevron joined with the World Wildlife Fund to protect habitat and wildlife. Working with the government, landowners and its partners, Chevron buried pipelines, minimized road construction and built anti-spill facilities. The result: protection for rare wildlife – as well as the fragile rain forest itself. Within the oil fields, "I found Papua New Guinea's most endangered bird and mammal species much more abundant than outside the area leased by Chevron," wrote Pulitzer Prize-winning environmentalist Jared Diamond.

In Latin America, the company replanted native grasses in Venezuela. In the United Kingdom, Chevron sponsors Art in Nature contests and scholarships with the Scottish Wildlife Trust.

In the United States, Chevron has donated some $700,000 to study Yosemite wildlife habitats and fund restoration efforts. In Colorado, Chevron gave 26 miles of water rights to preserve the Gunnison River for future generations. And each year, the Chevron Conservation Awards – the oldest such awards program – recognizes outstanding groups and individuals for their contribution to natural resource preservation.

Medical assistance

Physical well-being is a community's first priority. Chevron's support of medical care assists thousands of residents and families as well as employees. In Angola, Chevron cosponsored a state-of-the-art blood bank to fight hepatitis, HIV and other disorders. In Kazakhstan, Chevron helped fund a mobile clinic to combat tuberculosis. Nearly 8,000 residents have been examined and vaccinated.

Chevron pays special heed to childhood health, particularly in developing nations. In Venezuela and Colombia, for example, company-sponsored facial-cranial surgery has aided more than 500 low-income youngsters with dental and facial deformities. In Angola, staff doctors and health professionals of Chevron affiliate Cabinda Gulf Oil Company Limited have helped reduce measles, infant mortality and childhood infectious diseases.

Education efforts

Supporting education is a cornerstone of Chevron's strategy. In Congo, Chevron contributed $2 million toward rebuilding science buildings and laboratories at the University of Brazzaville, the country's only university.

In Nigeria, more than 3,000 students annually benefit from Chevron-sponsored secondary, university and technical school scholarships. In China, Chevron has sponsored students attending the international Odyssey of the Mind competition, a problem-solving olympics that draws more than a million contestants.

Help for entrepreneurs

Chevron views local business development as a continuation of its commitment to bring economic development to neighboring communities. Providing start-up money, coaching, educating and advising are ways Chevron helps entrepreneurs.

"Companies like Chevron are a great help to the development of business and generally to our community," says Adilova Talshyn Shalandievna, a kindergarten director in Kazakhstan. The Chevron-sponsored Business Development Center in Atyrau helped her develop modern cost and cash-flow controls when the school was privatized. All told, Chevron provided nearly $1.5 million in local business capital in Kazakhstan.

No economic activity exists in isolation; Chevron is only as strong as the communities around it. That's why each community investment is designed to put tools in the hands of people, reflecting the belief that, working as partners, the company and its neighbors can achieve mutual goals for financial, personal and social progress.

Board of Directors

David J. O'Reilly, 54, has been Chairman of the Board and Chief Executive Officer since 2000. He joined Chevron in 1968. He was elected a Vice President in 1991, President of Chevron Products Company in 1994, and a Director and Vice Chairman, worldwide exploration and production, in 1998. He is a Director of the American Petroleum Institute. (2)

Richard H. Matzke, 64, is Vice Chairman responsible for worldwide oil and gas exploration and production. He joined Chevron in 1961. He was elected a Corporate Vice President in 1990, a Director in 1997 and Vice Chairman in 2000. He also is a Director of Dynegy Inc.

Samuel H. Armacost, 61, has been a Director since 1982. He is Chairman of SRI International. Previously he was a Managing Director of Weiss, Peck & Greer LLC, an investment firm. He also is a Director of Scios, Inc. and Exponent, Inc. (2, 4)

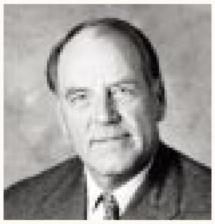
Sam Ginn, 63, was elected a Director in 1989. He is Chairman Retired of Vodafone AirTouch PLC. Previously he was Chairman of the Board and Chief Executive Officer of AirTouch Communications, Inc. and Chairman of the Board and Chief Executive Officer of Pacific Telesis Group. He also is a Director of Hewlett-Packard Company. (1, 2, 4)

Carla A. Hills, 67, was elected a Director in 1993. She is Chairman and Chief Executive Officer of Hills & Company International Consultants. She served as U.S. Trade Representative 1989 to 1993. She is a Director of American International Group, Inc.; Lucent Technologies Inc.; Time Warner Inc.; and TCW Group, Inc. (3, 4)

J. Bennett Johnston, 68, was elected a Director in 1997. He is Chief Executive Officer of Johnston & Associates, a consulting firm. He served as a U.S. Senator from Louisiana for 24 years. He is President of the U.S. Economic Cooperation Council and a Director of Nexant, Inc. and Freeport-McMoRan Copper & Gold Inc. (1, 2, 3)

Frank A. Shrontz, 69, was elected a Director in 1996. Previously he was Chairman of the Board of The Boeing Company. He served as Assistant Secretary of Defense and Assistant Secretary of the Air Force. He also is a Director of Boise Cascade Corporation and Minnesota Mining and Manufacturing Company. (1, 2)

Carl Ware, 57, was elected a Director in January 2001. He is Executive Vice President of Public Affairs and Administration for The Coca-Cola Company. Previously he was President of the company's Africa Group, with operational responsibility for nearly 50 countries in sub-Saharan Africa. He is a Director of Georgia Power Company and PGA TOUR Golf Course Properties, Inc. and a member of the Council on Foreign Relations. (1, 2)



John A. Young, 68, a Director since 1985, is Chairman of the Board of Ciphergen Biosystems, Inc. and Vice Chairman of the Board of Novell, Inc. Previously he was Vice Chairman of the Board of SmithKline Beecham PLC and President and Chief Executive Officer of Hewlett-Packard Company. He is a Director of Lucent Technologies Inc.; GlaxoSmithKline PLC; and Affymetrix, Inc. (2, 4)

Committees of the Board:

(1) Audit:
Sam Ginn, Chairman

(2) Public Policy:
J. Bennett Johnston, Chairman

(3) Board Nominating and Governance:
Charles M. Pigott, Chairman

(4) Management Compensation:
Samuel H. Armacost, Chairman

Retiring Directors

Charles M. Pigott, 71, a Director since 1973, will reach the mandatory retirement age for directors in April 2001 and will not stand for re-election at the Annual Meeting. He is Chairman Emeritus and a Director of PACCAR Inc, manufacturer of transportation equipment. He also is a Director of The Boeing Company and Seattle Times Company. (3, 4)

Condoleezza Rice, 46, a Director since 1991, resigned effective January 15, 2001. She has joined the Bush administration as National Security Adviser. From 1993 to July 1999, she was Provost and Vice President of Stanford University. Previously she was Senior Director, Soviet Affairs, National Security Council, and Special Assistant to the President from 1989 to 1991.

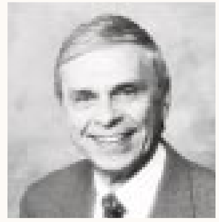
James N. Sullivan, 63, a Director since 1988 and Vice Chairman since 1989, retired August 31, 2000. Elected a Corporate Vice President in 1983, he was responsible for the Department on Organization in 1984, playing a key role in the Gulf Corporation merger. He is a Director of the American Petroleum Institute and Weyerhaeuser Company. Sullivan holds a bachelor's degree in chemical engineering from the University of Notre Dame. He joined Chevron in 1961.

Chang-Lin Tien, 65, a Director since 1997, will not stand for re-election at the Annual Meeting in April. He was Chancellor of the University of California, Berkeley, from 1990 to 1997. He is Chairman of the Board of Trustees of The Asia Foundation. He also is a Director of Wells Fargo & Company, Kaiser Permanente and Shanghai Commercial Bank (Hong Kong). (3, 4)

Corporate Officers

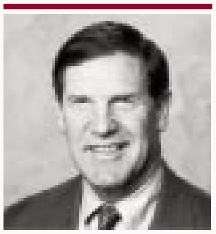
Lydia I. Beebe, 48, Corporate Secretary since 1995. Previously Senior Manager, Chevron Tax Department; Manager, Federal Tax Legislation; Staff Attorney; and Chevron Legal Representative in Washington, D.C. Joined Chevron in 1977.

Aldo M. Caccamo, 63, Vice President, Public Affairs, since 1996. Previously President, Chevron International Oil Company; General Manager, Marketing, and General Manager, Supply and Distribution, Chevron Products Company. Joined Chevron in 1964.



Darry W. Callahan, 58, Executive Vice President since August 2000 responsible for human resources, technology, chemicals and coal operations. Director of Chevron Phillips Chemical Company, Dynegy Inc. and Sasol Chevron Holdings Limited. Previously President, Chevron Chemical Company. Joined Chevron in 1964.

Stephen J. Crowe, 53, Vice President since August 2000 and Comptroller since 1996. Previously Vice President, Finance, Chevron Products Company, and Assistant Comptroller, Chevron Corporation. Joined Chevron in 1972.



Harvey D. Hinman, 60, Vice President and General Counsel since 1993. Previously partner and member of the Executive Committee at the law firm of Pillsbury Madison & Sutro.

George L. Kirkland, 50, Corporate Vice President and President, Chevron U.S.A. Production Company, responsible for North American exploration and production, since 2000. Director of Dynegy Inc. Previously Chairman and Managing Director, Chevron Nigeria Limited. Joined Chevron in 1974.

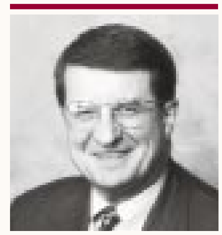
Martin R. Klitten, 56, Executive Vice President since August 2000 responsible for worldwide refining, marketing, shipping and pipeline operations, and global procurement. Director of Chevron Phillips Chemical Company. Previously Vice President and Chief Financial Officer, Chevron Corporation. Joined Chevron in 1970.

David M. Krattebol, 56, Vice President and Treasurer since August 2000. Previously President, Chevron San Jorge; Vice President, Logistics and Trading; Vice President, Finance, Chevron Products Company; and Vice President, Finance, Chevron Overseas Petroleum Inc. Joined Chevron in 1971.

R. Bruce Marsh, 58, General Tax Counsel since 1994. Previously Assistant General Tax Counsel, Chevron Corporation, and General Tax Counsel, Chevron U.S.A. Joined Chevron in 1971.

Gregory Matiuk, 55, Vice President, Human Resources, since 1998. Previously Vice President, Strategic Planning and Quality; Manager, Strategic Planning, and Vice President and General Manager, Western Business Unit, Chevron U.S.A. Production Company. Joined Chevron in 1967.

Donald L. Paul, 54, Corporate Vice President, Technology and Environmental Affairs, since 1996 and President, Chevron Technology Ventures, since 1999. Previously Director of Dynegy Inc.; President, Chevron Canada Resources; and President, Chevron Petroleum Technology Company. Joined Chevron in 1975.



Peter J. Robertson, 54, Corporate Vice President since 1994 and President, Chevron Overseas Petroleum Inc., since 2000. Previously President, Chevron U.S.A. Production Company, responsible for North American exploration and production; Director of Dynegy Inc.; Vice President, Strategic Planning and Quality; and President, Warren Petroleum Company. Joined Chevron in 1973.

John S. Watson, 44, Vice President and Chief Financial Officer since August 2000. Director of Caltex Corporation. Previously Vice President, Strategic Planning, Chevron Corporation; President, Chevron Canada Limited; and General Manager, Strategic Planning and Quality, Chevron U.S.A. Products Company. Joined Chevron in 1980.

Patricia A. Woertz, 48, Corporate Vice President and President, Chevron Products Company, since 1998. Previously Director of Dynegy Inc.; President, Chevron International Oil Company; Vice President, Logistics and Trading, Chevron Products Company; and President, Chevron Canada Limited. Joined Chevron in 1977.

Patricia E. Yarrington, 44, Vice President, Strategic Planning, since August 2000. Previously President, Chevron Canada Limited, and Comptroller, Chevron Products Company. Joined Chevron in 1980.

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

Glossary of Energy and Financial Terms

Energy Terms

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

• ***Barrels of oil equivalent (BOE)*** A term used to quantify oil and natural gas amounts using the same measurement. Gas volumes are converted to barrels on the basis of energy content. See *oil equivalent gas*.

• ***Condensates*** Liquid hydrocarbons produced with natural gas, separated by cooling and other means.

• ***Development*** Following discovery, drilling and related activities necessary to begin production of oil or natural gas.

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

• ***Exploration*** Searching for oil and/or natural gas, including geologic studies; topographical, geophysical and seismic surveys; and well drilling.

• ***Integrated petroleum company*** A company engaged in all aspects of the industry – from exploration and production of crude oil and natural gas *(upstream)* to refining, marketing and transporting products *(downstream).*

• ***Liquefied natural gas (LNG)*** Gas that is liquefied under extremely cold temperatures and high pressure to facilitate storage or transportation in specially designed vessels.

• ***Liquefied petroleum gas (LPG)*** Light gases, such as butane and propane, that can be maintained as liquids while under pressure.

• ***Natural gas liquids (NGL)*** Separated from natural gas, these include ethane, propane, butanes and natural gasoline.

• ***Oil equivalent gas (OEG)*** The volume of natural gas that can be burned to give the same amount of heat as a barrel of oil (6,000 cubic feet of gas equals one barrel of oil).

• ***Oxygenate*** An oxygen blending component, such as ether or alcohol, that reduces exhaust emissions in winter.

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

• ***Production*** *Total production* refers to all the oil and gas produced from a property. *Gross production* is the company's share of total production before deducting royalties. *Net production* is the gross production minus royalties paid to landowners.

• ***Reformulated gasoline*** Gasoline changed in chemical makeup to reduce exhaust emissions, usually by reducing volatility and aromatics content and adding oxygenates. *California reformulated gasoline,* with stricter requirements mandated by the state's Air Resources Board, reduces emissions more than the federally mandated formula.

• ***Reserves*** Oil or natural gas contained in underground rock formations called *reservoirs. Proved reserves* are the estimated quantities that geologic and engineering data demonstrate can be produced with reasonable certainty from known reservoirs under existing economic and operating conditions. Estimates change as additional information becomes available. *Recoverable reserves* are those that can be produced using all known primary and enhanced recovery methods.

Financial Terms

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

• ***Earnings*** Total revenues, less total expenses (including taxes). Used interchangeably with *net income*.

• ***Margin*** The difference between the cost of purchasing or producing a product and the sales price.

• ***Operating earnings*** Net income generated by the ongoing operations of the company, excluding special items and/or other adjustments.

• ***Return on capital employed, excluding special items (ROCE)*** One of Chevron's key metrics, ROCE is calculated by dividing net income (adjusted for after-tax interest expense and special items) by the average of total debt, minority interest and stockholders' equity for the year.

• ***Special items*** Transactions not considered representative of the company's ongoing operations. These transactions, as defined by management, can obscure the underlying results of operations and affect comparability between years.

• ***Stockholders' equity*** The owners' share of the company, this is the difference between total assets and total liabilities.

• ***Total stockholder return*** A measurement of Chevron's primary goal, it is the return to stockholders from stock price appreciation and reinvested dividends for a period of time.

FINANCIAL TABLE OF CONTENTS

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

2000 KEY INDICATORS

- **Net income was $5.185 billion, the most profitable year in the company's history**
- **Exploration and production operational earnings more than doubled to $4.5 billion**
- **Average U.S. crude oil realization increased 69 percent to $27.20 per barrel**
- **Average U.S. natural gas realization was up 87 percent to $4.04 per thousand cubic feet**
- **International net liquids production increased for the 11th consecutive year – up over 4 percent**
- **Worldwide net oil and gas reserve additions exceeded production for the eighth consecutive year**
- **U.S. refining, marketing and transportation operational earnings doubled on higher margins and improved plant reliability**
- **Annual dividends increased for the 13th consecutive year**

KEY FINANCIAL RESULTS

Millions of dollars, except per-share amounts	2000	1999	1998
Net Income	$ 5,185	$ 2,070	$ 1,339
Special Charges Included in Net Income	(252)	(216)	(606)
Earnings, Excluding Special Items	$ 5,437	$ 2,286	$ 1,945
Per Share:			
Net Income – Basic	$ 7.98	$ 3.16	$ 2.05
– Diluted	$ 7.97	$ 3.14	$ 2.04
Dividends	$ 2.60	$ 2.48	$ 2.44
Sales and Other Operating Revenues	$50,592	$35,448	$29,943
Return on:			
Average Capital Employed	20.8%	9.4%	6.7%
Average Stockholders' Equity	27.5%	11.9%	7.8%

NET INCOME BY MAJOR OPERATING AREA

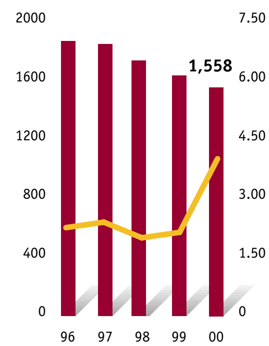
Millions of dollars	2000	1999	1998
Exploration and Production			
United States*	$1,889	$ 482	$ 330
International	2,602	1,093	707
Total Exploration and Production	4,491	1,575	1,037
Refining, Marketing and Transportation			
United States	549	357	572
International	104	74	28
Total Refining, Marketing and Transportation	653	431	600
Chemicals	40	109	122
All Other*	1	(45)	(420)
Net Income	$5,185	$2,070	$1,339

1999 and 1998 conformed for 2000 segment change to All Other for the company's share of equity earnings in Dynegy Inc.

Chevron's record net income of $5.185 billion in 2000 was up significantly over 1999 net income of $2.070 billion and 1998 net income of $1.339 billion. Special charges in 2000 included asset write-downs, environmental remediation reserve additions, prior-years' tax adjustments and litigation costs. Partially offsetting these charges were gains from the equity accounting effect of the issuance of additional common stock by the company's Dynegy equity affiliate, asset sales, insurance recoveries for property damage, actuarial calculations for the company's benefit plans and LIFO inventory adjustments. Net special charges in 1999 included losses from asset write-downs, environmental remediation provisions and restructuring charges, which were partially offset by benefits from the sale of assets, LIFO inventory gains, and net favorable adjustments for prior-years' taxes and litigation issues. In 1998, the net special charges included a loss provision of $637 million for litigation, substantially all of which pertained to a lawsuit against Gulf Oil Corporation by Cities Service filed in 1982 – prior to the Chevron-Gulf merger in 1984.

Included in net income were foreign currency gains of $142 million in 2000, and losses of $38 million in 1999 and $47 million in 1998.

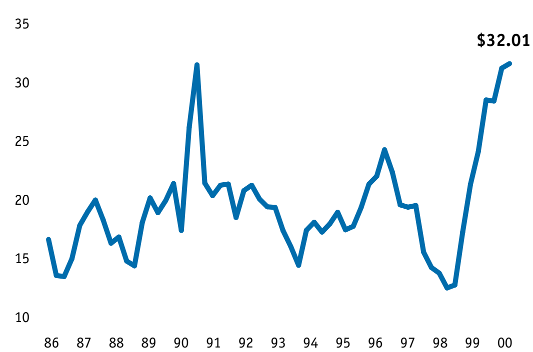
Net income for the company's individual business segments is discussed in the Results of Operations section.



U.S. Natural Gas Prices & Production

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

Average prices rose 87 percent; production was down due to normal field declines.



Crude Oil Prices 1986 Through 2000
Dollars per barrel

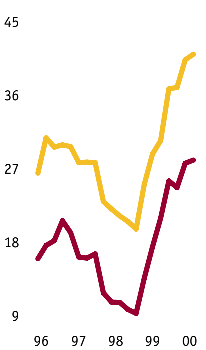
The spot price of West Texas Intermediate – a benchmark crude oil – continued to increase in 2000, driven by strong demand and low inventories worldwide.

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

ENVIRONMENT AND OUTLOOK Record earnings for Chevron in 2000 were largely the result of a substantial improvement in crude oil and natural gas prices, along with higher worldwide oil-equivalent production. Crude oil prices continued an upswing from 20-year lows that were experienced in late 1998. Natural gas prices – more sensitive to regional supply-demand balances – rose to historic highs in the U.S. spot market in late 2000. Capitalizing on these higher-price conditions, the company increased its worldwide oil-equivalent production by 5 percent – including the effect of volumes produced internationally under operating service agreements, and adjusting for the effects of higher prices on Chevron's share of net production under production-sharing contracts and variable royalty arrangements.

The average spot price in 2000 for West Texas Intermediate (WTI), a benchmark crude oil, was $30.34 per barrel, up nearly 60 percent from $19.30 per barrel in 1999 and more than double the 1998 average price. The average U.S. Henry Hub spot natural gas price of $4.23 per thousand cubic feet increased 86 percent, compared with the 1999 average of $2.27, and was more than twice the 1998 level. The sharp rise in crude oil prices was primarily the result of the 1999 agreement among certain OPEC and non-OPEC oil producing countries to restrict production, as well as increased demand and lower petroleum inventories worldwide. Higher U.S. natural gas prices reflected a strengthened economy and sharply increased demand for natural gas from power generators, at the same time North American natural gas producers struggled to increase supply and maintain inventory levels.

Although down from their highs in 2000, crude oil and natural gas prices remained strong in early 2001. In mid-February 2001, the price of WTI was about $30 per barrel. The Henry Hub spot natural gas price that peaked at $10.50 per thousand cubic feet in late December 2000 fell below $6.00 per thousand cubic feet by mid-February. It is uncertain how long these price levels will continue. Some factors that may affect future price changes include fluctuations in crude oil production by producing countries, unforeseen supply disruptions, increases or decreases in worldwide inventory levels, changes in demand for heating oil and natural gas as a result of winter weather conditions, electricity generating requirements, and the demand for refined products reflecting the overall strength of the world economies. High crude oil and natural gas prices enhance the company's revenues and earnings in exploration and production operations. However, these same conditions could adversely affect financial results in the refining and marketing and the chemicals businesses if the higher feedstock costs cannot be recovered through sufficient product price increases.

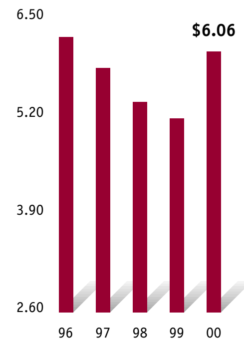


Quarterly U.S. Crude Oil Prices vs. U.S. Refined Products Sales Prices
Dollars per barrel

- *Refined Products*
- *Crude Oil*

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

Chevron's U.S. downstream margins and earnings improved substantially in 2000, despite higher crude oil feedstock costs and fuel expense for the company's refineries. Earnings in the future will depend on refined products margins in Chevron's primary U.S. operating areas – the West Coast, the South and the Southwest – and on safe, reliable refining operations. Internationally, Caltex operations in the Asia-Pacific region continued to suffer from weak refined products margins, resulting from surplus refining capacity, higher feedstock costs and a highly competitive environment. Caltex may continue to be adversely affected by these conditions throughout 2001.



Operating Expenses per Barrel*
Dollars per barrel

Operating expenses per barrel increased due mainly to higher fuel costs for company operations and higher rates for tanker chartering.

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

The outlook for the company's chemicals businesses remains uncertain because of fluctuating feedstock costs, depressed demand and excess capacity conditions for commodity chemicals. While results early in 2000 benefited from price increases for certain products, the industry experienced a weakening of margins in the second half of the year. The company expects these conditions to continue in 2001.

For the company as a whole in 2000, strong operating cash flows and a continued focus on cost control – mitigating the effect of higher operating expenses from increased fuel and utility costs – helped enable a 16 percent increase in the 2001 capital budget to $6 billion. Profitable growth from such a robust capital spending program is linked, among other things, to the company's continued success in operating safely and achieving excellence in stewardship over the company's global portfolio of world-class capital investment opportunities.

CHEVRON-TEXACO MERGER AGREEMENT Chevron and Texaco announced in October 2000 an agreement to combine the two companies into an integrated global energy company. Upon approval by regulatory authorities and stockholders of both companies, and fulfillment of other conditions, Chevron will issue 0.77 of its common shares for each share of Texaco common stock. The new company – ChevronTexaco Corporation – will have significantly enhanced positions in upstream and downstream operations, a global chemicals business, a growth platform in power generation, and industry-leading skills in technology innovation. Synergistic annual savings of at least $1.2 billion are expected within six to nine months of the merger.

Chevron and Texaco anticipate that the U.S. Federal Trade Commission (FTC) will require asset dispositions as a condition of not challenging the merger. While the scope and method of such dispositions were unknown in late February, the companies anticipated that divestiture of certain U.S. refining, marketing and transportation businesses would be required to address market concentration issues. Merger-related fees and expenses, consisting primarily of U.S. Securities and Exchange Commission (SEC) filing fees; fees and expenses of investment bankers, attorneys and accountants; and financial printing and other related charges are estimated at $125 million for both companies. Substantially all of these costs will be incurred in 2001.

Though not yet fully quantified, significant costs also will be incurred after the merger for integration-related expenses, including the elimination of duplicate facilities, operational realignment and severance payments for work-force reductions.

The merger agreement provides for the payment of termination fees of as much as $1 billion by either party under certain circumstances. Chevron and Texaco also were granted options to purchase shares of the other, under the same conditions as the payments of the termination fees. Texaco granted Chevron an option to purchase 107 million shares of Texaco's common stock, at $53.71 per share. Chevron granted Texaco an option to purchase 127 million shares of Chevron's common stock, at $85.96 per share.

OTHER SIGNIFICANT DEVELOPMENTS Key operating highlights and events during 2000 and early 2001 to capture profitable growth opportunities included:

Tengiz Tengizchevroil's (TCO) total gross crude oil production averaged over 280,000 barrels per day in the fourth quarter 2000 – a record and exceeding the target of 260,000 barrels per day – as a result of processing plant expansion and the absence of turnaround work. For 2001, average gross production is expected to be about 260,000 barrels per day, considering the effect of planned shutdowns for maintenance and other operational activities. In January 2001, Chevron closed on its purchase of an additional 5 percent share in TCO, bringing the company's ownership interest to 50 percent. As a result of the purchase, Chevron will record an additional 177 million barrels of oil-equivalent reserves in 2001.

Caspian Pipeline Construction of a pipeline by the Caspian Pipeline Consortium (CPC), in which Chevron owns a 15 percent interest, remains on schedule for a mid-2001 start-up. The 900-mile pipeline will connect the Tengiz Field in western Kazakhstan to the Black Sea port of Novorossiysk. This pipeline will provide a less costly transportation alternative for the export of TCO's crude oil production.

Angola Chevron made two significant new oil discoveries – Tomboco and Lobito – in deepwater Block 14, where the company is operator and has a 31 percent ownership interest. While development plans for the two new discoveries are in the early stages, Tomboco and Lobito provide potential synergies with the development of two other Block 14 discoveries, Benguela and Belize.

Chad-Cameroon Chevron, with a 25 percent interest, and its partners began the development of the Doba oil fields in southern Chad and construction of a 650-mile pipeline from the fields to marine export facilities on the coast of Cameroon. This project is expected to cost $3.5 billion to develop and have a 20- to 30-year life. First production is expected in 2004.

Nigeria Chevron was awarded interests in three deepwater oil prospecting licenses (OPL) offshore Nigeria. Chevron, with a 50 percent interest, will serve as operator of OPL 250. The company also was awarded 30 percent nonoperating interests in OPL 214 and OPL 318. Work also continues on the initiative to convert natural gas into clean petroleum fuels and to significantly reduce the amount of flared natural gas at the company's producing operations. A gas-to-liquids facility, which will combine the technologies from Sasol Limited and Chevron, will be built adjacent to existing operations at Escravos.

Thailand The government of Thailand approved Chevron's plan for the development of North Jarmjuree, a 200-square-mile offshore production area located in Block B8/32. North Jarmjuree is the fourth production area granted within Block B8/32, which also includes the Tantawan, Benchamas and Maliwan fields. Chevron is operator and holds a 52 percent interest in Block B8/32.

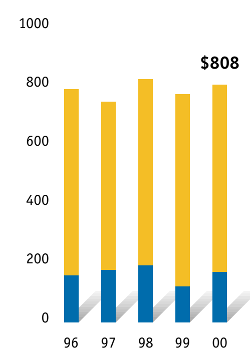
Canada Chevron, as operator with a 43 percent interest, and its partners began production of natural gas from two wells at Fort Liard, Northwest Territories. Combined production is expected to average about 105 million cubic feet per day of natural gas and byproducts in 2001. Construction also began on the mining, extraction and upgrading facilities for the Athabasca Oil Sands Project, in which Chevron has a 20 percent interest. The project is expected to begin production in late 2002 and reach 155,000 barrels of bitumen per day at its peak.

U.S. Gulf of Mexico Two additional fields in the Viosca Knoll Carbonate Trend began producing a combined 106 million cubic feet of natural gas per day in November 2000. Chevron is the largest contiguous leaseholder in the Carbonate Trend, holding a majority interest in 54 leases.

Oil and Gas Reserves Replacement The company added 875 million barrels of oil-equivalent reserves during 2000, or 152 percent of production for the year, including the effects of sales and acquisitions. Among the major additions were about 130 million barrels each for the Tengiz Field in Kazakhstan and the Chad acquisition. More than 175 million barrels of the total amount were the result of successful discoveries in areas that included Thailand, Argentina, Nigeria, Angola, the United Kingdom and the U.S. Gulf of Mexico Shelf.

Chevron Phillips Chemical Company Effective July 1, 2000, Chevron and Phillips Petroleum Company (Phillips) formed Chevron Phillips Chemical Company LLC (CPCC), a 50-50 joint venture that combined most of the companies' petrochemicals businesses. At year-end 2000, CPCC had total assets of $6.7 billion.

ENVIRONMENTAL MATTERS Virtually all aspects of the businesses in which the company engages are subject to various federal, state and local environmental, health and safety laws and regulations. These regulatory requirements continue to increase in both number and complexity and govern not only the manner in which the company conducts its operations, but also the products it sells. Most of the costs of complying with laws and regulations pertaining



U.S. Environmental Capital Expenditures & Expenses
Millions of dollars

- *Expense*
- *Capital*

Annual environmental-related spending has stabilized at about $800 million in the last five years.

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

to company operations and products are embedded in the normal costs of doing business.

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

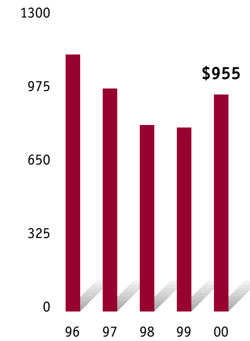
Using definitions and guidelines established by the American Petroleum Institute, Chevron estimated its worldwide environmental spending in 2000 at $910 million for its consolidated companies. Included in these expenditures were $212 million of environmental capital expenditures and $698 million of costs associated with the control and abatement of hazardous substances and pollutants from ongoing operations. For 2001, total worldwide environmental capital expenditures are estimated at $264 million. These capital costs are in addition to the ongoing costs of complying with environmental regulations and the costs to remediate previously contaminated sites.

The following table analyzes the annual changes to the company's before-tax environmental remediation reserves, including those for Superfund sites. For 2000, the company recorded additional provisions for estimated remediation costs at refined products marketing sites, chemicals manufacturing facilities, and various owned and previously owned refining facilities.

Millions of dollars	**2000**	1999	1998
Balance at January 1	**$ 814**	$ 826	$ 987
Expense Provisions	**336**	219	73
Expenditures	**(195)**	(231)	(234)
Balance at December 31	**$ 955**	$ 814	$ 826

Under provisions of the Superfund law, the Environmental Protection Agency (EPA) has designated Chevron a potentially responsible party, or has otherwise involved the company, in the remediation of 315 hazardous waste sites. The company has made expense provisions or payments in 2000 and prior years for approximately 223 of these sites. No single site is expected to result in a material liability for the company. For the remaining sites, investigations are not yet at a stage where the company is able to quantify a probable liability or determine a range of reasonably possible exposures. The Superfund law provides for joint and several liability. Any future actions by the EPA and other regulatory agencies to require Chevron to assume other potentially responsible parties' costs at designated hazardous waste sites are not expected to have a material effect on the company's consolidated financial position or liquidity. Remediation reserves at year-end 2000, 1999 and 1998 for Superfund sites were $32 million, $33 million and $44 million, respectively.

It is likely that the company will continue to incur additional liabilities, beyond those recorded, for environmental remediation relating to past operations. These future costs are indeterminable due to such factors as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions that may be required, the determination of the company's liability in proportion to other responsible parties and the extent to which such costs are recoverable from third parties. While the amount of future costs may be material to the company's results of operations in the period in which they are recognized, the company does not expect these costs to have a material effect on its consolidated financial position or liquidity. Also, the company does not believe its obligations to make such expenditures have had, or will have, any significant impact on the company's competitive position relative to other petroleum or chemical companies.



Year-End Environmental Remediation Reserves
Millions of dollars

Reserve additions for closed and sold refineries were the primary reasons for the higher balance at year-end 2000.

The company maintains additional reserves for dismantlement, abandonment and restoration of its worldwide oil and gas and coal properties at the end of their productive lives. Many of these costs are related to environmental issues. Expense provisions are recognized on a unit-of-production basis. The amount of these reserves at year-end 2000 was $1.5 billion and is included in accumulated depreciation, depletion and amortization in the company's consolidated balance sheet.

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

LITIGATION AND OTHER UNCERTAINTIES Chevron and five other oil companies filed suit in 1995 contesting the validity of a patent granted to Unocal Corporation for reformulated gasoline, which Chevron sells in California in certain months of the year. In March 2000, the U.S. Court of Appeals for the Federal Circuit upheld a September 1998 District Court decision that Unocal's patent was valid and enforceable and assessed damages of 5.75 cents per gallon for gasoline produced in infringement of the patent. In May 2000, the Federal Circuit Court denied a petition for rehearing with the U.S. Court of Appeals for the Federal Circuit filed by Chevron and the five other defendants in this case. The defendant companies petitioned the U.S. Supreme Court in August 2000 for the case to be heard. In February 2001, the Supreme Court denied the petition to review the lower court's ruling. The defendants are pursuing other legal alternatives to have Unocal's patent ruled invalid.

If Unocal's patent ultimately is upheld, the company's financial exposure includes royalties, plus interest, for production of gasoline that is proved to have infringed the patent. As a result of the March 2000 ruling, the company recorded a special after-tax charge of $62 million. The majority of this charge pertained to the estimated royalty on gasoline production in the early part of a four-year period ending December 31, 1999 – before Chevron modified its manufacturing processes to minimize the production of gasoline that allegedly infringed on Unocal's patented formulations. Subsequently, the company has been accruing in the normal course of business any future estimated liability for potential infringement of the patent covered by the trial court's ruling. In June 2000, Chevron paid $22.7 million to Unocal – $17.2 million for the original court judgment for California gasoline produced in violation of Unocal's patent from March through July 1996 and $5.5 million of interest and fees. Unocal has obtained additional patents for alternate formulations that could affect a larger share of U.S. gasoline production. Chevron believes these additional patents are invalid and unenforceable. However, if such patents ultimately are upheld, the competitive and financial effects on the company's refining and marketing operations, while presently indeterminable, could be material.

Another issue involving the company is the ongoing public debate concerning the petroleum industry's use of MTBE and its potential environmental impact through seepage into groundwater. Along with other oil companies, the company is a party to lawsuits and claims related to the use of the chemical MTBE in certain oxygenated gasolines. These actions may require the company to correct or ameliorate the alleged effects on the environment of prior disposal or release of MTBE by the company or other parties. Additional lawsuits and claims related to the use of MTBE may be filed in the future. Costs to the company related to these lawsuits and claims are not currently determinable. Chevron has eliminated the use of MTBE in gasoline it sells in certain areas.

Chevron also receives claims from and submits claims to customers, trading partners, host governments, contractors, insurers and suppliers. The company is also party to numerous other lawsuits. In some of these matters, plaintiffs and claimants may seek to recover large and sometimes unspecified amounts. In others, they may seek to have the company perform specific activities, including remediation of alleged damages. These matters may remain unresolved for several years, and it is not practical to estimate a range of possible loss. Although losses or gains could be material to earnings in any given period, management believes that resolution of these matters will not materially affect the company's consolidated financial position or its liquidity.

At year-end 2000, the value of the assets of the company's main U.S. pension plan exceeded the projected pension obligations by $657 million. This excess can be attributable to higher than expected returns on the investment of the plan assets over the past several years. If investment returns decline in the future and are insufficient to offset increases in the plan's obligations, pension expense may increase and additional funding may be required.

Company operations, particularly exploration and production, can be affected by other changing economic, regulatory and political environments in the various countries in which it operates, including the United States. In certain locations, host governments have imposed restrictions, controls and taxes, and in others, political conditions have existed that may threaten the safety of employees and the company's continued presence in those countries. Internal unrest or strained relations between a host government and the company or other governments may affect the company's operations. Those developments have, at times, significantly affected the company's related operations and results, and are carefully considered by management when evaluating the level of current and future activity in such countries. Areas in which the company has significant operations include the United States, Canada, Australia, the United Kingdom, Norway, Republic of Congo, Angola, Nigeria, Chad, Equatorial Guinea, Democratic Republic of Congo, Papua New Guinea, China, Thailand, Venezuela, Argentina and Brazil. The company's Caltex affiliates have significant operations in Indonesia, Korea, Australia, Thailand, the Philippines, Singapore and South Africa. The company's Tengizchevroil affiliate operates in Kazakhstan. The company's Dynegy affiliate has operations in the United States, Canada, the United Kingdom and other European countries.

The company and its affiliates continue to review and analyze their operations and may close, abandon, sell, exchange, acquire or restructure assets to achieve operational or strategic benefits and to improve competitiveness and profitability.

For oil and gas producing operations, ownership agreements may provide for periodic reassessments of equity interests in estimated oil and gas reserves. These activities, individually or together, may result in gains or losses that could be material to earnings in any given period.

FINANCIAL INSTRUMENTS The company utilizes various derivative instruments, principally swaps and futures, to manage its exposure to price risk stemming from its integrated petroleum activities. All these instruments are commonly used in oil and gas trading activities and involve little complexity. (See Note 9 to the consolidated financial statements for further details.) Most of the activity in these instruments is intended to hedge physical transactions. The company believes it has no material market or credit risks to its operations, financial position or liquidity as a result of its commodities and other derivatives activities, including forward exchange contracts and interest rate swaps. Its control systems are designed to monitor and manage its financial exposures in accordance with company policies and procedures.

NEW ACCOUNTING STANDARDS The company adopted The Financial Accounting Standards Board (FASB) Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), as amended by FAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – An Amendment of FASB Statement No. 133," effective January 1, 2001. Because of Chevron's limited use of derivative instruments (as described above), the company has elected not to account for its derivative instruments as hedges. Accordingly, upon adoption the fair values of the derivative instruments will be recorded as assets or liabilities on the balance sheet, and changes in fair values of these instruments beyond normal sales and purchases will be reflected in current income. The company may elect to apply hedge accounting, which has different financial statement effects, to possible future transactions involving derivative instruments, if significant. Such an election would reduce earnings volatility that might otherwise result if changes in fair values were recognized in current income. The adoption of FAS 133 and FAS 138 did not have a significant impact on the company's results of operations or financial position.

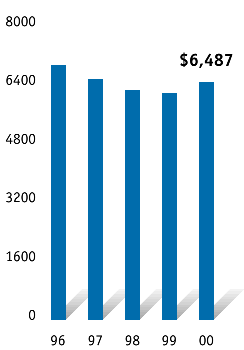
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

In September 2000, the FASB issued Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – A Replacement of FASB Statement No. 125" (FAS 140). FAS 140 is effective for transfers occurring after March 31, 2001, and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. FAS 140 has no significant effect on Chevron's accounting or disclosures for the types of transactions in the scope of the new standard.

EMPLOYEE TERMINATION BENEFITS AND OTHER RESTRUCTURING COSTS In 1999, the company implemented a staff reduction program in all of its operating segments across several business functions and accrued $220 million before tax for severance and other termination benefits for approximately 3,500 employees. Employees affected were primarily U.S.-based. All employee terminations were completed by June 30, 2000, and no significant adjustments were required for amounts previously accrued. Termination benefits for approximately 3,100 of the 3,500 employees were payable from the assets of the company's U.S. and Canadian pension plans. Most of the future savings connected with this program relate to the termination and relocation of U.S.-based employees.

RESULTS OF OPERATIONS **Sales and other operating revenues** were $50.6 billion in 2000, compared with $35.4 billion in 1999 and $29.9 billion in 1998. Revenues for 2000 and 1999 increased on sharply higher prices for crude oil, natural gas and refined products. The 2000 revenue increase was offset partially by the absence of chemicals revenues in the second half of the year due to the July 1 formation of the Chevron Phillips joint venture, which is accounted for under the equity method.

Income from equity affiliates totaled $750 million in 2000, $526 million in 1999 and $228 million in 1998. Changes in earnings from Tengizchevroil and Caltex were the primary cause of the fluctuations between years. In 2000, increases in earnings from Tengizchevroil, Caltex and Dynegy were offset partially by losses from the Chevron Phillips joint venture.



Operating, Selling & Administrative Expenses*
Millions of dollars

Operating, selling and administrative expenses increased 5 percent in 2000, due mainly to higher fuel costs for company operations.

**Excluding special items*

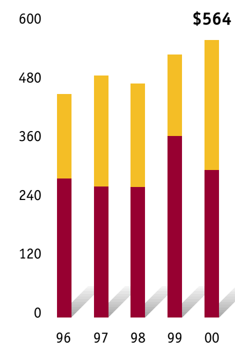
Other income totaled $787 million in 2000, $612 million in 1999 and $386 million in 1998. The fluctuations between years were the result of changes in net gains from asset sales and interest income from investments.

Purchased crude oil and products costs in 2000 were 52 percent higher than in 1999 and 94 percent higher than in 1998 because of higher prices for crude oil, natural gas, refined products and chemicals feedstock. Prices fell precipitously in 1998 and did not begin to recover until the second quarter 1999. Offsetting some of the effect of higher prices in 2000 was the absence of costs as a result of the Chevron Phillips joint venture formation.

Operating, selling, general and administrative expenses, excluding the effects of special items, increased to $6,487 million – from $6,169 million in 1999 and $6,251 million in 1998 – primarily due to higher fuel costs. Mitigating this effect was the absence of expenses associated with the chemicals operations contributed to the Chevron Phillips joint venture.

Millions of dollars	2000	1999	1998
Operating Expenses	**$5,177**	$5,090	$4,834
Selling, General and Administrative Expenses	**1,725**	1,404	2,239
Total Operating Expenses	**6,902**	6,494	7,073
Less: Special Charges, Before Tax	**415**	325	822
Adjusted Total Operating Expenses	**$6,487**	$6,169	$6,251

Exploration expenses of $564 million in 2000 were $26 million, or 5 percent higher than 1999, and $86 million, or 18 percent higher than 1998. In 2000, increased drilling in the deepwater U.S. Gulf of Mexico led to a doubling of well write-offs for U.S. operations. This increase more than offset declines in international operations. Compared with 1998, both U.S. and international well write-offs in 1999 were significantly higher.



Exploration Expenses
Millions of dollars

- *United States*
- *International*

Exploration expenses helped support the growth in production volumes.

Depreciation, depletion and amortization expense was $2,848 million in 2000, compared with $2,866 million in 1999 and $2,320 million in 1998. Depreciation expense associated with asset impairments in 2000 was $138 million, compared with $394 million in 1999 and $100 million in 1998. Increased production of crude oil and natural gas in 2000 and 1999 resulted in higher depreciation expense in the company's worldwide upstream operations. The overall 2000 expense reflects lower depreciation in chemicals (resulting from the Chevron Phillips joint venture formation) and other operations.

Income tax expenses were $4,085 million in 2000, $1,578 million in 1999 and $495 million in 1998, reflecting effective income tax rates of 44 percent, 43 percent and 27 percent for each of the three years, respectively. The increase in the 2000 effective tax rate was primarily the result of lower after-tax earnings from equity affiliates as a proportion of before-tax income, the absence of tax benefits attributable to the 1999 utilization of capital losses and a decline in U.S. tax credits as a proportion of before-tax income. Partially offsetting these factors in 2000 were lower foreign income taxes as a percentage of income and a reduction in the impact of prior-year tax adjustments.

The increase in the 1999 effective tax rate, compared with 1998, reflected a higher proportion of earnings from international operations that were taxed at higher rates; a lower beneficial impact from prior-period tax adjustments, settlement of outstanding issues, and permanent differences in 1999; and lower tax credits as a proportion of before-tax income. These factors were offset slightly by the effect of lower taxes on taxable income received from equity affiliates in 1999.

Foreign currency gains in 2000 were $142 million, compared with losses of $38 million in 1999 and $47 million in 1998. During most of 2000, the U.S. dollar strengthened against the currencies of a number of countries – particularly Australia, the United Kingdom, Norway, Canada and certain countries in the Caltex operating area – before weakening late in the year. In 1999, the company's foreign exchange losses occurred primarily in the company's operations in Canada and Australia and in the Australian operations of Caltex. The most significant losses in 1998 were in Caltex's operations in Korea, Thailand and Japan.

U.S. Exploration and Production

Millions of dollars	2000	1999*	1998*
Earnings, Excluding Special Items	**$1,939**	$774	$346
Asset Write-Offs and Revaluations	**(50)**	(204)	(44)
Asset Dispositions	**–**	3	47
Environmental Remediation Provisions	**–**	(23)	26
Restructurings and Reorganizations	**–**	(42)	–
Other	**–**	(26)	(45)
Total Special Items	**(50)**	(292)	(16)
Segment Income	**$1,889**	$482	$330

**Conformed to 2000 presentation; equity earnings from Dynegy Inc. included in All Other.*

SELECTED OPERATING DATA

	2000	1999	1998
U.S. EXPLORATION AND PRODUCTION			
Net Crude Oil and Natural Gas Liquids Production (MBPD)	**312**	316	325
Net Natural Gas Production (MMCFPD)	**1,558**	1,639	1,739
Natural Gas Sales (MMCFPD)[1]	**3,448**	3,162	3,303
Natural Gas Liquids Sales (MBPD)[1]	**153**	133	130
Revenues from Net Production			
Crude Oil ($/Bbl)	**$27.20**	$16.11	$11.42
Natural Gas ($/MCF)	**$ 4.04**	$ 2.16	$ 2.02
INTERNATIONAL EXPLORATION AND PRODUCTION[1]			
Net Crude Oil and Natural Gas Liquids Production (MBPD)	**847**	811	782
Net Natural Gas Production (MMCFPD)	**911**	874	654
Natural Gas Sales (MMCFPD)	**1,813**	1,774	1,504
Natural Gas Liquids Sales (MBPD)	**65**	57	53
Revenues from Liftings			
Liquids ($/Bbl)	**$27.12**	$17.31	$11.77
Natural Gas ($/MCF)	**$ 2.45**	$ 1.87	$ 1.94
Other Produced Volumes (MBPD)[2]	**123**	96	95
U.S. REFINING, MARKETING AND TRANSPORTATION			
Gasoline Sales (MBPD)	**683**	667	653
Other Refined Products Sales (MBPD)	**644**	635	590
Refinery Input (MBPD)	**943**	955	869
Average Refined Products Sales Price ($/Bbl)	**$39.32**	$26.86	$22.37
INTERNATIONAL REFINING, MARKETING AND TRANSPORTATION[1]			
Refined Products Sales (MBPD)[3]	**769**	832	798
Refinery Input (MBPD)	**415**	469	475

MBPD = Thousands of barrels per day; MMCFPD = Millions of cubic feet per day; Bbl = Barrel; MCF = Thousands of cubic feet.

[1]Includes equity in affiliates.

[2]Represents total field production under the Boscan operating service agreement in Venezuela, and in 2000 included a Colombian operating service agreement.

[3]1999 restated to conform to 2000 presentation.

U.S. exploration and production earnings in 2000 and 1999, excluding special items, were driven by sustained increases in crude oil and natural gas prices that began in early 1999. Expenses were higher in 2000, primarily for well write-offs, production-related taxes and operating expenses – largely associated with higher fuel costs. Gains from asset sales were lower than in 1999 and 1998.

The company's average 2000 U.S. crude oil realization of $27.20 per barrel was $11.09 higher than in 1999 and $15.78 higher than 1998. The 2000 average U.S. natural gas realization was $4.04 per thousand cubic feet, $1.88 higher than in 1999 and double the prices in 1998.

Net liquids production for the year averaged 312,000 barrels per day, down 1 percent from 1999 and 4 percent from 1998. Net natural gas production in 2000 averaged 1.558 billion cubic feet per day, down 5 percent from 1999 and 10 percent from 1998. The lower oil-equivalent production reflected normal field declines and asset sales, partially offset by new and enhanced production in the Gulf of Mexico deep water and other areas of the gulf. The decline in U.S. production in 2000 was mitigated by accelerating capital spending for fast-payout well workovers and development drilling projects that increased production and took advantage of the favorable price environment.

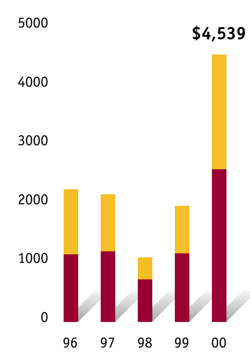
International Exploration and Production

Millions of dollars	2000	1999	1998
Earnings, Excluding Special Items	**$2,600**	$1,156	$717
Asset Write-Offs and Revaluations	**–**	(37)	(6)
Asset Dispositions	**–**	17	(56)
Prior-Year Tax Adjustments	**–**	(23)	56
Restructurings and Reorganizations	**–**	(21)	–
LIFO Inventory Gains and Other	**2**	1	(4)
Total Special Items	**2**	(63)	(10)
Segment Income	**$2,602**	$1,093	$707

International exploration and production earnings, excluding special items, improved in 2000 and 1999 on higher crude oil and natural gas prices and steadily increasing production.

Chevron's average liquids realization, including equity affiliates, was $27.12 per barrel in 2000, compared with $17.31 per barrel in 1999 and $11.77 per barrel in 1998. The average natural gas realization was $2.45 per thousand cubic feet in 2000, compared with $1.87 in 1999 and $1.94 in 1998.

Net liquids production of 847,000 barrels per day in 2000 increased 4 percent from 811,000 barrels per day in 1999 and 8 percent from 1998.



Worldwide Exploration & Production Earnings*
Millions of dollars

- *United States*
- *International*

Worldwide earnings more than doubled in 2000 on the strength of higher crude oil and natural gas prices and oil-equivalent production volumes.

**Excluding special items*

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

Production increases in Argentina, Angola, Australia and Thailand in 2000 more than offset lower volumes from Indonesia and Colombia. In 1999, increases in Angola and Kazakhstan, combined with production from properties acquired in Argentina and Thailand, offset declines in Australia, Indonesia and Nigeria.

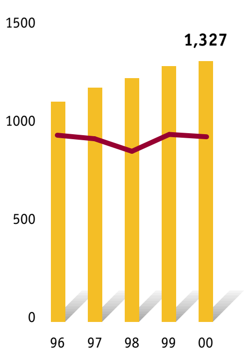
Net natural gas production of 911 million cubic feet in 2000 was up 4 percent from 1999 and nearly 40 percent from 1998. In 2000, production increases were primarily in Argentina and Thailand, partially offset by sharply lower production in Canada, due primarily to normal declines in mature fields. Increases in 1999 were from the Britannia Field in the United Kingdom, as well as from new production from the properties acquired in Thailand and Argentina.

For 11 consecutive years through 2000, international production volumes and proved reserve quantities increased, reflecting the company's strategy of expanding its international upstream operations. Oil-equivalent production in 2000 increased over 9 percent – including volumes produced under various international operating service agreements, and adjusting for the effects of higher prices on Chevron's share of net production under production-sharing contracts and variable royalty arrangements. At year-end, oil-equivalent reserves were higher than year-end 1999 by 8 percent.

U.S. Refining, Marketing and Transportation

Millions of dollars	**2000**	1999	1998
Earnings, Excluding Special Items	**$778**	$375	$633
Asset Write-Offs and Revaluations	**(30)**	–	(22)
Asset Dispositions	**–**	75	–
Environmental Remediation Provisions	**(163)**	(71)	(39)
Restructuring and Reorganizations	**–**	(35)	–
LIFO Inventory Gains	**3**	13	–
Other	**(39)**	–	–
Total Special Items	**(229)**	(18)	(61)
Segment Income	**$549**	$357	$572

U.S. refining, marketing and transportation earnings, excluding special items, doubled in 2000 to $778 million and exceeded 1998 earnings of $633 million by 23 percent. Special items in 2000 included environmental remediation provisions for certain of the company's refining and marketing sites, some of which had been sold or closed in prior years. Earnings improved in 2000 on higher margins and more reliable West Coast refinery operations. Earnings in 1999 suffered from lower sales margins and operational problems at the company's California refineries, including a fire and, some months later, a detonation that did not result in a fire, at the Richmond Refinery. These incidents affected capacity and efficiency to produce blending components for diesel, jet and gasoline. These effects in 1999 were offset partially by increases in refined products sales volumes and higher proceeds from business interruption insurance.



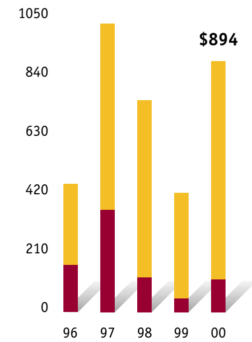
U.S. Refined Products Sales vs. Refinery Runs
Thousands of barrels per day

- *Refined Products Sales*
- *Refinery Runs*

Refined products sales rose 2 percent in 2000; refinery runs were down slightly.

Refined products sales volumes of 1.327 million barrels per day in 2000 increased 2 percent over 1999 volumes and 7 percent from 1998 levels. The 2000 sales volumes reflected increases in higher- value gasoline and jet fuel volumes, more than offsetting a decline in sales of residual fuel oil. Additionally, sales in 2000 suffered from the effect of 1999 year-end stockpiling by customers in anticipation of possible Year 2000-related interruptions. U.S. refined products sales realizations were $39.32 per barrel, up 46 percent from 1999 realizations of $26.86, and up 76 percent from 1998's depressed levels.

International refining, marketing and transportation earnings include results of the company's consolidated Canadian refining and marketing business, international marine operations, international supply and trading activities, and equity earnings of Caltex Corporation. Excluding special items, 2000 earnings of $116 million improved from $49 million in 1999, but were about 6 percent lower than the $123 million recorded in 1998. Earnings benefited from foreign exchange gains of $74 million in 2000, compared with losses of $21 million in 1999 and $69 million in 1998.



Worldwide Refining, Marketing & Transportation Earnings*
Millions of dollars

- *United States*
- *International*

U.S. earnings rebounded strongly from 1999, as refined products price increases more than offset the higher costs of feedstocks. International earnings remained depressed.

**Excluding special items*

International Refining, Marketing and Transportation

Millions of dollars	**2000**	1999	1998
Earnings, Excluding Special Items	**$116**	$ 49	$123
Asset Dispositions	**–**	(31)	–
Prior-Year Tax Adjustments	**–**	60	–
Environmental Remediation Provisions	**(30)**	–	(11)
Restructurings and Reorganizations	**–**	(31)	(43)
LIFO Inventory Gains (Losses)	**18**	27	(16)
Other	**–**	–	(25)
Total Special Items	**(12)**	25	(95)
Segment Income	**$104**	$ 74	$ 28

The Caltex component of segment results for the years 1998 through 2000 is shown in the table below.

Caltex

Millions of dollars	**2000**	1999	1998
Net Income (Loss)	**$ 4**	$ 56	$ (36)
Less:			
Special Items	**20**	30	(82)
Foreign Currency Gains (Losses)	**69**	(15)	(68)
LCM* Inventory Adjustments and Other	**(6)**	76	(43)
Adjusted (Loss) Earnings	**$(79)**	$(35)	$157

**Lower of cost or market*

Earnings for Caltex suffered from a very competitive operating environment, including excess refinery capacity in the Asia-Pacific region during 2000 and 1999 and weak sales margins in most of its areas of operations. Competitive pressures prevented refined products sales realizations from rising sufficiently to recover higher crude costs.

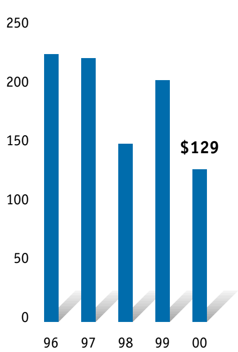
International refined products sales volumes were 769,000 barrels per day in 2000, down nearly 8 percent from 832,000 barrels per day in 1999 and down 4 percent from 798,000 barrels per day in 1998. Lower trading volumes and the third quarter 1999 sale of a Caltex affiliate primarily were responsible for the decline in sales volumes in 2000. Higher Caltex sales volumes primarily were responsible for the 1999 increase.

Chemicals

Millions of dollars	**2000**	1999	1998
Earnings, Excluding Special Items	**$129**	$205	$151
Asset Write-Offs and Revaluations	**(90)**	(43)	(19)
Environmental Remediation Provisions	**(15)**	(28)	(5)
Restructurings and Reorganizations	**–**	(22)	–
LIFO Inventory Losses	**–**	(3)	(5)
Other	**16**	–	–
Total Special Items	**(89)**	(96)	(29)
Segment Income	**$ 40**	$109	$122

Chemicals earnings in 2000 included results from the company's Oronite division, the company's petrochemicals businesses prior to its contribution to CPCC in July 2000, and equity earnings in CPCC for the second half of the year. The special item for asset write-downs in 2000 was for this affiliate's impairment of assets in Puerto Rico. Operationally, commodity chemicals businesses suffered in the second half of 2000 from generally weak product demand, industry additions to manufacturing capacity and high raw material costs.

Earnings in 1999 benefited from improved sales margins for major products, higher sales volumes and lower operating expenses. The 1998 results were adversely affected by plant shutdowns for expansions and storm damage repairs.



Worldwide Chemicals Earnings*
Millions of dollars

Operating earnings declined 37 percent, due to falling sales margins and volumes.

**Excluding special items*

All Other consists of coal mining operations, the company's ownership interest in Dynegy Inc., worldwide cash management and debt financing activities, corporate administrative costs, insurance operations and real estate activities.

Earnings, excluding special items, for the company's coal operations were $1 million in 2000, compared with $34 million in 1999 and $77 million in 1998. Earnings in 2000 were affected negatively by a union work stoppage for several months during the year and operating and geologic complications at certain mines. In 1999, results were lower than in 1998 primarily because of the absence of earnings from an affiliate sold in the first quarter of 1999, lower sales tonnage

All Other

Millions of dollars	**2000**	1999*	1998*
Net Charges, Excluding Special Items	**$(125)**	$(273)	$ (25)
Asset Write-Offs and Revaluations	**–**	(62)	(68)
Asset Dispositions	**99**	147	–
Environmental Remediation Provisions	**–**	(1)	(10)
Prior-Year Tax Adjustments	**(77)**	72	215
Restructurings and Reorganizations	**–**	(32)	–
Cities Service Litigation	**–**	104	(629)
Other	**104**	–	97
Total Special Items	**126**	228	(395)
Segment Credits (Charges)	**$ 1**	$ (45)	$(420)

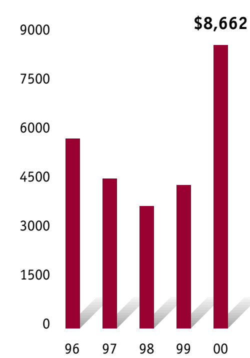
**Conformed to 2000 presentation to include equity earnings from Dynegy Inc.*

and prices for the remaining coal business, and adjustments to the carrying value of the operations that were under active negotiation for sale at that time.

Chevron's share of Dynegy operating earnings was $119 million, a significant increase from $44 million in 1999 and $35 million in 1998. Significantly higher prices for natural gas and natural gas liquids and an increase in earnings from power generation activities were the primary reasons for the improved results.

Net charges for the balance of the All Other segment, excluding special items, were $245 million in 2000, $351million in 1999 and $137 million in 1998. Lower interest expense, higher interest income and decreases in other corporate expenses resulted in lower 2000 net charges than in 1999. The primary factors in the higher level of charges in 1999 as compared with 1998 were an increase in debt and lower cash balances, which caused interest expense to be higher, and reduced interest income.

LIQUIDITY AND CAPITAL RESOURCES Cash, cash equivalents and marketable securities totaled $2.6 billion at year-end 2000, up 29 percent from $2.0 billion at year-end 1999. Cash provided by operating activities in 2000 was $8.7 billion, compared with $4.5 billion in 1999 and $3.7 billion in 1998, benefiting from higher earnings. In addition, Chevron received a cash distribution in 2000 of $835 million from Chevron Phillips Chemical Co. after the joint venture obtained debt financing. Improved cash flows in 2000 permitted the company to reduce overall debt levels by $2.7 billion and repurchase $1.4 billion of the company's common shares. In 1999 and 1998, debt levels increased by $1.4 billion and $1.5 billion, respectively, as cash provided by operating activities and asset sales was not sufficient to fund the company's total cash requirements. In 1999, a payment of $775 million was also made to Occidental Petroleum in settlement of the Cities Service lawsuit.



Cash Provided by Operating Activities
Millions of dollars

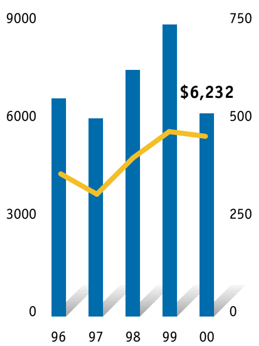
Record operating earnings nearly doubled cash flow from operations in 2000.

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

In 2000, the company paid dividends of $2.60 per share, compared with $2.48 per share in 1999 and $2.44 per share in 1998, increasing for the 13th consecutive year. In January 2001, the company declared a regular quarterly dividend of 65 cents a share on its common stock, unchanged from the previous quarter.

The company's total debt and capital lease obligations were $6.232 billion at December 31, 2000, a decrease of 30 percent from $8.919 billion at year-end 1999. In early February 2001, the company announced a public offering to repurchase $350 million of 7.45 percent guaranteed notes maturing in 2004. At the close of the offering in late February, about $230 million had been acquired.

At year-end 2000, Chevron had $3.250 billion in committed credit facilities with various major banks, $2.725 billion of which had termination dates beyond one year. These facilities support commercial paper borrowing and also can be used for general credit requirements. No borrowings were outstanding under these facilities during the year or at year-end 2000. In addition, Chevron has three existing "shelf" registrations on file with the Securities and Exchange Commission that together would permit registered offerings of up to $2.8 billion of debt securities.



Total Interest Expense & Total Debt at Year-End
Millions of dollars

- *Total Interest Expense (right scale)*
- *Total Debt (left scale)*

Strong cash flow enabled Chevron to eliminate $2.7 billion in debt.

The company's debt due within 12 months, consisting primarily of commercial paper and the current portion of long-term debt, totaled $3.804 billion at December 31, 2000. Of this total short-term debt, $2.725 billion was reclassified to long-term debt at year-end 2000. Settlement of these obligations is not expected to require the use of working capital in 2001, as the company has the intent and the ability, as evidenced by committed credit arrangements, to refinance them on a long-term basis. The company's practice has been to continually refinance its commercial paper, maintaining levels it believes to be appropriate.

To allow Chevron to continue active relationships with institutional investors in its commercial paper, the company instituted a program in 2000 under which it sells commercial paper and reinvests the borrowed funds in money-market instruments with similar terms. At December 31, 2000, the company had incremental short-term debt and investments of $84 million under this program.

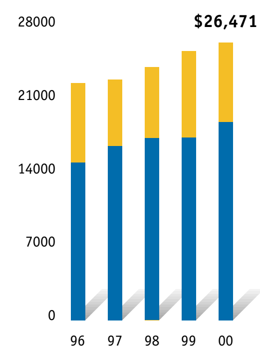
The company's future debt level is dependent primarily on its results of operations and capital-spending program. The company believes it has substantial borrowing capacity to meet unanticipated cash requirements.

In December 1997, Chevron's Board of Directors approved the repurchase of up to $2 billion of the company's outstanding common stock for use in its employee stock option programs. In 2000, prior to suspending the program in October upon announcement of the merger agreement with Texaco, the company had repurchased 16.9 million shares at a cost of $1.406 billion. Total repurchases from the program's inception were 23.3 million shares at a cost of $1.890 billion.

Financial Ratios

	2000	1999	1998
Current Ratio	**1.1**	0.9	0.9
Interest Coverage Ratio	**19.9**	8.2	5.1
Total Debt/Total Debt Plus Equity	**23.8%**	33.4%	30.7%

FINANCIAL RATIOS The year-end current ratio is the ratio of current assets to current liabilities. Generally, two items adversely affect Chevron's current ratio, but in the company's opinion do not affect its liquidity. Current assets in all years included inventories valued on a LIFO basis, which at year-end 2000 were lower than current costs, based on average acquisition costs for the year, by nearly $2 billion. Also, the company benefits from lower interest available on short-term debt by continually refinancing its commercial paper. In past years, Chevron's proportionately large amount of short-term debt contributed to keeping its ratio of current assets to current liabilities at a relatively low level. However, at year-end 2000, only $94 million of commercial paper, after excluding $2.725 billion reclassified to long-term debt, was classified as a current liability. Strong cash flows during 2000 permitted the company to reduce the level of commercial paper required to fund its cash requirements.



Capital Employed
Millions of dollars

- *Average Debt*
- *Average Stockholders' Equity*

Chevron's debt to debt-plus-equity ratio of 23.8 percent was the lowest in more than 15 years.

The interest coverage ratio is defined as income before income tax expense, plus interest and debt expense and amortization of capitalized interest, divided by before-tax interest costs. Chevron's interest coverage ratio improved significantly in 2000, primarily due to higher before-tax income and lower interest expense as a result of lower debt levels. The company's debt ratio (total debt/total debt plus equity) declined about a third to 23.8 percent in 2000, due to the significant reduction in overall debt balances and an increase in equity for the year.

CAPITAL AND EXPLORATORY EXPENDITURES Worldwide capital and exploratory expenditures for 2000 totaled $5.153 billion, including the company's equity share of affiliates' expenditures. Capital and exploratory expenditures were $6.133 billion in 1999 and $5.314 billion in 1998. Expenditures for exploration and production activities represented 62 percent of total outlays in 2000, compared with 73 percent in 1999 and 59 percent in 1998. International exploration and production spending was 60 percent of worldwide exploration and production expenditures in 2000, compared with 80 percent in 1999 and 62 percent in 1998, reflecting the company's continuing focus on international exploration and production activities. Included in 1999 were expenditures of about $1.7 billion – mainly cash and assumption of debt – for the acquisition of Rutherford-Moran Oil Corporation and Petrolera Argentina San Jorge S.A., exploration and production businesses in Thailand and Argentina, respectively. All Other expenditures in 2000 included an additional investment of about $300 million in Dynegy Inc.

The company estimates **2001 capital and exploratory expenditures** at $6.0 billion, including Chevron's share of spending by affiliates. This is up about 16 percent from 2000 spending levels. The 2001 program provides $3.7 billion for exploration and production investments, of which $2.5 billion is for international projects. Major areas of emphasis for exploration and production are Kazakhstan, Africa, Argentina, Thailand, Canada and the deep waters of the Gulf of Mexico. Successful implementation of the planned expenditure program for 2001 will depend upon many factors, including the ability of partners in many of these projects, some of which are national petroleum companies of producing countries, to fund their shares of project expenditures.

Refining and marketing expenditures are estimated at about $900 million, with $600 million of that planned for projects in the United States, most of which will be spent to increase retail volumes and convenience store revenue as well as streamline distribution channels. The largest portion of the international refining and marketing capital program will be invested by the company's Caltex affiliate. Transportation expenditures are estimated at about $500 million, primarily for international pipelines related to expanded upstream production. Investments in power and natural gas facilities and distribution and in technology will total $650 million, most of which will be invested by the company's Dynegy affiliate. The company also plans to invest about $250 million in the worldwide chemicals business.

The spending plans discussed above are for Chevron as a stand-alone entity and do not reflect the impact of the pending merger with Texaco. They also do not include the acquisition of an additional 5 percent equity in the Tengizchevroil project in Kazakhstan, which closed in January 2001.

Capital and Exploratory Expenditures

	2000			1999			1998		
Millions of dollars	**U.S.**	**International**	**Total**	U.S.	International	Total	U.S.	International	Total
Exploration and Production	**$1,265**	**$1,908**	**$3,173**	$ 907*	$3,591	$4,498	$1,214*	$1,942	$3,156
Refining, Marketing and Transportation	**487**	**608**	**1,095**	522	412	934	654	431	1,085
Chemicals	**135**	**52**	**187**	326	136	462	385	359	744
All Other	**698**	**–**	**698**	239*	–	239	329*	–	329
Total	**$2,585**	**$2,568**	**$5,153**	$1,994	$4,139	$6,133	$2,582	$2,732	$5,314
Total, Excluding Equity in Affiliates	**$2,278**	**$1,908**	**$4,186**	$1,859	$3,492	$5,351	$2,460	$1,860	$4,320

**Conformed to 2000 presentation to include the company's share of expenditures by its Dynegy Inc. affiliate in All Other.*

FORWARD-LOOKING STATEMENTS

This *Annual Report* contains forward-looking statements relating to Chevron's operations that are based on management's current expectations, estimates and projections about the petroleum and chemicals industries. Words such as "anticipates," "expects," "intends," "plans," "projects," "believes," "seeks," "estimates" 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 our control, are difficult to predict and could cause actual results to differ from those expressed or forecasted in the forward-looking statements. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this *Annual Report.* Chevron undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the factors that could cause actual results to differ materially are crude oil and natural gas prices; refining margins and marketing margins; chemicals prices and competitive conditions affecting supply and demand for aromatics, olefins and additives products; actions of competitors; the competitiveness of alternate energy sources or product substitutes; technological developments; inability of the company's joint-venture partners to fund their share of operations and development activities; potential failure to achieve expected production from existing and future oil and gas development projects; potential delays in the development, construction or start-up of planned projects; the ability to successfully consummate the proposed merger with Texaco and successfully integrate the operations of both companies; potential disruption or interruption of the company's production or manufacturing facilities due to accidents or political events; potential liability for remedial actions under existing or future environmental regulations and litigation; significant investment or product changes under existing or future environmental regulations (including, particularly, regulations and litigation dealing with gasoline composition and characteristics); and potential liability resulting from pending or future litigation. In addition, such statements could be affected by general domestic and international economic and political conditions. Unpredictable or unknown factors not discussed herein also could have material adverse effects on forward-looking statements.

QUARTERLY RESULTS AND STOCK MARKET DATA

Unaudited

Millions of dollars, except per-share amounts	2000 4TH Q	2000 3RD Q	2000 2ND Q	2000 1ST Q	1999 4TH Q	1999 3RD Q	1999 2ND Q	1999 1ST Q
REVENUES AND OTHER INCOME								
Sales and other operating revenues[1]	**$13,228**	**$12,997**	**$12,982**	**$11,385**	$10,611	$ 9,965	$8,473	$6,399
Income from equity affiliates	**103**	**276**	**175**	**196**	122	127	133	144
Other income	**226**	**348**	**67**	**146**	246	85	135	146
TOTAL REVENUES AND OTHER INCOME	**13,557**	**13,621**	**13,224**	**11,727**	10,979	10,177	8,741	6,689
COSTS AND OTHER DEDUCTIONS								
Purchased crude oil and products, operating and other expenses	**8,918**	**8,809**	**9,071**	**7,960**	7,307	7,006	6,275	4,426
Depreciation, depletion and amortization	**697**	**801**	**699**	**651**	900	767	633	566
Taxes other than on income[1]	**1,221**	**1,240**	**1,194**	**1,138**	1,184	1,181	1,143	1,078
Interest and debt expense	**104**	**101**	**126**	**129**	138	116	113	105
TOTAL COSTS AND OTHER DEDUCTIONS	**10,940**	**10,951**	**11,090**	**9,878**	9,529	9,070	8,164	6,175
INCOME BEFORE INCOME TAX	**2,617**	**2,670**	**2,134**	**1,849**	1,450	1,107	577	514
INCOME TAX EXPENSE	**1,123**	**1,139**	**1,018**	**805**	641	525	227	185
NET INCOME[2]	**$ 1,494**	**$ 1,531**	**$ 1,116**	**$ 1,044**	$ 809	$ 582	$ 350	$ 329
NET INCOME PER SHARE – BASIC	**$ 2.32**	**$ 2.36**	**$1.71**	**$1.59**	$1.24	$0.88	$0.54	$0.50
– DILUTED	**$ 2.32**	**$ 2.35**	**$1.71**	**$1.59**	$1.23	$0.88	$0.53	$0.50
DIVIDENDS PAID PER SHARE	**$ 0.65**	**$ 0.65**	**$0.65**	**$0.65**	$0.65	$0.61	$0.61	$0.61
COMMON STOCK PRICE RANGE – HIGH	**$88.94**	**$92.31**	**$94.88**	**$94.25**	$96.94	$100.81	$104.94	$90.31
– LOW	**$78.19**	**$76.88**	**$82.31**	**$69.94**	$83.38	$85.56	$86.38	$73.13
[1]Includes consumer excise taxes:	*$1,031*	*$1,067*	*$1,020*	*$942*	*$989*	*$1,023*	*$ 986*	*$912*
[2]Net special (charges) credits included in Net Income:	*$ (49)*	*$ (116)*	*$ (25)*	*$ (62)*	*$ (10)*	*$ (120)*	*$(134)*	*$ 48*

The company's common stock is listed on the New York Stock Exchange (trading symbol: CHV), as well as on the Chicago, Pacific, London and Swiss stock exchanges. It also is traded on the Boston, Cincinnati, Detroit and Philadelphia stock exchanges. As of February 26, 2001, stockholders of record numbered approximately 107,000.

There are no restrictions on the company's ability to pay dividends. Chevron has made dividend payments to stockholders for 89 consecutive years.

REPORT OF MANAGEMENT

TO THE STOCKHOLDERS OF CHEVRON CORPORATION

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

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

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

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

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

John S. Watson
Vice President and Chief Financial Officer

Stephen J. Crowe
Vice President and Comptroller

February 26, 2001

CONSOLIDATED STATEMENT OF INCOME

Millions of dollars, except per-share amounts	Year ended December 31 2000	1999	1998
REVENUES AND OTHER INCOME			
Sales and other operating revenues*	**$50,592**	$35,448	$29,943
Income from equity affiliates	**750**	526	228
Other income	**787**	612	386
TOTAL REVENUES AND OTHER INCOME	**52,129**	36,586	30,557
COSTS AND OTHER DEDUCTIONS			
Purchased crude oil and products	**27,292**	17,982	14,036
Operating expenses	**5,177**	5,090	4,834
Selling, general and administrative expenses	**1,725**	1,404	2,239
Exploration expenses	**564**	538	478
Depreciation, depletion and amortization	**2,848**	2,866	2,320
Taxes other than on income*	**4,793**	4,586	4,411
Interest and debt expense	**460**	472	405
TOTAL COSTS AND OTHER DEDUCTIONS	**42,859**	32,938	28,723
INCOME BEFORE INCOME TAX EXPENSE	**9,270**	3,648	1,834
INCOME TAX EXPENSE	**4,085**	1,578	495
NET INCOME	**$ 5,185**	$ 2,070	$ 1,339
NET INCOME PER SHARE OF COMMON STOCK – BASIC	**$7.98**	$3.16	$2.05
– DILUTED	**$7.97**	$3.14	$2.04
**Includes consumer excise taxes:*	***$4,060***	*$3,910*	*$3,756*

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Millions of dollars	Year ended December 31 2000	1999	1998
NET INCOME	**$5,185**	$2,070	$1,339
Holding gains on securities arising during period	**56**	29	3
Reclassification adjustment for gains included in net income	**(99)**	–	–
Net change during period	**(43)**	29	3
Minimum pension liability adjustment	**(15)**	(11)	(15)
Currency translation adjustment	**(7)**	(43)	(1)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(65)**	(25)	(13)
COMPREHENSIVE INCOME	**$5,120**	$2,045	$1,326

See accompanying notes to consolidated financial statements.

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE STOCKHOLDERS
AND THE BOARD OF DIRECTORS OF CHEVRON CORPORATION

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Chevron Corporation and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 26, 2001

CONSOLIDATED BALANCE SHEET

Millions of dollars	At December 31 2000	1999
ASSETS		
Cash and cash equivalents	**$ 1,896**	$ 1,345
Marketable securities	**734**	687
Accounts and notes receivable (less allowance: 2000 – $30; 1999 – $36)	**3,837**	3,688
Inventories:		
Crude oil and petroleum products	**631**	585
Chemicals	**191**	526
Materials, supplies and other	**250**	291
	1,072	1,402
Prepaid expenses and other current assets	**674**	1,175
TOTAL CURRENT ASSETS	**8,213**	8,297
Long-term receivables	**802**	815
Investments and advances	**8,107**	5,231
Properties, plant and equipment, at cost	**51,908**	54,212
Less: accumulated depreciation, depletion and amortization	**29,014**	28,895
	22,894	25,317
Deferred charges and other assets	**1,248**	1,008
TOTAL ASSETS	**$41,264**	$40,668
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt	**$ 1,079**	$ 3,434
Accounts payable	**3,163**	3,103
Accrued liabilities	**1,530**	1,210
Federal and other taxes on income	**1,479**	718
Other taxes payable	**423**	424
TOTAL CURRENT LIABILITIES	**7,674**	8,889
Long-term debt	**4,872**	5,174
Capital lease obligations	**281**	311
Deferred credits and other noncurrent obligations	**1,768**	1,739
Noncurrent deferred income taxes	**4,908**	5,010
Reserves for employee benefit plans	**1,836**	1,796
TOTAL LIABILITIES	**21,339**	22,919
Preferred stock (authorized 100,000,000 shares, $1.00 par value, none issued)	**–**	–
Common stock (authorized 2,000,000,000 shares, $0.75 par value at December 31, 2000, and 1,000,000 shares, $1.50 par value at December 31, 1999; 712,487,068 shares issued)	**534**	1,069
Capital in excess of par value	**2,758**	2,215
Deferred compensation	**(611)**	(646)
Accumulated other comprehensive income	**(180)**	(115)
Retained earnings	**20,909**	17,400
Treasury stock, at cost (2000 – 71,427,097 shares; 1999 – 56,140,994 shares)	**(3,485)**	(2,174)
TOTAL STOCKHOLDERS' EQUITY	**19,925**	17,749
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$41,264**	$40,668

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Millions of dollars	Year ended December 31 2000	1999	1998
OPERATING ACTIVITIES			
Net income	**$5,185**	$2,070	$1,339
Adjustments			
Depreciation, depletion and amortization	**2,848**	2,866	2,320
Dry hole expense related to prior years' expenditures	**52**	126	40
Distributions (less than) greater than income from equity affiliates	**(154)**	(258)	25
Net before-tax gains on asset retirements and sales	**(236)**	(471)	(45)
Net foreign currency (gains) losses	**(67)**	23	(20)
Deferred income tax provision	**408**	226	266
Net decrease (increase) in operating working capital[1]	**846**	636	(809)
(Decrease) increase in Cities Service provision	**–**	(149)	924
Cash settlement of Cities Service litigation	**–**	(775)	–
Other, net	**(220)**	187	(309)
NET CASH PROVIDED BY OPERATING ACTIVITIES[2]	**8,662**	4,481	3,731
INVESTING ACTIVITIES			
Capital expenditures	**(3,657)**	(4,366)	(3,880)
Proceeds from asset sales	**524**	992	434
Net sales (purchases) of marketable securities[3]	**35**	262	(183)
Net purchase of other short-term investments	**(84)**	–	–
Distribution from Chevron Phillips Chemical Company	**835**	–	–
Other, net	**(73)**	32	(230)
NET CASH USED FOR INVESTING ACTIVITIES	**(2,420)**	(3,080)	(3,859)
FINANCING ACTIVITIES			
Net (repayments) borrowings of short-term obligations	**(2,484)**	219	1,713
Proceeds from issuances of long-term debt	**24**	1,221	224
Repayments of long-term debt and other financing obligations	**(216)**	(549)	(388)
Cash dividends paid	**(1,688)**	(1,625)	(1,596)
Net (purchases) sales of treasury shares	**(1,329)**	108	(261)
NET CASH USED FOR FINANCING ACTIVITIES	**(5,693)**	(626)	(308)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2**	1	(10)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**551**	776	(446)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,345**	569	1,015
CASH AND CASH EQUIVALENTS AT YEAR–END	**$1,896**	$1,345	$ 569

See accompanying notes to consolidated financial statements.

[1] "Net decrease (increase) in operating working capital" is composed of the following:			
(Increase) decrease in accounts and notes receivable	***$ (663)***	*$ (810)*	*$ 552*
(Increase) decrease in inventories	***(74)***	*72*	*(116)*
Decrease (increase) in prepaid expenses and other current assets	***53***	*(43)*	*(23)*
Increase (decrease) in accounts payable and accrued liabilities	***712***	*915*	*(807)*
Increase (decrease) in income and other taxes payable	***818***	*502*	*(415)*
Net decrease (increase) in operating working capital	***$ 846***	*$ 636*	*$ (809)*
[2] "Net cash provided by operating activities" includes the following cash payments for interest and income taxes:			
Interest paid on debt (net of capitalized interest)	***$ 466***	*$ 438*	*$ 407*
Income taxes paid	***$ 2,908***	*$ 864*	*$ 654*
[3] "Net sales (purchases) of marketable securities" consists of the following gross amounts:			
Marketable securities purchased	***$(6,223)***	*$(2,812)*	*$(2,679)*
Marketable securities sold	***6,258***	*3,074*	*2,496*
Net sales (purchases) of marketable securities	***$ 35***	*$ 262*	*$ (183)*

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	2000		1999		1998	
Amounts in millions of dollars	**Shares**	**Amount**	Shares	Amount	Shares	Amount
COMMON STOCK						
Balance at January 1	**712,487,068**	**$ 1,069**	712,487,068	$ 1,069	712,487,068	$ 1,069
Change in par value	**–**	**(535)**	–	–	–	–
BALANCE AT DECEMBER 31	**712,487,068**	**$ 534**	712,487,068	$ 1,069	712,487,068	$ 1,069
TREASURY STOCK AT COST						
Balance at January 1	**56,140,994**	**$(2,174)**	59,460,666	$(2,293)	56,555,871	$(1,977)
Purchases	**16,952,503**	**(1,411)**	56,052	(5)	5,246,100	(398)
Reissuances	**(1,666,400)**	**100**	(3,375,724)	124	(2,341,305)	82
BALANCE AT DECEMBER 31	**71,427,097**	**$(3,485)**	56,140,994	$(2,174)	59,460,666	$(2,293)
CAPITAL IN EXCESS OF PAR						
Balance at January 1		**$ 2,215**		$ 2,097		$ 2,022
Change in common stock par value		**535**		–		–
Treasury stock transactions		**8**		118		75
BALANCE AT DECEMBER 31		**$ 2,758**		$ 2,215		$ 2,097
DEFERRED COMPENSATION						
Balance at January 1		**$ (646)**		$ (691)		$ (750)
Net reduction of ESOP debt and other		**35**		45		59
BALANCE AT DECEMBER 31		**$ (611)**		$ (646)		$ (691)
ACCUMULATED OTHER COMPREHENSIVE INCOME*						
Balance at January 1		**$ (115)**		$ (90)		$ (77)
Change during year		**(65)**		(25)		(13)
BALANCE AT DECEMBER 31		**$ (180)**		$ (115)		$ (90)
RETAINED EARNINGS						
Balance at January 1		**$17,400**		$16,942		$17,185
Net income		**5,185**		2,070		1,339
Cash dividends (per-share amounts 2000: $2.60; 1999: $2.48; 1998: $2.44)		**(1,688)**		(1,625)		(1,596)
Tax benefit from dividends paid on unallocated ESOP shares		**12**		13		14
BALANCE AT DECEMBER 31		**$20,909**		$17,400		$16,942
TOTAL STOCKHOLDERS' EQUITY AT DECEMBER 31		**$19,925**		$17,749		$17,034

See accompanying notes to consolidated financial statements.

***ACCUMULATED OTHER COMPREHENSIVE INCOME:**

	Currency Translation Adjustment	Unrealized Holding Gain on Securities	Minimum Pension Liability Adjustment	Total
Balance at January 1, 1998	*$ (55)*	*$10*	*$ (32)*	*$ (77)*
Change during year	*(1)*	*3*	*(15)*	*(13)*
Balance at December 31, 1998	*$ (56)*	*$13*	*$ (47)*	*$ (90)*
Change during year	*(43)*	*29*	*(11)*	*(25)*
Balance at December 31, 1999	*$ (99)*	*$42*	*$ (58)*	*$ (115)*
Change during year	*(7)*	*(43)*	*(15)*	*(65)*
Balance at December 31, 2000	***$(106)***	***$(1)***	***$(73)***	***$(180)***

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chevron Corporation manages its investments in, and provides administrative, financial and management support to, U.S. and foreign subsidiaries and affiliates that engage in fully integrated petroleum operations, chemicals operations and coal mining. Collectively, these companies, referred to as Chevron, operate in the United States and approximately 100 other countries. Petroleum operations consist of exploring for, developing and producing crude oil and natural gas; refining crude oil into finished petroleum products; marketing crude oil, natural gas and the many products derived from petroleum; and transporting crude oil, natural gas and petroleum products by pipelines, marine vessels, motor equipment and rail car. Chemicals operations include the manufacture and marketing of commodity petrochemicals, plastics for industrial uses, and fuel and lube oil additives.

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

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

Subsidiary and Affiliated Companies The consolidated financial statements include the accounts of subsidiary companies more than 50 percent owned. Investments in and advances to affiliates in which the company has a substantial ownership interest of approximately 20 percent to 50 percent, or for which the company exercises significant influence but not control over policy decisions, are accounted for by the equity method. Under this accounting, remaining unamortized cost is increased or decreased by the company's share of earnings or losses after dividends. Gains and losses that arise from the issuance of stock by an affiliate that results in changes in the company's proportionate share of the dollar amount of the affiliate's equity are recognized currently in income. Deferred income taxes are provided for these gains and losses.

Derivatives Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses related to qualifying hedges of firm commitments or anticipated transactions also are deferred and are recognized in income or as adjustments of carrying amounts when the underlying hedged transaction occurs. Cash flows associated with these derivatives are reported with the underlying hedged transaction's cash flows. If, subsequent to being hedged, underlying transactions are no longer likely to occur, the related derivatives gains and losses are recognized currently in income. Gains and losses on derivatives contracts that do not qualify as hedges are recognized currently in "Other income." The adoption on January 1, 2001, of Financial Accounting Standards Board (FASB) Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," (FAS 133), and FAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – An Amendment of FASB Statement No. 133," is not expected to have a significant effect on the company's results of operations or consolidated financial position.

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

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

Properties, Plant and Equipment The successful efforts method is used for oil and gas exploration and production activities. All costs for development wells, related plant and equipment, and proved mineral interests in oil and gas properties are capitalized. Costs of exploratory wells are capitalized pending determination of whether the wells found proved reserves. Costs of wells that are assigned proved reserves remain capitalized. Costs also are capitalized for wells that find commercially producible reserves that cannot be classified as proved, pending one or more of the following: (1) decisions on additional major capital expenditures, (2) the results of additional exploratory wells that are under way or firmly planned, and (3) securing final regulatory approvals for development. Otherwise, well costs are expensed if a determination cannot be made within one year following completion of drilling as to whether proved reserves were found. All other exploratory wells and costs are expensed.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

– Continued

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

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

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

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

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

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

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

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

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

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

Stock Compensation The company applies Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for stock options and presents in Note 20 pro forma net income and earnings per share data as if the accounting prescribed by FAS No. 123, "Accounting for Stock-Based Compensation," had been applied.

Note 2. FORMATION OF CHEVRON PHILLIPS CHEMICAL COMPANY LLC

Effective July 1, 2000, Chevron and Phillips Petroleum Company (Phillips) formed Chevron Phillips Chemical Company LLC (CPCC) – a 50-50 joint venture that combined most of the petrochemicals businesses of Chevron and Phillips. Chevron is accounting for its interest using the equity method, in accordance with Accounting Principles Board (APB) Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." The net amount of assets and liabilities contributed to CPCC was reclassified to "Investments and advances" in the consolidated balance sheet. No gain or loss was recognized at the time of contribution, as the transaction represented the exchange of a consolidated business for an interest in a private joint venture and was not the culmination of the earnings process. The difference of approximately $100 between the carrying value of the investment and the amount of underlying equity in CPCC's net assets is being amortized as a benefit to income over the next 10 years. Chevron's share of CPCC's results of operations is recorded to "Income from equity affiliates." Because CPCC is a limited liability company, Chevron records the provision for income taxes and related tax liability applicable to its share of CPCC's income separately in its consolidated financial statements.

The equity accounting treatment for Chevron's share of the net assets contributed to CPCC resulted in significant variances between 2000 and 1999 in the individual line captions appearing in the financial statements. The carrying amounts at July 1, 2000, of the principal assets and liabilities of the businesses Chevron contributed to CPCC were approximately $600 of net working capital; $2,100 of net properties, plant and equipment; and $100 of investments and advances.

Upon formation, the joint venture obtained debt financing and made a cash payment of $835 to each owner.

Note 3. SPECIAL ITEMS AND OTHER FINANCIAL INFORMATION
Net income is affected by transactions that are unrelated to or are not necessarily representative of the company's ongoing operations for the periods presented. These transactions, defined by management and designated "special items," can obscure the underlying results of operations for a year as well as affect comparability of results between years.

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

	Year ended December 31		
	2000	1999	1998
Asset write-offs and revaluations			
Exploration and production			
– Oil and gas property			
impairments – U.S.	**$(50)**	$(204)	$(44)
– International	**–**	–	(6)
– Other asset write-offs	**–**	(37)	–
Refining, marketing and transportation			
– Pipeline asset impairments – U.S.	**(30)**	–	(18)
– Marketing asset impairments – U.S.	**–**	–	(4)
Chemicals			
– Manufacturing facility			
impairment – U.S.	**(90)**	–	–
– Other asset write-offs	**–**	(43)	(19)
All other			
– Coal mining asset			
impairment – U.S.	**–**	(34)	–
– Information technology and			
other asset write-offs	**–**	(28)	(68)
	(170)	(346)	(159)
Asset dispositions, net			
Marketable securities	**99**	30	–
Pipeline interests	**–**	75	–
Real estate	**–**	60	–
Coal assets	**–**	60	–
Oil and gas assets	**–**	17	(9)
Caltex interest in equity affiliate	**–**	(31)	–
	99	211	(9)
Prior-year tax adjustments	**(77)**	109	271
Environmental remediation provisions, net	**(208)**	(123)	(39)
Restructurings and reorganizations			
Corporate	**–**	(158)	–
Caltex affiliate	**–**	(25)	(43)
	–	(183)	(43)
LIFO inventory gains (losses)	**23**	38	(25)
Other, net			
Dynegy equity adjustment	**104**	–	–
Insurance recovery gain	**23**	–	–
Pension/OPEB curtailment gains	**16**	–	–
Litigation and regulatory issues*	**(62)**	78	(682)
Settlement of insurance claims for			
environmental remediation costs			
and damages	**–**	–	105
Caltex write-off of			
start-up costs (SOP 98-5)	**–**	–	(25)
	81	78	(602)
Total special items, after tax	**$(252)**	$(216)	$(606)

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

In accordance with its policy, the company recorded impairments of assets to be held and used when changes in circumstances – primarily related to lower oil and gas prices, downward revisions of reserves and changes in the use of the assets – indicated that the carrying values of the assets could not be recovered through estimated future before-tax undiscounted cash flows. Asset impairments included in Asset write-offs and revaluations were for assets held for use, except for U.S. coal assets, which were held for sale for approximately one year during 1998 and 1999. In late 1999, these assets were reclassified to held for use upon cessation of negotiations with potential buyers.

The aggregate income statement effects from special items are reflected in the following table, including Chevron's proportionate share of special items related to equity affiliates.

	Year ended December 31		
	2000	1999	1998
Revenues and other income			
Income from equity affiliates	**$ (70)**	$ 30	$ (101)
Other income	**350**	353	47
Total revenues and other income	**280**	383	(54)
Costs and other deductions			
Purchased crude oil and products	**(5)**	(1)	66
Operating expenses	**285**	344	23
Selling, general and administrative			
expenses	**130**	(19)	799
Depreciation, depletion and amortization	**121**	427	82
Total costs and other deductions	**531**	751	970
Income before income tax expense	**(251)**	(368)	(1,024)
Income tax expense	**(1)**	152	418
Net income	**$(252)**	$(216)	$ (606)

Other financial information is as follows:

	Year ended December 31		
	2000	1999	1998
Total financing interest and debt costs	**$492**	$481	$444
Less: capitalized interest	**32**	9	39
Interest and debt expense	**460**	472	405
Research and development expenses	**171**	182	187
Foreign currency gains (losses)*	**$142**	$(38)	$(47)

**Includes $69, $(15) and $(68) in 2000, 1999 and 1998, respectively, for the company's share of affiliates' foreign currency gains (losses).*

The excess of current cost (based on average acquisition costs for the year) over the carrying value of inventories for which the LIFO method is used was $1,977, $871 and $584 at December 31, 2000, 1999 and 1998, respectively.

At December 31, 1999, a liability of $85 remained for employee termination benefits relating to the restructuring charge recorded during the year. During 2000, these amounts were paid, all employee terminations were completed and no significant adjustments were required for amounts previously accrued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 4. CUMULATIVE EFFECT ON NET INCOME FROM ACCOUNTING CHANGES In April 1998, The American Institute of Certified Public Accountants (AICPA) released Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" (SOP 98-5), which introduced a broad definition of items to expense as incurred for start-up activities, including new products/services, entering new territories, initiating new processes or commencing new operations. Chevron was substantially in compliance with the pronouncement. However, Caltex capitalized these types of costs for certain projects. Chevron recorded its $25 share of the charge associated with Caltex's 1998 implementation of SOP 98-5, effective January 1, 1998.

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

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

Note 5. INFORMATION RELATING TO THE CONSOLIDATED STATEMENT OF CASH FLOWS The major components of "Capital expenditures" and the reconciliation of this amount to the capital and exploratory expenditures, excluding equity in affiliates, presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" are presented in the following table.

	Year ended December 31		
	2000	1999	1998
Additions to properties, plant and equipment	**$2,917**	$5,018	$3,678
Additions to investments	**775**	449	306
Payments for other liabilities and assets, net[1]	**(35)**	(1,101)	(104)
Capital expenditures	**3,657**	4,366	3,880
Expensed exploration expenditures	**512**	413	438
Payments of long-term debt and other financing obligations[2]	**17**	572	2
Capital and exploratory expenditures, excluding equity affiliates	**$4,186**	$5,351	$4,320

[1]1999 includes liabilities assumed in acquisitions of Rutherford-Moran Oil Corporation and Petrolera Argentina San Jorge S.A.

[2]1999 includes obligations assumed in acquisition of Rutherford-Moran Oil Corporation and other capital lease additions.

The consolidated statement of cash flows excludes the following significant noncash transactions:

Chevron contributed $2,800 of net noncash assets to Chevron Phillips Chemical Company LLC in 2000, as described in Note 2. The investment is accounted for under the equity method.

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

In 2000, $210 was reclassified from "Deferred credits and other noncurrent obligations" to "Accrued liabilities." The payment was remitted in January 2001.

Note 6. SUMMARIZED FINANCIAL DATA – CHEVRON U.S.A. INC. At December 31, 2000, Chevron U.S.A. Inc. was Chevron's principal operating company, consisting primarily of its U.S. integrated petroleum operations (excluding most of the domestic pipeline operations). Through the first half of 2000, these operations were conducted primarily by three divisions: Chevron U.S.A. Production Company, Chevron Products Company and Chevron Chemical Company LLC. As described in Note 2, Chevron combined most of its petrochemicals businesses with those of Phillips Petroleum Company on July 1, 2000. Summarized financial information for Chevron U.S.A. Inc. and its consolidated subsidiaries is presented below.

	Year ended December 31		
	2000	1999	1998
Sales and other operating revenues	**$40,729**	$28,957	$24,440
Total costs and other deductions	**37,528**	28,329	24,338
Net income	**2,336**	885	346

	At December 31	
	2000	1999*
Current assets	**$ 4,396**	$ 3,889
Other assets	**20,738**	20,687
Current liabilities	**4,094**	4,685
Other liabilities	**10,251**	9,730
Net equity	**10,789**	10,161
Memo: Total Debt	*$6,728*	*$7,462*

**Certain asset and liability accounts have been restated. Net equity remains unchanged.*

Note 7. SUMMARIZED FINANCIAL DATA – CHEVRON TRANSPORT CORPORATION LIMITED Effective July 1999, Chevron Transport Corporation, a Liberian corporation, was merged into Chevron Transport Corporation Limited (CTC), a Bermuda corporation, which assumed all of the assets and liabilities of Chevron Transport Corporation. CTC is an indirect, wholly owned subsidiary of Chevron Corporation. CTC is the principal operator of Chevron's international tanker fleet and is engaged in the marine transportation of oil and refined petroleum products. Most of CTC's shipping revenue is derived by providing transportation services to other Chevron companies. Chevron Corporation has guaranteed this subsidiary's obligations in connection with certain debt securities issued by a third party. Summarized financial information for CTC and its consolidated subsidiaries is presented below.

	Year ended December 31		
	2000	1999	1998
Sales and other operating revenues	**$728**	$504	$573
Total costs and other deductions	**777**	572	580
Net (loss) income	**(47)**	(50)	17

	At December 31	
	2000	1999
Current assets	**$205**	$184
Other assets	**530**	742
Current liabilities	**309**	580
Other liabilities	**361**	264
Net equity	**65**	82

This information was derived from the financial statements prepared on a stand-alone basis in conformity with generally accepted accounting principles. In 2000, CTC's parent made an additional $30 capital contribution. There were no restrictions on CTC's ability to pay dividends or make loans or advances at December 31, 2000.

Note 8. STOCKHOLDERS' EQUITY Retained earnings at December 31, 2000 and 1999, include $2,301 and $2,048, respectively, for the company's share of undistributed earnings of equity affiliates.

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

In October 2000, the Stockholder Rights agreement was amended to modify the 10 percent thresholds discussed above to 20 percent if the acquiring person is Texaco Corporation.

The Rights will expire in November 2008, or they may be redeemed by the company at 1 cent per Right prior to that date. The Rights do not have voting or dividend rights and, until they become exercisable, have no dilutive effect on the earnings per share of the company. Five million shares of the company's preferred stock have been designated Series A Participating Preferred Stock and reserved for issuance upon exercise of the Rights. No event during 2000 made the Rights exercisable.

At December 31, 2000, 30 million shares of the company's authorized but unissued common stock were reserved for the issuance of shares under the Long-Term Incentive Plan (LTIP), which was approved by the stockholders in 1990. To date, all of the plan's common stock requirements have been met from the company's Treasury Stock, and there have been no issuances of reserved shares.

Note 9. FINANCIAL AND DERIVATIVE INSTRUMENTS

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

The futures contracts hedge anticipated crude oil purchases and sales and product sales, generally forecasted to occur within a 60- to 90-day period. Crude oil swaps are used to hedge sales forecasted to occur within the next three years. The terms of the swap contracts have maturities of the same period. Natural gas swaps are used primarily to hedge firmly committed sales, and the terms of the swap contracts held at year-end 2000 had an average remaining maturity of 43 months. Gains and losses on these derivative instruments offset and are recognized in income concurrently with the recognition of the underlying physical transactions.

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

The company enters into interest rate swaps as part of its overall strategy to manage the interest rate risk on its debt. Under the terms of the swaps, net cash settlements, based on the difference between fixed-rate and floating-rate interest amounts calculated by reference to agreed notional principal amounts, are made semiannually and are recorded monthly as "Interest and debt expense." At December 31, 2000, there were no outstanding contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 9. FINANCIAL AND DERIVATIVE INSTRUMENTS

– Continued

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

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

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

Fair Value Fair values are derived either from quoted market prices or, if not available, the present value of the expected cash flows. The fair values reflect the cash that would have been received or paid if the instruments were settled at year-end. The fair values of the financial and derivative instruments at December 31, 2000 and 1999, are described below.

Long-term debt of $2,147 and $2,449 had estimated fair values of $2,167 and $2,430.

The notional principal amount of the interest rate swap for 1999 totaled $350, with an approximate fair value of $11. The notional amounts of derivative instruments do not represent assets or liabilities of the company but, rather, are the basis for the settlements under the contract terms.

The company holds cash equivalents and U.S. dollar marketable securities in domestic and offshore portfolios. Eurodollar bonds, floating-rate notes, time deposits and commercial paper are the primary instruments held. Cash equivalents and marketable securities had fair values of $2,301 and $1,762. Of these balances, $1,567 and $1,075 classified as cash equivalents had average maturities under 90 days, while the remainder, classified as marketable securities, had average maturities of approximately three years.

For other derivatives the contract or notional values were as follows: Crude oil and products futures had net contract values of $10 and $143. Forward exchange contracts had contract values of $154 and $123. Gas swap contracts are based on notional gas volumes of approximately 39 and 44 billion cubic feet. Crude oil swap contracts are based on notional crude volumes of approximately 11 million barrels. Fair values for all of these derivatives were not material in 2000 and 1999. Deferred gains and losses that were accrued on the consolidated balance sheet were not material.

Note 10. OPERATING SEGMENTS AND GEOGRAPHIC DATA

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

Segment Earnings The company evaluates the performance of its operating segments on an after-tax basis, without considering the effects of debt financing interest expense or investment interest income, both of which are managed by the corporation on a worldwide basis. Corporate administrative costs and assets are not allocated to the operating segments; instead, operating segments are billed only for direct corporate services. Nonbillable costs remain as corporate center expenses. After-tax segment operating earnings are presented in the following table.

	Year ended December 31		
	2000	1999	1998
EXPLORATION AND PRODUCTION			
United States*	**$1,889**	$ 482	$ 330
International	**2,602**	1,093	707
TOTAL EXPLORATION AND PRODUCTION	**4,491**	1,575	1,037
REFINING, MARKETING AND TRANSPORTATION			
United States	**549**	357	572
International	**104**	74	28
TOTAL REFINING, MARKETING AND TRANSPORTATION	**653**	431	600
CHEMICALS			
United States	**(31)**	44	79
International	**71**	65	43
TOTAL CHEMICALS	**40**	109	122
TOTAL SEGMENT INCOME	**5,184**	2,115	1,759
Interest Expense	**(317)**	(333)	(270)
Interest Income	**89**	21	63
Other*	**229**	267	(213)
NET INCOME	**$5,185**	$2,070	$1,339
NET INCOME – UNITED STATES	**$2,469**	$ 976	$ 642
NET INCOME – INTERNATIONAL	**$2,716**	$1,094	$ 697
TOTAL NET INCOME	**$5,185**	$2,070	$1,339

**1999 and 1998 conformed to reflect change to Other for equity earnings in Dynegy Inc.*

Note 10. OPERATING SEGMENTS AND GEOGRAPHIC DATA
– Continued

Segment Assets Segment assets do not include intercompany investments or intercompany receivables. "All Other" assets consist primarily of worldwide cash and marketable securities, company real estate, information systems, Dynegy Inc. investment and coal mining operations. Segment assets at year-end 2000 and 1999 follow:

At December 31	2000	1999
EXPLORATION AND PRODUCTION		
United States*	**$ 5,568**	$ 5,215
International	**14,493**	13,748
TOTAL EXPLORATION AND PRODUCTION	**20,061**	18,963
REFINING, MARKETING AND TRANSPORTATION		
United States	**8,365**	8,178
International	**3,941**	3,609
TOTAL REFINING, MARKETING AND TRANSPORTATION	**12,306**	11,787
CHEMICALS		
United States	**2,342**	3,303
International	**728**	923
TOTAL CHEMICALS	**3,070**	4,226
TOTAL SEGMENT ASSETS	**35,437**	34,976
ALL OTHER		
United States*	**4,398**	3,825
International	**1,429**	1,867
TOTAL ALL OTHER	**5,827**	5,692
TOTAL ASSETS – UNITED STATES	**20,673**	20,521
TOTAL ASSETS – INTERNATIONAL	**20,591**	20,147
TOTAL ASSETS	**$41,264**	$40,668

Conformed to 2000 presentation of the company's investment in Dynegy Inc. in All Other.

Segment Sales and Other Operating Revenues Revenues for the exploration and production segment are derived primarily from the production of crude oil and natural gas. Revenues for the refining, marketing and transportation segment are derived from the refining and marketing of petroleum products such as gasoline, jet fuel, gas oils, kerosene, residual fuel oils and other products derived from crude oil. This segment also generates revenues from the transportation and trading of crude oil and refined products. Prior to the July 2000 formation of the Chevron Phillips joint venture, chemicals segment revenues were derived from the manufacture and sale of petrochemicals, plastic resins, and lube oil and fuel additives. Subsequently, only revenues from the manufacture and sale of lube oil and fuel additives were included.

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

Reportable operating segment sales and other operating revenues, including internal transfers, for the years 2000, 1999 and 1998 are presented in the following table. Sales from the transfer of products between segments are at estimated market prices.

Year ended December 31	2000	1999	1998
EXPLORATION AND PRODUCTION			
United States			
Natural gas	**$ 2,701**	$ 1,578	$ 1,599
Natural gas liquids	**266**	159	128
Other	**12**	8	12
Intersegment	**3,213**	1,985	1,453
Total United States	**6,192**	3,730	3,192
International			
Crude oil	**4,285**	2,586	1,761
Natural gas	**914**	678	505
Natural gas liquids	**234**	116	89
Other	**296**	207	131
Intersegment	**4,685**	2,876	1,984
Total International	**10,414**	6,463	4,470
TOTAL EXPLORATION AND PRODUCTION	**16,606**	10,193	7,662
REFINING, MARKETING AND TRANSPORTATION			
United States			
Refined products	**19,095**	12,765	10,148
Crude oil	**6,088**	3,618	2,971
Natural gas liquids	**274**	133	100
Other	**770**	654	622
Excise taxes	**3,837**	3,702	3,503
Intersegment	**341**	366	216
Total United States	**30,405**	21,238	17,560
International			
Refined products	**1,386**	975	1,312
Crude oil	**6,702**	3,874	3,049
Natural gas liquids	**39**	24	5
Other	**385**	248	299
Excise taxes	**196**	178	213
Intersegment	**18**	16	20
Total International	**8,726**	5,315	4,898
TOTAL REFINING, MARKETING AND TRANSPORTATION	**39,131**	26,553	22,458
CHEMICALS			
United States			
Products	**1,986**	2,794	2,468
Excise taxes	**1**	2	2
Intersegment	**137**	162	121
Total United States	**2,124**	2,958	2,591
International			
Products	**735**	715	568
Other	**36**	35	18
Excise taxes	**26**	28	38
Intersegment	**–**	1	1
Total International	**797**	779	625
TOTAL CHEMICALS	**2,921**	3,737	3,216
ALL OTHER			
United States – Coal	**279**	360	399
United States – Other	**43**	8	(1)
International	**6**	3	4
Intersegment – United States	**90**	55	52
Intersegment – International	**10**	4	2
TOTAL ALL OTHER	**428**	430	456
Segment Sales and Other Operating Revenues			
– United States	**39,133**	28,349	23,793
– International	**19,953**	12,564	9,999
Total Segment Sales and Other Operating Revenues	**59,086**	40,913	33,792
Elimination of Intersegment Sales	**(8,494)**	(5,465)	(3,849)
TOTAL SALES AND OTHER OPERATING REVENUES	**$50,592**	$35,448	$29,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 10. OPERATING SEGMENTS AND GEOGRAPHIC DATA

– Continued

Segment Income Taxes Segment income tax expenses for the years 2000, 1999 and 1998 are as follows:

	Year ended December 31		
	2000	1999	1998
EXPLORATION AND PRODUCTION			
United States*	**$1,074**	$ 260	$ 161
International	**2,701**	1,341	595
TOTAL EXPLORATION AND PRODUCTION	**3,775**	1,601	756
REFINING, MARKETING AND TRANSPORTATION			
United States	**248**	135	309
International	**19**	41	54
TOTAL REFINING, MARKETING AND TRANSPORTATION	**267**	176	363
CHEMICALS			
United States	**31**	(13)	25
International	**30**	45	14
TOTAL CHEMICALS	**61**	32	39
All Other*	**(18)**	(231)	(663)
TOTAL INCOME TAX EXPENSE	**$4,085**	$1,578	$ 495

**1999 and 1998 conformed to reflect change to All Other for the company's investment in Dynegy Inc.*

Other Segment Information Major equity affiliates are aligned for segment reporting as follows: P.T. Caltex Pacific Indonesia (CPI) and Tengizchevroil (TCO) – International exploration and production; Caltex Corporation – International refining, marketing and transportation; Chevron Phillips Chemical Company LLC – U.S. Chemicals; and Dynegy Inc. – All Other. Additional information for equity affiliates is in Note 13. Information related to properties, plant and equipment by segment is in Note 14.

Note 11. LITIGATION

Chevron and five other oil companies filed suit in 1995 contesting the validity of a patent granted to Unocal Corporation for reformulated gasoline, which Chevron sells in California in certain months of the year. In March 2000, the U.S. Court of Appeals for the Federal Circuit upheld a September 1998 District Court decision that Unocal's patent was valid and enforceable and assessed damages of 5.75 cents per gallon for gasoline produced in infringement of the patent. In May 2000, the Federal Circuit Court denied a petition for rehearing with the U.S. Court of Appeals for the Federal Circuit filed by Chevron and the five other defendants in this case. The defendant companies petitioned the U.S. Supreme Court in August 2000 for the case to be heard. In February 2001, the Supreme Court denied the petition to review the lower court's ruling. The defendants are pursuing other legal alternatives to have Unocal's patent ruled invalid.

If Unocal's patent ultimately is upheld, the company's financial exposure includes royalties, plus interest, for production of gasoline that is proven to have infringed the patent. As a result of the March 2000 ruling, the company recorded a special after-tax charge of $62. The majority of this charge pertained to the estimated royalty on gasoline production in the early part of a four-year period ending December 31, 1999, before Chevron modified its manufacturing processes to minimize the production of gasoline that allegedly infringed on Unocal's patented formulations. Subsequently, the company has been accruing in the normal course of business any future estimated liability for potential infringement of the patent covered by the trial court's ruling. In June 2000, Chevron paid $22.7 to Unocal – $17.2 for the original court judgment for California gasoline produced in violation of Unocal's patent from March through July 1996 and $5.5 of interest and fees. Unocal has obtained additional patents for alternate formulations that could affect a larger share of U.S. gasoline production. Chevron believes these additional patents are invalid and unenforceable. However, if such patents are ultimately upheld, the competitive and financial effects on the company's refining and marketing operations, while presently indeterminable, could be material.

Note 12. LEASE COMMITMENTS

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

	At December 31	
	2000	1999
Exploration and Production	**$ 93**	$ 86
Refining, Marketing and Transportation	**754**	779
Total	**847**	865
Less: accumulated amortization	**429**	425
Net capitalized leased assets	**$418**	$440

Rental expenses incurred for operating leases during 2000, 1999 and 1998 were as follows:

	Year ended December 31		
	2000	1999	1998
Minimum rentals	**$702**	$465	$503
Contingent rentals	**3**	3	5
Total	**705**	468	508
Less: sublease rental income	**2**	3	3
Net rental expense	**$703**	$465	$505

Contingent rentals are based on factors other than the passage of time, principally sales volumes at leased service stations. Certain leases include escalation clauses for adjusting rentals to reflect changes in price indices, renewal options ranging from 1 to 25 years, and/or options to purchase the leased property during or at the end of the initial lease period for the fair market value at that time.

At December 31, 2000, the future minimum lease payments under operating and capital leases were as follows:

NOTE 12. LEASE COMMITMENTS – Continued

		At December 31	
		Operating Leases	Capital Leases
Year:	2001	$ 220	$ 77
	2002	247	72
	2003	218	103
	2004	213	46
	2005	207	41
	Thereafter	424	762
Total		$1,529	$1,101
Less: amounts representing interest and executory costs			483
Net present values			618
Less: capital lease obligations included in short-term debt			337
Long-term capital lease obligations			$ 281
Future sublease rental income		$ 32	$ –

Note 13. INVESTMENTS AND ADVANCES Chevron owns 50 percent each of P.T. Caltex Pacific Indonesia (CPI), an exploration and production company operating in Indonesia; Caltex Corporation, which, through its subsidiaries and affiliates, conducts refining and marketing activities in Asia, Africa, the Middle East, Australia and New Zealand; and American Overseas Petroleum Limited, which, through its subsidiary, manages certain of the company's operations in Indonesia. These companies and their subsidiaries and affiliates are collectively called the Caltex Group.

The company received dividends and distributions of $596, $268 and $254 in 2000, 1999 and 1998, respectively, including $244, $212 and $167 from the Caltex group.

Tengizchevroil (TCO) is a joint venture formed in 1993 to develop the Tengiz and Korolev oil fields in Kazakhstan over a 40-year period. Chevron's ownership was 45 percent for the 1998 to 2000 period. Upon formation of the joint venture, the company incurred an obligation of $420, payable to the Republic of Kazakhstan upon attainment of a dedicated export system with the capability of the greater of 260,000 barrels of oil per day or TCO's production capacity. In January 2001, the company purchased an additional 5 percent of TCO. As a part of that transaction, the company paid $210 of the $420 obligation. The $420 was also included in the carrying value of the original investment, as the company believed, beyond a reasonable doubt, that its full payment would be made.

At year-end 2000, Chevron owned 26.5 percent of Dynegy Inc., a gatherer, processor, transporter and marketer of energy products in North America and the United Kingdom. These products include natural gas, natural gas liquids, crude oil and electricity. Chevron's percentage ownership in Dynegy was reduced from about 28 percent during 2000, as a result of a Dynegy 10 million-share equity offering (at about $53 per share), in which Chevron did not participate. The market value of Chevron's share of Dynegy common stock at December 31, 2000, was $4,784, based on closing market prices.

Chevron owns 50 percent of Chevron Phillips Chemical Company LLC, formed in July 2000 when the company merged most of its petrochemicals businesses with those of Phillips Petroleum Company. This business is described in more detail in Note 2.

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

	Year ended December 31		
	2000	1999	1998
Sales to Caltex Group	**$1,452**	$ 687	$ 772
Sales to Dynegy Inc.	**2,451**	1,407	1,307
Sales to Fuel & Marine Marketing LLC*	**250**	234	22
Sales to Chevron Phillips	**158**	–	–
Sales to other affiliates	**21**	12	4
Total sales to affiliates	**$4,332**	$2,340	$2,105
Purchases from Caltex Group	**$1,247**	$ 867	$ 681
Purchases from Dynegy Inc.	**524**	785	642
Purchases from Chevron Phillips	**111**	–	–
Purchases from other affiliates	**35**	6	2
Total purchases from affiliates	**$1,917**	$1,658	$1,325

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

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

	Investments and Advances At December 31		Equity in Earnings Year ended December 31		
	2000	1999*	**2000**	1999*	1998*
Exploration and Production					
Tengizchevroil	**$1,857**	$1,722	**$376**	$177	$ 60
Caltex Group	**465**	455	**255**	139	107
Other	**246**	198	**48**	32	4
Total Exploration and Production	**2,568**	2,375	**679**	348	171
Refining, Marketing and Transportation					
Caltex Group	**1,681**	1,683	**4**	56	(36)
Other	**771**	379	**86**	70	24
Total Refining, Marketing and Transportation	**2,452**	2,062	**90**	126	(12)
Chemicals					
Chevron Phillips	**1,830**	–	**(114)**	–	–
Other Chemical	**15**	145	**(9)**	1	–
Total Chemicals	**1,845**	145	**(123)**	1	–
Dynegy Inc.	**929**	351	**127**	51	49
All Other	**24**	31	**(23)**	–	20
Total Equity Method	**$7,818**	$4,964	**$750**	$526	$228
Other at or Below Cost	**289**	267			
Total Investments and Advances	**$8,107**	$5,231			
Total U.S.	**$3,249**	$ 817	**$ 73**	$130	$ 91
Total International	**$4,858**	$4,414	**$677**	$396	$137

**1999 and 1998 reclassified to conform to the 2000 presentation.*

"Accounts and notes receivable" in the consolidated balance sheet include $494 and $277 at December 31, 2000 and 1999, respectively, of amounts due from affiliated companies. "Accounts payable" include $139 and $53 at December 31, 2000 and 1999, respectively, of amounts due to affiliated companies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

NOTE 13. INVESTMENTS AND ADVANCES – Continued

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

	Caltex Group			Other Affiliates			Chevron's Share		
Year ended December 31	**2000**	1999[1]	1998[1]	**2000**	1999	1998	**2000**	1999[1]	1998[1]
Total revenues	**$20,372**	$15,274	$11,727	**$40,812**	$20,645	$16,842	**$22,526**	$13,840	$11,305
Total costs and other deductions	**19,284**	14,494	11,208	**38,951**	19,805	16,430	**21,287**	13,043	10,783
Net income	**519**	390	143	**1,280**	610	295	**750**	526	228

	Caltex Group			Other Affiliates			Chevron's Share		
At December 31	**2000**	1999[2]	1998	**2000**	1999	1998	**2000**	1999[2]	1998
Current assets	**$ 2,544**	$ 2,705	$ 1,974	**$14,153**	$ 4,640	$ 3,326	**$ 5,761**	$ 2,850	$ 2,015
Other assets	**7,678**	7,632	7,683	**24,124**	10,255	8,868	**11,914**	7,135	6,663
Current liabilities	**3,385**	3,395	2,840	**11,870**	3,709	2,723	**4,971**	2,665	2,162
Other liabilities	**2,543**	2,667	2,420	**17,161**	8,362	7,147	**4,886**	2,356	2,126
Net equity	**4,294**	4,275	4,397	**9,246**	2,824	2,324	**7,818**	4,964	4,390

[1]*Total revenues and costs and other deductions have been restated to conform with 2000 presentation.*

[2]*Classification of current and other assets restated. Total assets unchanged.*

NOTE 14. PROPERTIES, PLANT AND EQUIPMENT

	At December 31						Year ended December 31					
	Gross Investment at Cost			Net Investment			Additions at Cost[1]			Depreciation Expense		
	2000	1999	1998	**2000**	1999	1998	**2000**	1999	1998	**2000**	1999	1998
Exploration and Production												
United States	**$17,909**	$17,947	$18,372	**$ 4,699**	$ 4,709	$ 5,237	**$ 972**	$ 710	$1,000	**$ 985**	$1,130	$ 818
International	**16,901**	15,876	12,755	**9,509**	9,465	7,148	**1,166**	3,251	1,221	**1,093**	851	730
Total Exploration and Production	**34,810**	33,823	31,127	**14,208**	14,174	12,385	**2,138**	3,961	2,221	**2,078**	1,981	1,548
Refining, Marketing and Transportation												
United States	**12,044**	12,025	11,793	**5,974**	6,196	6,268	**467**	515	665	**504**	478	483
International	**1,662**	1,838	2,005	**900**	1,030	1,139	**36**	30	50	**64**	79	81
Total Refining, Marketing and Transportation	**13,706**	13,863	13,798	**6,874**	7,226	7,407	**503**	545	715	**568**	557	564
Chemicals[2]												
United States	**604**	3,689	3,436	**339**	2,354	2,211	**78**	326	385	**76**	174	109
International	**671**	714	662	**394**	453	414	**42**	59	116	**19**	19	10
Total Chemicals	**1,275**	4,403	4,098	**733**	2,807	2,625	**120**	385	501	**95**	193	119
All Other[3]	**2,117**	2,123	2,314	**1,079**	1,110	1,312	**121**	103	202	**107**	135	89
Total United States	**32,673**	35,783	35,915	**12,091**	14,369	15,028	**1,638**	1,654	2,252	**1,672**	1,917	1,499
Total International	**19,235**	18,429	15,422	**10,803**	10,948	8,701	**1,244**	3,340	1,387	**1,176**	949	821
Total	**$51,908**	$54,212	$51,337	**$22,894**	$25,317	$23,729	**$2,882**	$4,994	$3,639	**$2,848**	$2,866	$2,320

[1]*Net of dry hole expense related to prior years' expenditures of $52, $125 and $40 in 2000, 1999 and 1998, respectively.*

[2]*See Note 2 regarding the 2000 formation of the Chevron Phillips joint venture.*

[3]*Primarily coal and real estate assets and management information systems.*

Note 15. TAXES U.S. federal income tax expense was reduced by $103, $89, $84 in 2000, 1999 and 1998, respectively, for low-income housing and other business tax credits.

In 2000, before-tax income, including related corporate and other charges, for U.S. operations was $3,924, compared with $1,254 in 1999 and $728 in 1998. For international operations, before-tax income was $5,346, $2,394 and $1,106 in 2000, 1999 and 1998, respectively.

	Year ended December 31		
	2000	1999	1998
Taxes on income			
U.S. federal			
Current	**$ 957**	$ 135	$(176)
Deferred	**276**	145	71
State and local	**186**	(14)	20
Total United States	**1,419**	266	(85)
International			
Current	**2,534**	1,231	385
Deferred	**132**	81	195
Total International	**2,666**	1,312	580
Total taxes on income	**$4,085**	$1,578	$ 495

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

	Year ended December 31		
	2000	1999	1998
U.S. statutory federal income tax rate	**35.0%**	35.0%	35.0%
Effect of income taxes from international operations in excess of taxes at the U.S. statutory rate	**8.9**	15.6	7.6
State and local taxes on income, net of U.S. federal income tax benefit	**1.3**	(0.2)	0.2
Prior-year tax adjustments	**0.6**	–	(4.5)
Tax credits	**(1.1)**	(2.4)	(4.6)
Other	**(0.6)**	(2.2)	(6.4)
Consolidated companies	**44.1**	45.8	27.3
Effect of recording equity in income of certain affiliated companies on an after-tax basis	**–**	(2.5)	(0.3)
Effective tax rate	**44.1%**	43.3%	27.0%

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

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

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

	At December 31	
	2000	1999
Properties, plant and equipment	**$5,230**	$5,800
Inventory	**43**	149
Investments and other	**1,020**	190
Total deferred tax liabilities	**6,293**	6,139
Abandonment/environmental reserves	**(791)**	(611)
Employee benefits	**(548)**	(611)
AMT/other tax credits	**(314)**	(588)
Other accrued liabilities	**(43)**	(195)
Miscellaneous	**(421)**	(316)
Total deferred tax assets	**(2,117)**	(2,321)
Deferred tax assets valuation allowance	**315**	452
Total deferred taxes, net	**$4,491**	$4,270

Investments and other for 2000 in the table above include deferred tax liabilities of $805 for investments, of which $482 is associated with the company's investment in Chevron Phillips Chemical Company. In 1999, most of the deferred tax liabilities associated with the company's assets contributed to the joint venture were reported as properties, plant and equipment.

At December 31, 2000 and 1999, deferred taxes were classified in the consolidated balance sheet as follows:

	At December 31	
	2000	1999
Prepaid expenses and other current assets	**$ (118)**	$ (546)
Deferred charges and other assets	**(299)**	(195)
Federal and other taxes on income	**–**	1
Noncurrent deferred income taxes	**4,908**	5,010
Total deferred income taxes, net	**$4,491**	$4,270

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

Undistributed earnings of international consolidated subsidiaries and affiliates for which no deferred income tax provision has been made for possible future remittances totaled approximately $5,244 at December 31, 2000. Substantially all of this amount represents earnings reinvested as part of the company's ongoing business. It is not practical to estimate the amount of taxes that might be payable on the eventual remit-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 15. TAXES – Continued

tance of such earnings. On remittance, certain countries impose withholding taxes that, subject to certain limitations, are then available for use as tax credits against a U.S. tax liability, if any. The company estimates withholding taxes of approximately $226 would be payable upon remittance of these earnings.

	Year ended December 31		
	2000	1999	1998
Taxes other than on income			
United States			
Excise taxes on products and merchandise	**$3,838**	$3,704	$3,505
Property and other miscellaneous taxes	**269**	272	262
Payroll taxes	**98**	119	129
Taxes on production	**121**	94	92
Total United States	**4,326**	4,189	3,988
International			
Excise taxes on products and merchandise	**222**	206	251
Property and other miscellaneous taxes	**150**	145	137
Payroll taxes	**29**	32	26
Taxes on production	**66**	14	9
Total International	**467**	397	423
Total taxes other than on income	**$4,793**	$4,586	$4,411

Note 16. SHORT-TERM DEBT Redeemable long-term obligations consist primarily of tax-exempt variable-rate put bonds that are included as current liabilities because they become redeemable at the option of the bondholders during the year following the balance sheet date.

The company periodically enters into interest rate swaps on a portion of its short-term debt. At December 31, 2000, there were no outstanding contracts. At December 31, 1999, the company had swapped notional amounts of $350 of floating rate debt to fixed rates. The effect of these swaps on the company's interest expense was not material.

	At December 31	
	2000	1999
Commercial paper[1]	**$2,819**	$5,265
Current maturities of long-term debt	**267**	127
Current maturities of long-term capital leases	**35**	35
Redeemable long-term obligations		
Long-term debt	**301**	301
Capital leases	**302**	297
Notes payable	**80**	134
Subtotal[2]	**3,804**	6,159
Reclassified to long-term debt	**(2,725)**	(2,725)
Total short-term debt	**$1,079**	$3,434

[1]Weighted-average interest rates at December 31, 2000 and 1999, were 6.6 percent and 6.0 percent, respectively, including the effect of interest rate swaps.

[2]Weighted-average interest rates at December 31, 2000 and 1999, were 6.4 percent and 5.8 percent respectively, including the effect of interest rate swaps.

Note 17. LONG-TERM DEBT Chevron has three "shelf" registrations on file with the Securities and Exchange Commission that together would permit the issuance of $2,800 of debt securities pursuant to Rule 415 of the Securities Act of 1933.

At year-end 2000, the company had $3,250 of committed credit facilities with banks worldwide, $2,725 of which had termination dates beyond one year. The facilities support the company's commercial paper borrowings. Interest on borrowings under the terms of specific agreements may be based on the London Interbank Offered Rate, the Reserve Adjusted Domestic Certificate of Deposit Rate or bank prime rate. No amounts were outstanding under these credit agreements during the year or at year-end.

	At December 31	
	2000	1999
8.11% amortizing notes due 2004[1]	**$ 540**	$ 620
6.625% notes due 2004	**499**	495
7.327% amortizing notes due 2014[2]	**430**	430
7.45% notes due 2004	**349**	349
7.61% amortizing bank loans due 2003	**111**	143
7.677% notes due 2016[2]	**90**	90
LIBOR-based bank loan due 2002	**59**	84
LIBOR-based bank loan due 2001	**25**	50
7.627% notes due 2015[2]	**80**	80
6.92% bank loans due 2005	**51**	51
6.98% bank loans due 2004[2]	**25**	25
6.22% notes due 2001[2]	**10**	10
Other foreign currency obligations (5.9%)[3]	**69**	75
Other long-term debt (7.0%)[3]	**76**	74
Total including debt due within one year	**2,414**	2,576
Debt due within one year	**(267)**	(127)
Reclassified from short-term debt	**2,725**	2,725
Total long-term debt	**$4,872**	$5,174

[1]Debt assumed from ESOP in 1999.

[2]Guarantee of ESOP debt.

[3]Less than $50 individually; weighted-average interest rates at December 31, 2000.

At December 31, 2000 and 1999, the company classified $2,725 of short-term debt as long-term. Settlement of these obligations is not expected to require the use of working capital in 2001, as the company has both the intent and ability to refinance this debt on a long-term basis.

Consolidated long-term debt maturing in each of the five years after December 31, 2000, is as follows: 2001–$267, 2002–$231, 2003–$183, 2004–$1,153 and 2005–$79.

In early February 2001, the company announced a public offering to repurchase all of its 7.45 percent guaranteed notes maturing in 2004. At the expiration of the offering in mid-February, about $230 had been acquired.

Note 18. OTHER COMPREHENSIVE INCOME The components of changes in other comprehensive income and the related tax effects are shown below.

	Year ended December 31		
	2000	1999	1998
Currency translation adjustment			
Before-tax change	**$ (7)**	$(43)	$ (1)
Tax benefit	**–**	–	–
Change, net of tax	**(7)**	(43)	(1)
Unrealized holding (loss) gain on securities			
Before-tax change	**(72)**	60	3
Tax benefit (expense)	**29**	(31)	–
Change, net of tax	**(43)**	29	3
Minimum pension liability adjustment			
Before-tax change	**(23)**	(16)	(24)
Tax benefit	**8**	5	9
Change, net of tax	**(15)**	(11)	(15)
TOTAL OTHER COMPREHENSIVE INCOME			
Before-tax change	**$(102)**	$ 1	$(22)
Tax benefit (expense)	**37**	(26)	9
Change, net of tax	**$ (65)**	$(25)	$(13)

Note 19. EMPLOYEE BENEFIT PLANS

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

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

The status of the company's pension plans and other postretirement benefit plans for 2000 and 1999 is as follows:

	Pension Benefits		Other Benefits	
	2000	1999	**2000**	1999
Change in benefit obligation				
Benefit obligation at January 1	**$3,977**	$4,278	**$ 1,392**	$ 1,468
Service cost	**93**	99	**14**	21
Interest cost	**280**	274	**105**	96
Plan participants' contributions	**1**	1	**–**	–
Plan amendments	**5**	60	**–**	–
Actuarial loss (gain)	**73**	(106)	**27**	(112)
Foreign currency exchange rate changes	**(47)**	(33)	**–**	–
Benefits paid	**(545)**	(801)	**(105)**	(81)
Special termination benefits[1]	**–**	205	**–**	–
Plan divestiture	**(1)**	–	**–**	–
Benefit obligation at December 31	**3,836**	3,977	**1,433**	1,392
Change in plan assets				
Fair value of plan assets at January 1	**4,673**	4,741	**–**	–
Actual return on plan assets	**110**	720	**–**	–
Foreign currency exchange rate changes	**(46)**	(25)	**–**	–
Employer contribution	**2**	10	**–**	–
Plan participants' contribution	**1**	1	**–**	–
Benefits paid	**(513)**	(774)	**–**	–
Plan divestiture	**(2)**	–	**–**	–
Fair value of plan assets at December 31	**4,225**	4,673	**–**	–
Funded status	**389**	696	**(1,433)**	(1,392)
Unrecognized net actuarial gain	**(37)**	(480)	**(130)**	(160)
Unrecognized prior-service cost	**113**	124	**–**	–
Unrecognized net transitional assets	**(12)**	(44)	**–**	–
Total recognized at December 31	**$ 453**	$ 296	**$(1,563)**	$(1,552)
Amounts recognized in the consolidated balance sheet at December 31				
Prepaid benefit cost	**$ 671**	$ 495	**$ –**	$ –
Accrued benefit liability	**(334)**	(298)	**(1,563)**	(1,552)
Intangible asset	**4**	10	**–**	–
Accumulated other comprehensive income[2]	**112**	89	**–**	–
Net amount recognized	**$ 453**	$ 296	**$(1,563)**	$(1,552)
Weighted-average assumptions as of December 31				
Discount rate	**7.4%**	7.6%	**7.5%**	7.8%
Expected return on plan assets	**9.8%**	9.7%	**–**	–
Rate of compensation increase	**4.2%**	4.5%	**4.5%**	4.5%

[1]Relates to a special involuntary termination enhancement to pension benefits under a companywide restructuring program.
[2]Accumulated other comprehensive income includes deferred income tax of $39 and $31 in 2000 and 1999, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 19. EMPLOYEE BENEFIT PLANS – Continued

For measurement purposes, separate health care cost-trend rates were used for pre-age 65 and post-age 65 retirees. The 2001 annual rates of change were assumed to be 7.2 percent and 16.2 percent, respectively, before gradually converging to the average ultimate rate of 5.0 percent in 2021 for both pre-age 65 and post-age 65. A one-percentage-point change in the assumed health care rates would have had the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total service and interest cost components	$ 13	$ (19)
Effect on postretirement benefit obligation	$133	$(111)

The components of net periodic benefit cost for 2000, 1999 and 1998 were:

	Pension Benefits			Other Benefits		
	2000	1999	1998	**2000**	1999	1998
Service cost	**$ 93**	$ 99	$113	**$ 14**	$ 21	$ 19
Interest cost	**280**	274	275	**105**	96	93
Expected return on plan assets	**(418)**	(394)	(397)	**–**	–	–
Amortization of transitional assets	**(31)**	(35)	(38)	**–**	–	–
Amortization of prior-service costs	**16**	16	14	**–**	–	–
Recognized actuarial losses (gains)	**9**	1	4	**(3)**	2	(5)
Settlement gains	**(54)**	(104)	(11)	**–**	–	–
Curtailment (gains) losses	**(20)**	7	–	**(15)**	–	–
Special termination benefit recognition*	**–**	205	–	**–**	–	–
Net periodic benefit cost	**$(125)**	$ 69	$(40)	**$101**	$119	$107

**Relates to a special involuntary termination enhancement to pension benefits under a companywide restructuring program.*

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $416, $334 and $33, respectively, at December 31, 2000, and $428, $368 and $80, respectively, at December 31, 1999.

Profit Sharing/Savings Plan Eligible employees of the company and certain of its subsidiaries who have completed one year of service may participate in the Profit Sharing/Savings Plan. Charges to expense for the profit sharing part of the Profit Sharing/Savings Plan were $62, $61 and $60 in 2000, 1999 and 1998, respectively. The company's Savings Plus Plan contributions were funded with leveraged ESOP shares.

Employee Stock Ownership Plan (ESOP) In December 1989, the company established a leveraged ESOP as part of the Profit Sharing/Savings Plan. The ESOP Trust Fund borrowed $1,000 and purchased 28.2 million previously unissued shares of the company's common stock. In June 1999, the ESOP borrowed $25 at 6.98 percent interest, using the proceeds to pay interest due on the existing ESOP debt. In July 1999, the company's leveraged ESOP issued notes of $620 at an average interest rate of 7.42 percent, guaranteed by Chevron Corporation. The debt proceeds were paid to Chevron Corporation in exchange for Chevron's assumption of the existing 8.11 percent ESOP long-term debt of $620. The ESOP provides a partial prefunding of the company's future commitments to the Profit Sharing/Savings Plan, which will result in annual income tax savings for the company.

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

The company recorded expense for the ESOP of $25, $59 and $58 in 2000, 1999 and 1998, respectively, including $47, $49 and $56 of interest expense related to the ESOP debt. All dividends paid on the shares held by the ESOP are used to service the ESOP debt. The dividends used were $54, $33 and $57 in 2000, 1999 and 1998, respectively.

The company made contributions to the ESOP of $64 and $60 in 1999 and 1998, respectively, to satisfy ESOP debt service in excess of dividends received by the ESOP. No contributions were required in 2000. The ESOP shares were pledged as collateral for its debt. Shares are released from a suspense account and allocated to the accounts of Plan participants, based on the debt service deemed to be paid in the

Note 19. EMPLOYEE BENEFIT PLANS – Continued

year in proportion to the total of current year and remaining debt service. The (credit) charge to compensation expense was $(22), $10 and $2 in 2000, 1999 and 1998, respectively. The ESOP shares as of December 31, 2000 and 1999, were as follows:

Thousands	2000	1999
Allocated shares	**11,969**	10,785
Unallocated shares	**10,823**	12,963
Total ESOP shares	**22,792**	23,748

Management Incentive Plans The company has two incentive plans, the Management Incentive Plan (MIP) and the Long-Term Incentive Plan (LTIP) for officers and other regular salaried employees of the company and its subsidiaries who hold positions of significant responsibility. The MIP is an annual cash incentive plan that links awards to performance results of the prior year. The cash awards may be deferred by conversion to stock units or other investment fund alternatives. Awards under the LTIP may take the form of, but are not limited to, stock options, restricted stock, stock units and nonstock grants. Charges to expense for the combined management incentive plans, excluding expense related to LTIP stock options, which is discussed in Note 20, were $49, $41 and $28 in 2000, 1999 and 1998, respectively.

Chevron Success Sharing The company has a program that provides eligible employees with an annual cash bonus if the company achieves certain financial and safety goals. Until 2000, the total maximum payout under the program was 8 percent of the employee's annual salary. Charges for the program were $146, $47 and $51 in 2000, 1999 and 1998, respectively. In 2000, the maximum payout under the program increased to 10 percent.

Note 20. STOCK OPTIONS The company applies APB Opinion No. 25 and related interpretations in accounting for stock options awarded under its Broad-Based Employee Stock Option Programs and its Long-Term Incentive Plan, which are described below.

Had compensation cost for the company's stock options been determined based on the fair market value at the grant dates of the awards consistent with the methodology prescribed by FAS No. 123, the company's net income and earnings per share for 2000, 1999 and 1998 would have been the pro forma amounts shown below.

		2000	1999	1998
Net Income	As reported	**$5,185**	$2,070	$1,339
	Pro forma	**$5,162**	$2,027	$1,294
Earnings per share	As reported – basic	**$7.98**	$3.16	$2.05
	– diluted	**$7.97**	$3.14	$2.04
	Pro forma – basic	**$7.95**	$3.09	$1.98
	– diluted	**$7.93**	$3.08	$1.97

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

Broad-Based Employee Stock Options In 1996, the company granted to all eligible employees an option for 150 shares of stock or equivalents at an exercise price of $51.875 per share. In addition, a portion of the awards granted under the LTIP had terms similar to the broad-based employee stock options. The options vested in June 1997 when Chevron's share price closed above $75.00 for three consecutive days.

Options for 7,204,800 shares, including similar-termed LTIP awards, were granted for this program in 1996. Outstanding option shares were 2,213,450 at December 31, 1997. In 1998, exercises of 1,361,000 and forfeitures of 10,800 had reduced the outstanding option shares to 841,650 at year-end 1998. In 1999, exercises of 740,725, forfeitures of 61,850 and expirations of 39,075 reduced the outstanding option shares to zero at March 31, 1999, the date of expiration. Under APB Opinion No. 25, the company recorded gains of $2 for these options in 1999. No gains or expenses for this program were recorded in 2000 and 1998.

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

In 1998, the company announced another broad-based Employee Stock Option Program that granted to all eligible employees an option that varied from 100 to 300 shares of stock or equivalents, dependent on the employee's salary or job grade. These options vested after two years in February 2000. Options for 4,820,800 shares were awarded at an exercise price of $76.3125 per share. Forfeitures of options for 854,550 shares reduced the outstanding option shares to 3,966,250 at December 31, 1999. In 2000, exercises of 611,201 and forfeitures of 290,682 had reduced the outstanding option balance to 3,064,367 at the end of the year. The options expire February 11, 2008. Under APB Opinion No. 25, the company recorded expenses of $(2), $4 and $2 for these options in 2000, 1999 and 1998, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except per-share amounts

Note 20. STOCK OPTIONS – Continued

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

The weighted-average fair market value of options granted in 2000, 1999 and 1998 was $22.34, $20.40 and $21.10 per share, respectively. The fair market value of each option on the date of grant was estimated using the Black-Scholes option-pricing model with the following assumptions for 2000, 1999 and 1998, respectively: risk-free interest rate of 5.8, 5.5 and 4.5 percent; dividend yield of 3.0, 3.0 and 3.1 percent; volatility of 25.6, 20.1 and 28.6 percent and expected life of seven years in all years.

As of December 31, 2000, 10,311,802 shares were under option at exercise prices ranging from $31.9375 to $99.75 per share. The following table summarizes information about stock options outstanding under the LTIP, excluding awards granted with terms similar to the broad-based employee stock options, at December 31, 2000.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding (000s)	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable (000s)	Weighted-Average Exercise Price
$31 to $ 41	314	1.24	$34.53	314	$34.53
41 to 51	2,574	3.81	45.38	2,574	45.38
51 to 61	14	5.32	56.81	14	56.81
61 to 71	752	5.83	66.25	752	66.25
71 to 81	3,250	7.35	79.91	3,244	79.91
81 to 91	3,385	9.31	85.61	1,669	89.79
91 to 101	23	8.55	92.14	23	92.14
$31 to $101	10,312	6.81	$70.78	8,590	$68.63

A summary of the status of stock options awarded under the company's LTIP, excluding awards granted with terms similar to the broad-based employee stock options, for 2000, 1999 and 1998 follows.

	Options (000s)	Weighted-Average Exercise Price
Outstanding at December 31, 1997	8,253	$52.83
Granted	1,872	79.13
Exercised	(796)	40.47
Forfeited	(106)	80.72
Outstanding at December 31, 1998	9,223	$58.91
Granted	1,836	89.88
Exercised	(1,298)	44.29
Forfeited	(152)	83.12
Outstanding at December 31, 1999	9,609	$66.42
Granted	1,752	81.54
Exercised	(924)	43.56
Forfeited	(125)	87.70
Outstanding at December 31, 2000	10,312	$70.78
Exercisable at December 31		
1998	7,367	$53.82
1999	7,839	$61.13
2000	8,590	$68.63

Note 21. OTHER CONTINGENCIES AND COMMITMENTS

The U.S. federal income tax liabilities have been settled through 1993. The company's California franchise tax liabilities have been settled through 1991.

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

At December 31, 2000, the company and its subsidiaries, as direct or indirect guarantors, had contingent liabilities of $25 for notes of affiliated companies and $179 for notes of others.

The company and its subsidiaries have certain contingent liabilities relating to long-term unconditional purchase obligations and commitments, throughput agreements and take-or-pay agreements, some of which relate to suppliers' financing arrangements. The aggregate amounts of required payments under these various commitments are: 2001 – $375; 2002–$354; 2003–$333; 2004–$310; 2005–$252; 2006 and after–$946. Total payments under the agreements were $281 in 2000, $258 in 1999 and $201 in 1998.

Note 21. OTHER CONTINGENCIES AND COMMITMENTS – Continued

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

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

The company's operations, particularly oil and gas exploration and production, can be affected by changing economic, regulatory and political environments in the various countries, including the United States, in which it operates. In certain locations, host governments have imposed restrictions, controls and taxes, and in others, political conditions have existed that may threaten the safety of employees and the company's continued presence in those countries. Internal unrest or strained relations between a host government and the company or other governments may affect the company's operations. Those developments have, at times, significantly affected the company's operations and related results and are carefully considered by management when evaluating the level of current and future activity in such countries.

Also for oil and gas producing operations, ownership agreements may provide for periodic reassessments of equity interests in estimated oil and gas reserves. These activities, individually or together, may result in gains or losses that could be material to earnings in any given period.

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

Note 22. EARNINGS PER SHARE (EPS) Basic EPS includes the effects of deferrals of salary and other compensation awards that are invested in Chevron stock units by certain officers and employees of the company. Diluted EPS includes the effects of these deferrals as well as the dilutive effects of outstanding stock options awarded under the LTIP and Broad-Based Employee Stock Option Program (see Note 20, "Stock Options"). The following table sets forth the computation of basic and diluted EPS.

	2000			1999			1998		
	Net Income	Shares (millions)	Per-Share Amount	Net Income	Shares (millions)	Per-Share Amount	Net Income	Shares (millions)	Per-Share Amount
Net income	**$5,185**			$2,070			$1,339		
Weighted-average common shares outstanding		**649.0**			655.5			653.7	
Dividend equivalents paid on Chevron stock units	**2**			3			3		
Deferred awards held as Chevron stock units		**0.9**			1.0			1.2	
BASIC EPS COMPUTATION	**$5,187**	**649.9**	**$7.98**	$2,073	656.5	$3.16	$1,342	654.9	$2.05
Dilutive effects of stock options		**1.2**			3.0			2.2	
DILUTED EPS COMPUTATION	**$5,187**	**651.1**	**$7.97**	$2,073	659.5	$3.14	$1,342	657.1	$2.04

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES

Unaudited

In accordance with Statement of Financial Accounting Standards No. 69, "Disclosures About Oil and Gas Producing Activities" (FAS No. 69), this section provides supplemental information on oil and gas exploration and producing activities of the company in six separate tables. Tables I through III provide historical cost information pertaining to costs incurred in exploration, property acquisitions and development; capitalized costs; and results of operations. Tables IV through VI present information on the company's estimated net proved reserve quantities, standardized measure of estimated discounted future net cash flows related to proved reserves, and changes in estimated discounted future net cash flows. The Africa geographic area includes activities principally in Nigeria, Angola, Chad, Congo and Democratic Republic of Congo. The "Other" geographic category includes activities in Australia, Argentina, the United Kingdom North Sea, Canada, Papua New Guinea, Venezuela, Brazil, China, Thailand and other countries. Amounts shown for affiliated companies are Chevron's 50 percent equity share in P.T. Caltex Pacific Indonesia (CPI), an exploration and production company operating in Indonesia, and its 45 percent equity share of Tengizchevroil (TCO), an exploration and production partnership operating in the Republic of Kazakhstan.

TABLE I – COSTS INCURRED IN EXPLORATION, PROPERTY ACQUISITIONS AND DEVELOPMENT[1]

	Consolidated Companies				Affiliated Companies		
Millions of dollars	U.S.	Africa	Other	Total	CPI	TCO	Worldwide
YEAR ENDED DECEMBER 31, 2000							
Exploration							
Wells	**$ 366**	**$ 40**	**$ 129**	**$ 535**	**$ 5**	**$ –**	**$ 540**
Geological and geophysical	**30**	**25**	**94**	**149**	**14**	**–**	**163**
Rentals and other	**36**	**11**	**65**	**112**	**–**	**–**	**112**
Total exploration	**432**	**76**	**288**	**796**	**19**	**–**	**815**
Property acquisitions[2]							
Proved[4]	**24**	**1**	**–**	**25**	**–**	**–**	**25**
Unproved	**61**	**9**	**175**	**245**	**–**	**–**	**245**
Total property acquisitions	**85**	**10**	**175**	**270**	**–**	**–**	**270**
Development	**737**	**395**	**356**	**1,488**	**168**	**240**	**1,896**
TOTAL COSTS INCURRED	**$1,254**	**$481**	**$ 819**	**$2,554**	**$187**	**$240**	**$2,981**
YEAR ENDED DECEMBER 31, 1999							
Exploration							
Wells	$ 258	$ 40	$ 120	$ 418	$ 3	$ –	$ 421
Geological and geophysical	37	25	85	147	17	–	164
Rentals and other	30	7	60	97	–	–	97
Total exploration	325	72	265	662	20	–	682
Property acquisitions[2,3]							
Proved[4]	9	–	1,070	1,079	–	–	1,079
Unproved	27	11	1,202	1,240	–	–	1,240
Total property acquisitions	36	11	2,272	2,319	–	–	2,319
Development	532	518	375	1,425	182	148	1,755
TOTAL COSTS INCURRED	$ 893	$ 601	$2,912	$4,406	$ 202	$148	$4,756
YEAR ENDED DECEMBER 31, 1998							
Exploration							
Wells	$ 350	$ 108	$ 101	$ 559	$ 3	$ –	$ 562
Geological and geophysical	49	31	112	192	16	–	208
Rentals and other	44	23	53	120	–	–	120
Total exploration	443	162	266	871	19	–	890
Property acquisitions[2]							
Proved[4]	12	–	–	12	–	–	12
Unproved	58	–	14	72	–	–	72
Total property acquisitions	70	–	14	84	–	–	84
Development	680	561	411	1,652	156	120	1,928
TOTAL COSTS INCURRED	$1,193	$ 723	$ 691	$2,607	$175	$120	$2,902

[1]Includes costs incurred whether capitalized or expensed. Excludes support equipment expenditures.

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

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

[4]Does not include properties acquired through property exchanges.

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

	Consolidated Companies				Affiliated Companies		
Millions of dollars	U.S.	Africa	Other	Total	CPI	TCO	Worldwide
AT DECEMBER 31, 2000							
Unproved properties	**$ 337**	**$ 78**	**$ 1,459**	**$ 1,874**	**$ –**	**$ 378**	**$ 2,252**
Proved properties and related producing assets	**16,713**	**4,621**	**8,346**	**29,680**	**1,370**	**1,158**	**32,208**
Support equipment	**469**	**308**	**280**	**1,057**	**906**	**254**	**2,217**
Deferred exploratory wells	**101**	**204**	**95**	**400**	**–**	**–**	**400**
Other uncompleted projects	**348**	**640**	**476**	**1,464**	**265**	**136**	**1,865**
GROSS CAPITALIZED COSTS	**17,968**	**5,851**	**10,656**	**34,475**	**2,541**	**1,926**	**38,942**
Unproved properties valuation	**128**	**59**	**219**	**406**	**–**	**–**	**406**
Proved producing properties –							
Depreciation and depletion	**11,991**	**2,363**	**3,774**	**18,128**	**751**	**131**	**19,010**
Future abandonment and restoration	**778**	**400**	**227**	**1,405**	**63**	**13**	**1,481**
Support equipment depreciation	**315**	**127**	**172**	**614**	**535**	**97**	**1,246**
Accumulated provisions	**13,212**	**2,949**	**4,392**	**20,553**	**1,349**	**241**	**22,143**
NET CAPITALIZED COSTS	**$ 4,756**	**$2,902**	**$ 6,264**	**$13,922**	**$1,192**	**$1,685**	**$16,799**
AT DECEMBER 31, 1999							
Unproved properties	$ 317	$ 69	$ 1,441	$ 1,827	$ –	$ 378	$ 2,205
Proved properties and related producing assets	16,662	4,034	7,318	28,014	1,158	689	29,861
Support equipment	478	268	321	1,067	902	243	2,212
Deferred exploratory wells	136	172	66	374	–	–	374
Other uncompleted projects	354	758	664	1,776	335	405	2,516
GROSS CAPITALIZED COSTS	17,947	5,301	9,810	33,058	2,395	1,715	37,168
Unproved properties valuation	133	53	157	343	–	–	343
Proved producing properties –							
Depreciation and depletion	11,953	1,993	3,071	17,017	681	99	17,797
Future abandonment and restoration	835	371	208	1,414	60	10	1,484
Support equipment depreciation	317	104	142	563	476	80	1,119
Accumulated provisions	13,238	2,521	3,578	19,337	1,217	189	20,743
NET CAPITALIZED COSTS	$ 4,709	$ 2,780	$ 6,232	$ 13,721	$ 1,178	$ 1,526	$ 16,425
AT DECEMBER 31, 1998							
Unproved properties	$ 390	$ 58	$ 235	$ 683	$ –	$ 378	$ 1,061
Proved properties and related producing assets	16,759	3,672	6,253	26,684	1,015	629	28,328
Support equipment	472	182	307	961	768	232	1,961
Deferred exploratory wells	51	51	91	193	–	–	193
Other uncompleted projects	700	893	383	1,976	408	245	2,629
GROSS CAPITALIZED COSTS	18,372	4,856	7,269	30,497	2,191	1,484	34,172
Unproved properties valuation	151	49	110	310	–	–	310
Proved producing properties –							
Depreciation and depletion	11,808	1,719	2,705	16,232	689	72	16,993
Future abandonment and restoration	861	337	187	1,385	57	8	1,450
Support equipment depreciation	315	90	127	532	373	67	972
Accumulated provisions	13,135	2,195	3,129	18,459	1,119	147	19,725
NET CAPITALIZED COSTS	$ 5,237	$ 2,661	$ 4,140	$ 12,038	$ 1,072	$ 1,337	$ 14,447

TABLE III – RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES[1]

The company's results of operations from oil and gas producing activities for the years 2000, 1999 and 1998 are shown in the following table.

Net income from exploration and production activities as reported on page 31 reflects income taxes computed on an effective rate basis. In accordance with FAS No. 69, income taxes in Table III are based on statutory tax rates, reflecting allowable deductions and tax credits. Interest income and expense are excluded from the results reported in Table III and from the net income amounts on page 31.

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES – Continued
Unaudited

TABLE III – RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES[1] – Continued

	Consolidated Companies				Affiliated Companies		
Millions of dollars	U.S.	Africa	Other	Total	CPI	TCO	Worldwide
YEAR ENDED DECEMBER 31, 2000							
Revenues from net production							
Sales	**$ 2,498**	**$2,804**	**$2,351**	**$ 7,653**	**$ 50**	**$710**	**$ 8,413**
Transfers	**2,762**	**506**	**952**	**4,220**	**831**	**–**	**5,051**
Total	**5,260**	**3,310**	**3,303**	**11,873**	**881**	**710**	**13,464**
Production expenses	**(1,112)**	**(378)**	**(520)**	**(2,010)**	**(223)**	**(114)**	**(2,347)**
Proved producing properties: depreciation, depletion and abandonment provision	**(862)**	**(316)**	**(619)**	**(1,797)**	**(129)**	**(53)**	**(1,979)**
Exploration expenses	**(265)**	**(62)**	**(237)**	**(564)**	**(14)**	**–**	**(578)**
Unproved properties valuation	**(22)**	**(6)**	**(82)**	**(110)**	**–**	**–**	**(110)**
Other income (expense)[2]	**(26)**	**61**	**243**	**278**	**(2)**	**(56)**	**220**
Results before income taxes	**2,973**	**2,609**	**2,088**	**7,670**	**513**	**487**	**8,670**
Income tax expense	**(1,100)**	**(1,942)**	**(924)**	**(3,966)**	**(258)**	**(146)**	**(4,370)**
RESULTS OF PRODUCING OPERATIONS	**$ 1,873**	**$ 667**	**$1,164**	**$ 3,704**	**$ 255**	**$341**	**$ 4,300**
YEAR ENDED DECEMBER 31, 1999							
Revenues from net production							
Sales	$ 1,449	$ 1,756	$ 1,415	$ 4,620	$ 24	$ 356	$ 5,000
Transfers	1,626	299	597	2,522	592	–	3,114
Total	3,075	2,055	2,012	7,142	616	356	8,114
Production expenses	(1,005)	(340)	(411)	(1,756)	(206)	(88)	(2,050)
Proved producing properties: depreciation, depletion and abandonment provision	(764)	(311)	(433)	(1,508)	(109)	(47)	(1,664)
Exploration expenses	(167)	(97)	(274)	(538)	(17)	–	(555)
Unproved properties valuation	(22)	(5)	(36)	(63)	–	–	(63)
Other income (expense)[2,3]	(358)	(53)	5	(406)	(2)	(9)	(417)
Results before income taxes	759	1,249	863	2,871	282	212	3,365
Income tax expense	(257)	(848)	(416)	(1,521)	(143)	(63)	(1,727)
RESULTS OF PRODUCING OPERATIONS	$ 502	$ 401	$ 447	$ 1,350	$ 139	$ 149	$ 1,638
YEAR ENDED DECEMBER 31, 1998							
Revenues from net production							
Sales	$ 1,386	$ 1,118	$ 757	$ 3,261	$ 28	$ 176	$ 3,465
Transfers	1,185	212	458	1,855	454	–	2,309
Total	2,571	1,330	1,215	5,116	482	176	5,774
Production expenses	(1,172)	(346)	(304)	(1,822)	(153)	(76)	(2,051)
Proved producing properties: depreciation, depletion and abandonment provision	(714)	(301)	(316)	(1,331)	(106)	(40)	(1,477)
Exploration expenses	(213)	(53)	(212)	(478)	(16)	–	(494)
Unproved properties valuation	(20)	(8)	(16)	(44)	–	–	(44)
Other income (expense)[2,3]	54	48	85	187	2	(7)	182
Results before income taxes	506	670	452	1,628	209	53	1,890
Income tax expense	(163)	(328)	(323)	(814)	(102)	(16)	(932)
RESULTS OF PRODUCING OPERATIONS	$ 343	$ 342	$ 129	$ 814	$ 107	$ 37	$ 958

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

[2]*Includes gas processing fees, net sulfur income, currency transaction gains and losses, certain significant impairment write-downs, miscellaneous expenses, etc. Also includes net income from related oil and gas activities that do not have oil and gas reserves attributed to them (e.g., net income from technical and operating service agreements) and items identified in the Management's Discussion and Analysis on page 31.*

[3]*Conformed to 2000 presentation; removed equity earnings for Dynegy Inc.*

TABLE III – RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES[1,2] – Continued

Per-unit average sales price and production cost[1,2]	Consolidated Companies U.S.	Consolidated Companies Africa	Consolidated Companies Other	Consolidated Companies Total	Affiliated Companies CPI	Affiliated Companies TCO	Worldwide
YEAR ENDED DECEMBER 31, 2000							
Average sales prices							
Liquids, per barrel	**$26.35**	**$26.75**	**$26.67**	**$26.59**	**$22.41**	**$20.14**	**$25.63**
Natural gas, per thousand cubic feet	**4.04**	**0.03**	**2.98**	**3.65**	**–**	**0.13**	**3.55**
Average production costs, per barrel	**5.37**	**2.99**	**3.80**	**4.27**	**5.67**	**2.91**	**4.28**
YEAR ENDED DECEMBER 31, 1999							
Average sales prices							
Liquids, per barrel	$ 15.73	$ 17.27	$ 17.69	$ 16.82	$ 13.40	$ 10.53	$ 15.90
Natural gas, per thousand cubic feet	2.17	0.05	2.21	2.14	–	0.38	2.10
Average production costs, per barrel	4.73	2.81	3.32	3.84	4.47	2.39	3.79
YEAR ENDED DECEMBER 31, 1998							
Average sales prices							
Liquids, per barrel	$ 11.27	$ 11.49	$ 11.21	$ 11.34	$ 9.73	$ 5.53	$ 10.68
Natural gas, per thousand cubic feet	2.02	0.07	2.26	2.04	–	0.57	2.01
Average production costs, per barrel	5.30	2.94	2.93	4.12	3.10	2.32	3.91
Average sales price for liquids ($/Bbl)							
December 2000	**$25.41**	**$23.23**	**$24.87**	**$24.43**	**$22.33**	**$24.39**	**$24.21**
December 1999	22.25	24.88	24.06	23.68	23.68	11.55	22.65
December 1998	8.86	9.55	9.04	9.17	8.33	3.69	8.58
Average sales price for natural gas ($/MCF)							
December 2000	**$ 7.70**	**$ 0.04**	**$ 4.16**	**$ 6.47**	**$ –**	**$ 0.25**	**$ 6.19**
December 1999	2.20	0.04	2.41	2.23	–	0.38	2.18
December 1998	2.23	–	2.47	2.29	–	0.57	2.26

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

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

TABLE IV – RESERVE QUANTITY INFORMATION

The company's estimated net proved underground oil and gas reserves and changes thereto for the years 2000, 1999 and 1998 are shown in the following table. Proved reserves are estimated by company asset teams composed of earth scientists and reservoir engineers. These proved reserve estimates are reviewed annually by the corporation's Reserves Advisory Committee to ensure that rigorous professional standards and the reserves definitions prescribed by the U.S. Securities and Exchange Commission are consistently applied throughout the company.

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

Proved reserves do not include additional quantities recoverable beyond the term of the lease or concession agreement or that may result from extensions of currently proved areas or from applying secondary or tertiary recovery processes not yet tested and determined to be economic.

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

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

Chevron operates under a risked service agreement Venezuela's Block LL-652, located in the northeast section of Lake Maracaibo. Chevron is accounting for LL-652 as an oil and gas activity and, at December 31, 2000, had recorded 57 million barrels of proved crude oil reserves.

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

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES – Continued

Unaudited

TABLE IV – RESERVE QUANTITY INFORMATION – Continued

	NET PROVED RESERVES OF CRUDE OIL, CONDENSATE AND NATURAL GAS LIQUIDS Millions of barrels							NET PROVED RESERVES OF NATURAL GAS Billions of cubic feet						
	Consolidated Companies				Affiliates		World-	Consolidated Companies				Affiliates		World-
	U.S.	Africa	Other	Total	CPI	TCO	wide	U.S.	Africa	Other	Total	CPI	TCO	wide
RESERVES AT JANUARY 1, 1998	1,196	1,131	519	2,846	578	1,082	4,506	4,991	223	3,187	8,401	161	1,401	9,963
Changes attributable to:														
Revisions	(1)	106	28	133	110[3]	7	250	(151)	77	13	(61)	7	(17)	(71)
Improved recovery	36	88	36	160	25	–	185	7	–	–	7	12	–	19
Extensions and discoveries	43	92	7	142	2	16	160	372	–	3	375	1	21	397
Purchases[1]	5	–	30	35	–	–	35	32	–	5	37	–	–	37
Sales[2]	(12)	–	(22)	(34)	–	–	(34)	(119)	–	(50)	(169)	–	–	(169)
Production	(119)	(117)	(77)	(313)	(62)	(30)	(405)	(635)	(12)	(175)	(822)	(30)	(21)	(873)
RESERVES AT DECEMBER 31, 1998	1,148	1,300	521	2,969	653	1,075	4,697	4,497	288	2,983	7,768	151	1,384	9,303
Changes attributable to:														
Revisions	(23)	3	(24)	(44)	(98)[3]	115	(27)	(426)	49	30	(347)	2	126	(219)
Improved recovery	44	62	20	126	30	–	156	7	–	8	15	1	–	16
Extensions and discoveries	50	45	17	112	2	76	190	347	–	86	433	5	98	536
Purchases[1]	1	–	213	214	–	–	214	35	–	372	407	–	–	407
Sales[2]	(33)	–	(2)	(35)	–	–	(35)	(74)	–	–	(74)	–	–	(74)
Production	(115)	(120)	(84)	(319)	(59)	(33)	(411)	(598)	(15)	(248)	(861)	(25)	(27)	(913)
RESERVES AT DECEMBER 31, 1999	1,072	1,290	661	3,023	528	1,233	4,784	3,788	322	3,231	7,341	134	1,581	9,056
Changes attributable to:														
Revisions	**(5)**	**56**	**4**	**55**	**35**	**105**	**195**	**(29)**	**450**	**140**	**561**	**8**	**126**	**695**
Improved recovery	**58**	**20**	**9**	**87**	**16**	**–**	**103**	**12**	**–**	**5**	**17**	**–**	**–**	**17**
Extensions and discoveries	**46**	**92**	**65**	**203**	**2**	**7**	**212**	**405**	**1**	**371**	**777**	**4**	**9**	**790**
Purchases[1]	**5**	**131**	**3**	**139**	**–**	**–**	**139**	**18**	**12**	**–**	**30**	**–**	**–**	**30**
Sales[2]	**(8)**	**–**	**–**	**(8)**	**–**	**–**	**(8)**	**(131)**	**–**	**(1)**	**(132)**	**–**	**–**	**(132)**
Production	**(114)**	**(124)**	**(98)**	**(336)**	**(53)**	**(35)**	**(424)**	**(570)**	**(17)**	**(260)**	**(847)**	**(24)**	**(33)**	**(904)**
RESERVES AT DECEMBER 31, 2000	**1,054**	**1,465**	**644**	**3,163**	**528**	**1,310**	**5,001**	**3,493**	**768**	**3,486**	**7,747**	**122**	**1,683**	**9,552**
Developed reserves														
At January 1, 1998	1,025	721	293	2,039	435	532	3,006	4,391	223	1,695	6,309	145	688	7,142
At December 31, 1998	982	891	342	2,215	436	646	3,297	3,918	263	2,074	6,255	135	832	7,222
At December 31, 1999	905	940	489	2,334	340	790	3,464	3,345	272	2,243	5,860	131	1,011	7,002
AT DECEMBER 31, 2000	**881**	**943**	**460**	**2,284**	**327**	**795**	**3,406**	**3,109**	**290**	**2,929**	**6,328**	**121**	**1,019**	**7,468**

[1] *Includes reserves acquired through property exchanges.*

[2] *Includes reserves disposed of through property exchanges.*

[3] *Mainly includes crude reserves revisions associated with CPI's cost-recovery formula.*

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

The standardized measure of discounted future net cash flows, related to the above proved oil and gas reserves, is calculated in accordance with the requirements of FAS No. 69. Estimated future cash inflows from production are computed by applying year-end prices for oil and gas to year-end quantities of estimated net proved reserves. Future price changes are limited to those provided by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pretax net cash flows, less the tax basis of related assets. Discounted future net cash flows are calculated using 10 percent midperiod discount factors. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced.

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

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

	Consolidated Companies				Affiliated Companies		
Millions of dollars	U.S.	Africa	Other	Total	CPI	TCO	Worldwide
AT DECEMBER 31, 2000							
Future cash inflows from production	**$ 60,830**	**$ 33,950**	**$27,490**	**$122,270**	**$12,700**	**$30,350**	**$165,320**
Future production and development costs	**(13,610)**	**(7,740)**	**(6,410)**	**(27,760)**	**(8,560)**	**(7,250)**	**(43,570)**
Future income taxes	**(16,590)**	**(15,690)**	**(7,720)**	**(40,000)**	**(1,720)**	**(6,440)**	**(48,160)**
Undiscounted future net cash flows	**30,630**	**10,520**	**13,360**	**54,510**	**2,420**	**16,660**	**73,590**
10 percent midyear annual discount for timing of estimated cash flows	**(12,340)**	**(4,130)**	**(5,210)**	**(21,680)**	**(930)**	**(11,180)**	**(33,790)**
STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS	**$ 18,290**	**$ 6,390**	**$ 8,150**	**$ 32,830**	**$ 1,490**	**$ 5,480**	**$ 39,800**
AT DECEMBER 31, 1999							
Future cash inflows from production	$ 31,650	$ 31,830	$ 23,690	$ 87,170	$ 11,950	$ 24,380	$ 123,500
Future production and development costs	(11,350)	(6,030)	(5,420)	(22,800)	(7,830)	(4,900)	(35,530)
Future income taxes	(7,050)	(16,490)	(6,200)	(29,740)	(1,820)	(4,980)	(36,540)
Undiscounted future net cash flows	13,250	9,310	12,070	34,630	2,300	14,500	51,430
10 percent midyear annual discount for timing of estimated cash flows	(5,480)	(2,920)	(4,590)	(12,990)	(900)	(10,400)	(24,290)
Standardized Measure of Discounted Future Net Cash Flows	$ 7,770	$ 6,390	$ 7,480	$ 21,640	$ 1,400	$ 4,100	$ 27,140
AT DECEMBER 31, 1998							
Future cash inflows from production	$ 19,810	$ 12,560	$ 13,010	$ 45,380	$ 6,020	$ 8,360	$ 59,760
Future production and development costs	(12,940)	(6,980)	(4,930)	(24,850)	(4,470)	(5,860)	(35,180)
Future income taxes	(1,970)	(2,110)	(2,850)	(6,930)	(660)	(200)	(7,790)
Undiscounted future net cash flows	4,900	3,470	5,230	13,600	890	2,300	16,790
10 percent midyear annual discount for timing of estimated cash flows	(1,880)	(1,070)	(2,190)	(5,140)	(390)	(1,990)	(7,520)
Standardized Measure of Discounted Future Net Cash Flows	$ 3,020	$ 2,400	$ 3,040	$ 8,460	$ 500	$ 310	$ 9,270

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

	Consolidated Companies			Affiliated Companies			Worldwide		
Millions of dollars	**2000**	1999	1998	**2000**	1999	1998	**2000**	1999	1998
PRESENT VALUE AT JANUARY 1	**$21,640**	$ 8,460	$13,110	**$5,500**	$ 810	$1,890	**$27,140**	$ 9,270	$15,000
Sales and transfers of oil and gas produced, net of production costs	**(9,863)**	(5,385)	(3,294)	**(1,254)**	(679)	(429)	**(11,117)**	(6,064)	(3,723)
Development costs incurred	**1,488**	1,425	1,652	**408**	330	276	**1,896**	1,755	1,928
Purchases of reserves	**1,154**	2,811	208	**–**	–	–	**1,154**	2,811	208
Sales of reserves	**(1,020)**	(344)	(347)	**–**	–	–	**(1,020)**	(344)	(347)
Extensions, discoveries and improved recovery, less related costs	**5,147**	2,886	813	**132**	385	49	**5,279**	3,271	862
Revisions of previous quantity estimates	**(1,093)**	(503)	262	**1,281**	84	280	**188**	(419)	542
Net changes in prices, development and production costs	**17,105**	25,457	(11,321)	**625**	6,938	(2,159)	**17,730**	32,395	(13,480)
Accretion of discount	**3,672**	1,165	2,096	**817**	135	289	**4,489**	1,300	2,385
Net change in income tax	**(5,400)**	(14,332)	5,281	**(539)**	(2,503)	614	**(5,939)**	(16,835)	5,895
Net change for the year	**11,190**	13,180	(4,650)	**1,470**	4,690	(1,080)	**12,660**	17,870	(5,730)
PRESENT VALUE AT DECEMBER 31	**$32,830**	$21,640	$ 8,460	**$6,970**	$5,500	$ 810	**$39,800**	$27,140	$ 9,270

The changes in present values between years, which can be significant, reflect changes in estimated proved reserve quantities and prices and assumptions used in forecasting production volumes and costs. Changes in the timing of production are included with "Revisions of previous quantity estimates."

ELEVEN-YEAR FINANCIAL SUMMARY[1]

Millions of dollars, except per-share amounts	**2000**	1999	1998
CONSOLIDATED STATEMENT OF INCOME DATA			
REVENUES			
Sales and other operating revenues			
Refined products	**$20,484**	$13,742	$11,461
Crude oil	**17,075**	10,078	7,781
Natural gas	**3,615**	2,256	2,104
Natural gas liquids	**813**	432	322
Other petroleum	**1,460**	1,115	1,063
Chemicals	**2,757**	3,544	3,054
Coal and other minerals	**279**	360	399
Excise taxes	**4,060**	3,910	3,756
Corporate and other	**49**	11	3
Total sales and other operating revenues	**50,592**	35,448	29,943
Income from equity affiliates	**750**	526	228
Other income	**787**	612	386
TOTAL REVENUES	**52,129**	36,586	30,557
COSTS, OTHER DEDUCTIONS AND INCOME TAXES	**46,944**	34,516	29,218
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	**$ 5,185**	$ 2,070	$ 1,339
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	**–**	–	–
NET INCOME	**$ 5,185**	$ 2,070	$ 1,339
PER SHARE OF COMMON STOCK:			
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES – BASIC	**$7.98**	$3.16	$2.05
– DILUTED	**$7.97**	$3.14	$2.04
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	**–**	–	–
NET INCOME PER SHARE OF COMMON STOCK – BASIC	**$7.98**	$3.16	$2.05
– DILUTED	**$7.97**	$3.14	$2.04
CASH DIVIDENDS PER SHARE	**$2.60**	$2.48	$2.44
CONSOLIDATED BALANCE SHEET DATA (AT DECEMBER 31)			
Current assets	**$ 8,213**	$ 8,297	$ 6,297
Properties, plant and equipment (net)	**22,894**	25,317	23,729
Total assets	**41,264**	40,668	36,540
Short-term debt	**1,079**	3,434	3,165
Other current liabilities	**6,595**	5,455	4,001
Long-term debt and capital lease obligations	**5,153**	5,485	4,393
Stockholders' equity	**19,925**	17,749	17,034
Per share	**$ 31.08**	$ 27.04	$ 26.08
SELECTED DATA			
Return on average stockholders' equity	**27.5%**	11.9%	7.8%
Return on average capital employed	**20.8%**	9.4%	6.7%
Total debt/total debt plus equity	**23.8%**	33.4%	30.7%
Capital and exploratory expenditures[2]	**$ 5,153**	$ 6,133	$ 5,314
Common stock price – High	**$94.88**	$104.94	$90.19
– Low	**$69.94**	$ 73.13	$67.75
– Year-end	**$84.44**	$ 86.63	$82.94
Common shares outstanding at year-end (in thousands)	**641,060**	656,346	653,026
Weighted-average shares outstanding for the year (in thousands)	**649,014**	655,468	653,667
Number of employees at year-end[3]	**34,610**	36,490	39,191

[1]*Comparability between years is affected by changes in accounting methods: 1995 and subsequent years reflect adoption of Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of"; 1992 and subsequent years reflect adoption of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS No. 109, "Accounting for Income Taxes"; 1990 through 1991 reflect the adoption of SFAS No. 96, "Accounting for Income Taxes"; share and per-share amounts for all years reflect the two-for-one stock split in May 1994.*

[2]*Includes equity in affiliates' expenditures.*	***$967***	*$782*	*$994*

[3]*Includes service station personnel.*

1997	1996	1995	1994	1993	1992	1991	1990
$15,586	$15,785	$13,471	$14,328	$16,089	$16,821	$16,794	$19,385
11,296	12,397	9,376	8,249	8,501	10,031	10,276	11,303
2,568	3,299	2,019	2,138	2,156	1,995	1,869	2,056
553	1,167	1,285	1,180	1,235	1,190	1,165	1,305
1,118	1,184	1,144	944	967	927	812	769
3,520	3,422	3,758	3,065	2,708	2,872	3,098	3,325
359	340	358	416	447	397	427	443
5,587	5,202	4,988	4,790	4,068	3,964	3,659	2,933
9	(14)	(89)	20	20	15	18	21
40,596	42,782	36,310	35,130	36,191	38,212	38,118	41,540
688	767	553	440	440	406	491	371
679	344	219	284	451	1,059	334	655
41,963	43,893	37,082	35,854	37,082	39,677	38,943	42,566
38,707	41,286	36,152	34,161	35,817	37,467	37,650	40,409
$ 3,256	$ 2,607	$ 930	$ 1,693	$ 1,265	$ 2,210	$ 1,293	$ 2,157
–	–	–	–	–	(641)	–	–
$ 3,256	$ 2,607	$ 930	$ 1,693	$ 1,265	$ 1,569	$ 1,293	$ 2,157
$4.97	$3.99	$1.43	$2.60	$1.94	$ 3.26	$1.85	$3.05
$4.95	$3.98	$1.43	$2.59	$1.94	$ 3.26	$1.85	$3.05
–	–	–	–	–	$(0.95)	–	–
$4.97	$3.99	$1.43	$2.60	$1.94	$ 2.31	$1.85	$3.05
$4.95	$3.98	$1.43	$2.59	$1.94	$ 2.31	$1.85	$3.05
$2.28	$2.08	$1.925	$1.85	$1.75	$ 1.65	$1.625	$1.475
$ 7,006	$ 7,942	$ 7,867	$ 7,591	$ 8,682	$ 8,722	$ 9,031	$10,089
22,671	21,496	21,696	22,173	21,865	22,188	22,850	22,726
35,473	34,854	34,330	34,407	34,736	33,970	34,636	35,089
1,637	2,706	3,806	4,014	3,456	2,888	1,706	59
5,309	6,201	5,639	5,378	7,150	6,947	7,774	8,958
4,431	3,988	4,521	4,128	4,082	4,953	5,991	6,710
17,472	15,623	14,355	14,596	13,997	13,728	14,739	14,836
$ 26.64	$ 23.92	$ 22.01	$ 22.40	$ 21.49	$ 21.11	$ 21.25	$ 21.15
19.7%	17.4%	6.4%	11.8%	9.1%	11.0%	8.7%	15.0%
15.0%	12.7%	5.3%	8.7%	6.8%	8.5%	7.5%	11.9%
25.8%	30.0%	36.7%	35.8%	35.0%	36.4%	34.3%	31.3%
$ 5,541	$ 4,840	$ 4,800	$ 4,819	$ 4,440	$ 4,423	$ 4,787	$ 4,269
$89.19	$68.38	$53.63	$49.19	$49.38	$37.69	$40.06	$40.81
$61.75	$51.00	$43.38	$39.88	$33.69	$30.06	$31.75	$31.56
$77.00	$65.00	$52.38	$44.63	$43.56	$34.75	$34.50	$36.31
655,931	653,086	652,327	651,751	651,478	650,348	693,444	701,600
654,991	652,769	652,084	651,672	650,958	677,955	700,348	706,926
39,362	40,820	43,019	45,758	47,576	49,245	55,123	54,208

$1,174	*$983*	*$912*	*$846*	*$701*	*$621*	*$498*	*$433*

ELEVEN-YEAR OPERATING SUMMARY

WORLDWIDE – INCLUDES EQUITY IN AFFILIATES[1]

Thousands of barrels per day, except natural gas data, which is millions of cubic feet per day	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
UNITED STATES											
Gross production of crude oil and natural gas liquids	**350**	354	366	388	385	397	418	447	488	516	524
Net production of crude oil and natural gas liquids	**312**	316	325	343	341	350	369	394	432	454	458
Refinery input	**943**	955	869	933	951	925	1,213	1,307	1,311	1,278	1,406
Sales of refined products	**1,327**	1,302	1,243	1,193	1,122	1,117	1,314	1,423	1,470	1,444	1,489
Sales of natural gas liquids	**153**	133	130	133	187	213	215	211	194	175	188
Total sales of petroleum products	**1,480**	1,435	1,373	1,326	1,309	1,330	1,529	1,634	1,664	1,619	1,677
Gross production of natural gas	**1,832**	1,935	2,061	2,192	2,216	2,207	2,441	2,407	2,720	2,779	3,131
Net production of natural gas	**1,558**	1,639	1,739	1,849	1,875	1,868	2,085	2,056	2,313	2,359	2,650
Sales of natural gas	**3,448**	3,162	3,303	3,400	3,588	2,815	2,598	2,334	2,539	2,592	2,845
INTERNATIONAL											
Gross production of crude oil and natural gas liquids	**1,149**	1,100	1,065	1,037	1,003	944	896	825	791	784	777
Net production of crude oil and natural gas liquids	**847**	811	782	731	702	651	624	556	512	504	477
Refinery input	**415**	469	475	565	537	598	623	598	543	517	494
Sales of refined products	**769**	832[2]	798	886	944	969	934	923	859	823	772
Sales of natural gas liquids	**65**	57	53	69	36	47	34	37	33	29	33
Total sales of petroleum products	**834**	889[2]	851	955	980	1,016	968	960	892	852	805
Gross production of natural gas	**1,011**	935	737	673	676	652	657	572	541	525	503
Net production of natural gas	**911**	874	654	576	584	565	546	469	463	447	417
Sales of natural gas	**1,813**	1,774	1,504	1,209	778	564	461	462	466	444	423
TOTAL WORLDWIDE											
Gross production of crude oil and natural gas liquids	**1,499**	1,454	1,431	1,425	1,388	1,341	1,314	1,272	1,279	1,300	1,301
Net production of crude oil and natural gas liquids	**1,159**	1,127	1,107	1,074	1,043	1,001	993	950	944	958	935
Refinery input	**1,358**	1,424	1,344	1,498	1,488	1,523	1,836	1,905	1,854	1,795	1,900
Sales of refined products	**2,096**	2,134[2]	2,041	2,079	2,066	2,086	2,248	2,346	2,329	2,267	2,261
Sales of natural gas liquids	**218**	190	183	202	223	260	249	248	227	204	221
Total sales of petroleum products	**2,314**	2,324[2]	2,224	2,281	2,289	2,346	2,497	2,594	2,556	2,471	2,482
Gross production of natural gas	**2,843**	2,870	2,798	2,865	2,892	2,859	3,098	2,979	3,261	3,304	3,634
Net production of natural gas	**2,469**	2,513	2,393	2,425	2,459	2,433	2,631	2,525	2,776	2,806	3,067
Sales of natural gas	**5,261**	4,936	4,807	4,609	4,366	3,379	3,059	2,796	3,005	3,036	3,268
WORLDWIDE – EXCLUDES EQUITY IN AFFILIATES											
Number of wells completed (net)[3]											
Oil and gas	**590**	551	456	779	710	455	364	422	342	607	543
Dry	**47**	48	30	45	62	64	70	76	33	69	79
Producing oil and gas wells (net)[3]	**12,415**	12,275	12,516	12,724	13,114	11,707	12,111	10,996	10,773	15,502	17,890

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

[2] *Restated to conform to 2000 presentation.*

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

Stockholder and Investor Information

Stock Exchange Listing

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

Stockholder Information

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

Mellon Investor Services LLC
85 Challenger Road
Ridgefield Park, NJ 07660-2108
1-800-368-8357
www.mellon-investor.com

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

Dividend Payment Dates

Quarterly dividends on common stock are paid, following declaration by the Board of Directors, on or about the 10th day of March, June, September and December. The annual dividend for 2000 was $2.60. Direct deposit of dividends is available to stockholders. For information, contact Mellon Investor Services (see above).

Investor Information

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

Investor Relations
575 Market Street, Room 3440
San Francisco, CA 94105-2856
(415) 894-5690
E-mail: chevir@chevron.com

Publications and Other News Sources

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

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

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

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

Details of the corporation's *political contributions* for 2000 are available by request from Public Affairs, Bishop Ranch 3, 2613 Camino Ramon, 3rd Floor, San Ramon, CA 94583-4289. Information about charitable and educational contributions is available in the second half of the year via Chevron's Web site only: www.chevron.com/community/grants/invstmnt.html.

Annual Meeting

The Annual Meeting of stockholders will be held at 9:30 a.m., Wednesday, April 25, 2001, at the Los Angeles Marriott Downtown, 333 South Figueroa Street, Los Angeles, California.

Meeting notice and proxy material are mailed in advance to stockholders, who are urged to study the material and complete the proxy card. All stockholders should sign the proxy card and return it promptly so their shares are represented in the final vote.

Corporate Headquarters

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

Legal Notice

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

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Chevron At A Glance

Exploration and Production

- Crude oil and natural gas are produced in 23 countries. Worldwide net production was almost 1.7 million barrels a day of oil and equivalent gas, ranking No. 5 among publicly held companies.
- International producing areas include Angola, Argentina, Australia, China, Congo, Indonesia, Kazakhstan, Nigeria, the North Sea, Thailand, Papua New Guinea and Venezuela.
- North American producing areas include the Gulf of Mexico, Central California, the Rocky Mountains and Texas, plus Alberta, offshore Newfoundland and Northwest Territories, Canada.
- Exploration areas include the above, as well as Azerbaijan, Brazil, Equatorial Guinea and Qatar.

Refining

- Crude oil is converted into a variety of refined products, primarily motor gasoline, diesel and aviation fuels, lubricants, asphalt and petrochemicals.
- North American fuels refineries are at Richmond and El Segundo, California; Pascagoula, Mississippi; Salt Lake City, Utah; El Paso, Texas; Honolulu, Hawaii; and Burnaby, British Columbia.
- One of the largest refiners in the United States with a capacity of about 1 million barrels per day.
- Caltex affiliate holds equity in refineries in Asia, Africa, Australia and New Zealand.

Marketing

- One of the leading U.S. marketers of refined products, including motor gasoline, diesel and aviation fuels and lubricants.
- Gasoline retail outlets number about 8,000 in 30 states and the District of Columbia.
- Gasoline sales in British Columbia, Canada, rank No. 1 through Chevron's 168 outlets.
- Caltex supplies about 7,800 retail outlets in Asia, southern and eastern Africa, the Middle East, Australia and New Zealand.

Chemicals

- Fifty percent-owned Chevron Phillips Chemical Company is a leading petrochemicals and plastics manufacturer.
- Main products are ethylene, benzene, paraxylene, polystyrene, normal alpha olefins, polyethylene and styrene. Low-cost producer of high-purity benzene and paraxylene using patented technologies.
- Under its own Oronite brand name, Chevron is a global producer and marketer of additives for fuels and lubricants.

Transportation

- Pipeline subsidiary operates almost 9,000 miles of pipeline worldwide for the distribution of crude oil, natural gas and petroleum products.
- Shipping subsidiary controls a fleet of more than 30 seagoing tankers for transport of more than 400 million barrels of petroleum cargo annually.

Chevron

The symbol of partnership.

Chevron Corporation
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