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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q  
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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1996                      Commission file number 1-27

TEXACO INC.  
(Exact name of the registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

74-1383447  
(I.R.S. Employer  
Identification No.)

2000 Westchester Avenue  
White Plains, New York  
(Address of principal executive offices)

10650  
(Zip Code)

Registrant's telephone number, including area code (914) 253-4000  
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Texaco Inc. (1) HAS FILED all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) HAS BEEN subject to such filing requirements for the past 90 days.

As of July 31, 1996, there were outstanding 264,272,118 shares of Texaco Inc. Common Stock - par value \$6.25.

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PART I - FINANCIAL INFORMATION

TEXACO INC. AND SUBSIDIARY COMPANIES  
STATEMENT OF CONSOLIDATED INCOME  
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 1996 AND 1995

(Millions of dollars, except per share amounts)

	(Unaudited)			
	For the six months ended June 30,		For the three months ended June 30,	
	1996	1995(a)	1996	1995(a)
	----	-----	----	-----
REVENUES				
Sales and services	\$20,876	\$17,616	\$10,817	\$ 9,031
Equity in income of affiliates, and income from interest, asset sales and other	656	710	444	228
	-----	-----	-----	-----
	21,532	18,326	11,261	9,259
	-----	-----	-----	-----
DEDUCTIONS				
Purchases and other costs	16,127	13,506	8,345	6,980
Operating expenses	1,384	1,427	700	696
Selling, general and administrative expenses	799	748	399	377
Maintenance and repairs	178	184	90	96
Exploratory expenses	159	114	90	59
Depreciation, depletion and amortization	704	745	354	348
Interest expense	221	245	108	121
Taxes other than income taxes	232	246	127	122
Minority interest	33	30	17	13
	-----	-----	-----	-----
	19,837	17,245	10,230	8,812
	-----	-----	-----	-----
Income from continuing operations before income				

taxes and cumulative effect of accounting change	1,695	1,081	1,031	447
Provision for income taxes	620	392	342	176
	-----	-----	-----	-----
Net income from continuing operations before cumulative effect of accounting change	1,075	689	689	271
Cumulative effect of accounting change	-	(121)	-	-
	-----	-----	-----	-----
NET INCOME	\$ 1,075	\$ 568	\$ 689	\$ 271
	=====	=====	=====	=====
Preferred stock dividend requirements	\$ 29	\$ 31	\$ 14	\$ 15
	-----	-----	-----	-----
Net income available for common stock	\$ 1,046	\$ 537	\$ 675	\$ 256
	=====	=====	=====	=====
Per common share (dollars)				
Net income from continuing operations before cumulative effect of accounting change	\$ 4.01	\$ 2.54	\$ 2.59	\$ .99
Cumulative effect of accounting change	-	(.47)	-	-
	-----	-----	-----	-----
Net income	\$ 4.01	\$ 2.07	\$ 2.59	\$ .99
	=====	=====	=====	=====
Cash dividends paid	\$ 1.60	\$ 1.60	\$ .80	\$ .80
Average number of common shares outstanding for computation of earnings per share (thousands)	260,709	259,749	260,764	259,876

(a) Previously reported results for 1995 have been reclassified and restated for the adoption of SFAS 121.

See accompanying notes to consolidated financial statements.

TEXACO INC. AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEET  
AS OF JUNE 30, 1996 AND DECEMBER 31, 1995

-----  
(Millions of dollars)

	June 30, 1996 ----- (Unaudited) -----	December 31, 1995 -----
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 724	\$ 501
Short-term investments - at fair value	98	35
Accounts and notes receivable, less allowance for doubtful accounts of \$28 million in 1996 and 1995	4,033	4,177
Inventories	1,478	1,357
Net assets of discontinued operations	-	164
Deferred income taxes and other current assets	188	224
Total current assets	----- 6,521	----- 6,458
Investments and Advances	5,053	5,278
Properties, Plant and Equipment - at cost	31,666	31,492
Less - accumulated depreciation, depletion and amortization	18,805	18,912
Net properties, plant and equipment	----- 12,861	----- 12,580
Deferred Charges	806	621
Total	----- \$25,241 =====	----- \$24,937 =====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Short-term debt	\$ 366	\$ 737
Accounts payable and accrued liabilities	3,945	3,777
Estimated income and other taxes	895	692
Total current liabilities	----- 5,206	----- 5,206
Long-Term Debt and Capital Lease Obligations	5,159	5,503
Deferred Income Taxes	644	634
Employee Retirement Benefits	1,129	1,138
Deferred Credits and Other Noncurrent Liabilities	2,412	2,270
Minority Interest in Subsidiary Companies	665	667
Total	----- 15,215	----- 15,418
Stockholders' Equity		
Market Auction Preferred Shares	300	300
ESOP Convertible Preferred Stock	483	495
Unearned employee compensation and benefit plan trust	(402)	(437)
Common stock (authorized: 350,000,000 shares, \$6.25 par value; 274,293,417 shares issued)	1,714	1,714
Paid-in capital in excess of par value	650	655
Retained earnings	7,819	7,186
Currency translation adjustment	(46)	61
Unrealized net gain on investments	45	62
Total	----- 10,563	----- 10,036
Less - Treasury stock, at cost	537	517
Total stockholders' equity	----- 10,026	----- 9,519
Total	----- \$25,241 =====	----- \$24,937 =====

See accompanying notes to consolidated financial statements.

TEXACO INC. AND SUBSIDIARY COMPANIES  
CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND 1995

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(Millions of dollars)

	(Unaudited)	
	----- For the six months ended June 30, -----	
	1996	1995(a)
	-----	-----
<b>OPERATING ACTIVITIES</b>		
Net income	\$1,075	\$ 568
Reconciliation to net cash provided by (used in) operating activities		
Cumulative effect of accounting change	-	121
Depreciation, depletion and amortization	704	745
Deferred income taxes	55	107
Exploratory expenses	159	114
Minority interest in net income	33	30
Dividends from affiliates, greater than (less than) equity in income	162	(112)
Gains on asset sales	(37)	(245)
Changes in operating working capital	53	(373)
Other - net	(103)	26
	-----	-----
Net cash provided by operating activities	2,101	981
<b>INVESTING ACTIVITIES</b>		
Capital and exploratory expenditures	(1,231)	(1,020)
Proceeds from sale of discontinued operations, net of cash and cash equivalents sold	344	-
Proceeds from sales of assets	87	737
Sale of leasehold interests	147	-
Purchases of investment instruments	(970)	(535)
Sales/maturities of investment instruments	963	553
Other - net	5	16
	-----	-----
Net cash used in investing activities	(655)	(249)
<b>FINANCING ACTIVITIES</b>		
Borrowings having original terms in excess of three months		
Proceeds	113	57
Repayments	(222)	(240)
Net decrease in other borrowings	(576)	(76)
Purchases of common stock	(55)	-
Dividends paid to the company's stockholders		
Common	(416)	(416)
Preferred	(29)	(31)
Dividends paid to minority shareholders	(35)	(35)
	-----	-----
Net cash used in financing activities	(1,220)	(741)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	(3)	(12)
	-----	-----
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	223	(21)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	501	404
	-----	-----
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 724	\$ 383
	=====	=====

(a) Previously reported results for 1995 have been reclassified and restated for the adoption of SFAS 121.

See accompanying notes to consolidated financial statements.

TEXACO INC. AND SUBSIDIARY COMPANIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Change in Accounting Principle  
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During 1995, Texaco adopted Statement of Financial Accounting Standards (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". Under SFAS 121, assets whose carrying amounts are not expected to be fully recovered by future use or disposition must be written down to their fair values.

Adoption of SFAS 121 resulted in a non-cash after-tax charge of \$639 million against fourth quarter 1995 earnings. Additionally, in accordance with SFAS 121, a \$121 million after-tax write-down of non-core domestic producing properties held for sale at January 1, 1995, previously recorded in the first quarter of 1995 in income from continuing operations, was reclassified as a cumulative effect of an accounting change.

Adoption of SFAS 121 by Star Enterprise and the Caltex Group of Companies, each owned 50% by Texaco, had no effect on 1995 net income.

Note 2. Discontinued Operations  
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On February 29, 1996, Texaco completed the disposition of its operations classified as discontinued operations by completing the sale of its worldwide lubricant additives business, which included manufacturing facilities, as well as sales and marketing offices in various locations in the U.S. and abroad, to Ethyl Corporation, a fuel and lubricant additives manufacturer. Ethyl purchased this business for \$196 million, comprised of \$136 million in cash and a three-year note of \$60 million.

The results for Texaco's worldwide lubricant additives business had been accounted for as discontinued operations and the assets and liabilities had been classified in the Consolidated Balance Sheet as "Net assets of discontinued operations."

Revenues for the discontinued operations totaled \$33 million for the first two months of 1996, representing activities through the sale date, and \$59 million and \$113 million for the second quarter and first six months of 1995, respectively.

Discontinued operations had no significant impact on the 1996 and 1995 results.

Note 3. Inventories

The inventories of Texaco Inc. and consolidated subsidiary companies were as follows:

	As of	
	June 30, 1996	December 31, 1995
	(Unaudited)	
	(Millions of dollars)	
Crude oil	\$ 324	\$ 294
Petroleum products and other	960	866
Materials and supplies	194	197
	-----	-----
Total	\$1,478	\$1,357
	=====	=====

Note 4. Contingent Liabilities

Information relative to commitments and contingent liabilities of Texaco Inc. and subsidiary companies is presented in Notes 15 and 17, pages 57-58 and 60, respectively, of Texaco Inc.'s 1995 Annual Report to Stockholders.

In the company's opinion, while it is impossible to ascertain the ultimate legal and financial liability with respect to the above-referenced and other contingent liabilities and commitments, including lawsuits, claims, guarantees, taxes and regulations, the aggregate amount of such liability in excess of financial reserves, together with deposits and prepayments made against disputed tax claims, is not anticipated to be materially important in relation to the consolidated financial position or results of operations of Texaco Inc. and its subsidiaries.

Note 5. Caltex Group of Companies

Summarized unaudited financial information for the Caltex Group of Companies, owned 50% by Texaco and 50% by Chevron Corporation, is presented below and is reflected on a 100% Caltex Group basis:

	For the six months ended June 30,		For the three months ended June 30,	
	1996	1995	1996	1995
	(Millions of dollars)			
Gross revenues	\$8,457	\$8,299	\$4,300	\$3,928
Income before income taxes	\$1,724	\$ 832	\$1,411	\$ 290
Net income	\$ 989	\$ 580	\$ 795	\$ 164

On April 2, 1996, Caltex Petroleum Corporation ("Caltex") completed the sale of its 50% interest in Nippon Petroleum Refining Company, Limited to its partner Nippon Oil Company for approximately \$2 billion. Earnings relating to this sale of some \$630 million was recorded by Caltex in the second quarter of 1996.

Net income for the first six months of 1995 included a first quarter net gain for U.S. financial reporting of \$171 million relating to the sale of a portion of land and air utility rights by a Caltex affiliate in Japan required for a public project.

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In the preparation of preliminary and unaudited financial statements for the six-month and three-month periods ended June 30, 1996 and 1995, Texaco's accounting policies have been applied on a basis consistent with the application of such policies in Texaco's financial statements issued in its 1995 Annual Report to Stockholders. In the opinion of Texaco, all adjustments and disclosures necessary to present fairly the results of operations for such periods have been made. These adjustments are of a normal recurring nature. The information is subject to year-end audit by independent public accountants. Texaco makes no forecasts or representations with respect to the level of net income for the year 1996.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
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RESULTS OF OPERATIONS  
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Total worldwide net income for Texaco Inc. and subsidiary companies for the second quarter of 1996 was \$689 million, or \$2.59 per share, as compared with \$271 million, or \$.99 per share, for the second quarter of 1995. Total net income for the first six months of 1996 was \$1,075 million, or \$4.01 per share, as compared with \$568 million, or \$2.07 per share, for the first six months of 1995. Both years included special items.

Net income before special items for the second quarter and first six months of 1996 totaled \$465 million, or \$1.73 per share, and \$851 million, or \$3.15 per share, respectively. Net income before special items and the cumulative effect of an accounting change for the first six months of 1995 totaled \$497 million, or \$1.80 per share. There were no special items in the second quarter of 1995.

Net income for the first six months of 1996 included a second quarter net special gain of \$224 million relating to the sale by Texaco's affiliate Caltex Petroleum Corporation ("Caltex") of its interest in the Nippon Petroleum Refining Company, Limited (NPRC) to its partner Nippon Oil Company, less taxes applicable to the portion of the sale proceeds distributed to Caltex shareholders. Net income for the first six months of 1995 included first quarter net special gains of \$192 million resulting from the sales of non-core U.S. producing properties and from the sale of land by a Caltex affiliate in Japan. Also included in 1995 was a \$121 million non-cash charge from the write-down of non-core U.S. producing properties held for sale at January 1, 1995, classified as a cumulative effect of an accounting change in accordance with the 1995 adoption of Statement of Financial Accounting Standards (SFAS) 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

On February 29, 1996, Texaco completed the sale of its worldwide lubricant additives business for \$196 million, comprised of \$136 million in cash and a three-year note of \$60 million. This sale completed the disposition of the operations classified as discontinued operations. Discontinued operations had no significant impact on 1996 and 1995 results.

Results for 1996 and 1995 are summarized in the following table:

	(Unaudited)			
	For the six months ended June 30,		For the three months ended June 30,	
	1996	1995	1996	1995
	-----	-----	-----	-----
	(Millions of Dollars)			
Net income before special items and the cumulative effect of accounting change	\$ 851	\$ 497	\$ 465	\$ 271
Gain on sale of an interest in an affiliate	224	-	224	-
Gains on major asset sales and other	-	192	-	-
	-----	-----	-----	-----
Net income before cumulative effect of accounting change	1,075	689	689	271
Cumulative effect of accounting change	-	(121)	-	-
	-----	-----	-----	-----
Total net income	\$1,075	\$ 568	\$ 689	\$ 271
	=====	=====	=====	=====

The results for the second quarter of 1996 represent the eighth consecutive quarter that earnings exceeded previous years' levels. Improvements in nearly all sectors of the company's business were enhanced by strong crude and natural gas prices during the first half of 1996. Crude oil production increased both internationally and domestically as a result of new producing fields, continued field developments and enhanced recovery from existing fields. The company was also able to take greater advantage of higher natural gas prices in the U.S. because a significant portion of its U.S. gas production moved throughout the company's strategically positioned Henry Hub in Louisiana to major North American markets, where demand was strong.



In the downstream sector, overall profitability improved due to higher margins, solid operating performance at the company's refineries and increased branded sales volumes. However, while refining margins rebounded from last year's historically low levels, marketing product margins eroded in Europe and in the U.S. due to competitiveness in the marketplace. As a result, downstream earnings continued to be below the levels required to provide a reasonable return on invested capital.

Results for all of Texaco's worldwide businesses have benefited from the company's unrelenting drive to improve productivity and reduce overhead expenses, as cash operating expenses per barrel were significantly below the 1993 level, when Texaco's program for growth was launched. Also, the company has increased its capital expenditures this year, focusing on key upstream opportunities, especially in the deepwater Gulf of Mexico, where Texaco has been very successful.

#### OPERATING EARNINGS

##### PETROLEUM AND NATURAL GAS EXPLORATION AND PRODUCTION United States

Exploration and production earnings in the U.S. for the second quarter of 1996 were \$243 million, as compared with \$177 million for the second quarter of 1995. For the first six months of 1996 and 1995, earnings were \$510 million and \$433 million, respectively. Results for 1995 included a first quarter net special gain of \$112 million principally resulting from the sale of non-core producing properties. Excluding the net special gain, first six months of 1995 results totaled \$321 million.

The strong earnings growth for both the second quarter and first half of 1996 resulted from higher production and prices for both crude oil and natural gas. Natural gas prices averaged 24% and 29% higher than the second quarter and first six months of 1995, respectively. Higher natural gas prices reflected the impact of prolonged cold weather and increased industry demand to replenish natural gas storage.

U.S. crude oil prices for 1996 averaged nine percent and 10% higher than the second quarter and first half of 1995, respectively. Similar to natural gas prices, increased worldwide crude oil prices reflected the prolonged cold weather in the U.S. and Western Europe. During this period, the imbalance in petroleum product supply and demand was exacerbated by production disruptions in Mexico and the North Sea at a time when crude inventory levels were low.

Production of crude oil and natural gas from new fields in 1996, as well as continued development and enhanced recovery from existing fields, more than offset declines from the normal maturation of fields and 1995 asset sales. Exploratory expenses were higher in 1996 due to increased seismic and other drilling activity, particularly offshore in the Gulf of Mexico, including deepwater properties, which reflects the company's aggressive program to expand production.

##### International

Exploration and production earnings outside the U.S. for the second quarter of 1996 were \$103 million, as compared with \$83 million for the second quarter of 1995. For the first six months of 1996 and 1995, earnings were \$233 million and \$166 million, respectively.

Both the second quarter and first six months of 1996 results reflected higher crude oil production and prices. Production from new fields in China and continuing development programs in the Partitioned Neutral Zone, between Saudi Arabia and Kuwait, more than offset lower production in the United Kingdom (U.K.), resulting mainly from maturing fields, and certain maintenance and repair activities. Exploratory expenses were higher in 1996, principally from expanded activity.

## MANUFACTURING, MARKETING AND DISTRIBUTION

### United States

Manufacturing, marketing and distribution earnings in the U.S. for the second quarter of 1996 were \$144 million, as compared with \$30 million for the second quarter of 1995. For the first six months of 1996 and 1995, earnings were \$148 million and \$11 million, respectively.

Significant improvement in West Coast refining margins in the second quarter of 1996 was the principal reason for improved results for both the second quarter and the first half of 1996 as compared to the same periods of 1995. First quarter refining margins were depressed and only slightly better than the historic low levels experienced early in 1995. These margins improved in the second quarter as product prices rose, partly recovering the rapidly increasing first quarter crude oil prices. Also, product prices rose due to shortages resulting from regional refining problems and new California gasoline formulation requirements at the time when the seasonal increase in market demand occurred. Improved refinery operations and continued focus on cost containment also contributed to the improved 1996 results.

Throughout the first half of 1996, marketing margins for most refined products were lower than the comparable period of 1995. This has been offset partially by the continued strength in gasoline and diesel sales volumes, with Texaco branded gasoline sales up four percent. Additionally, downstream earnings benefited from improved profits in the distribution and transportation businesses, particularly in the second quarter of 1996.

### International

Manufacturing, marketing and distribution earnings outside the U.S. for the second quarter of 1996 were \$304 million, as compared with \$79 million for the second quarter of 1995. For the first six months of 1996 and 1995, earnings were \$396 million and \$263 million, respectively. Results for the second quarter and first six months of 1996 included a net special gain of \$224 million relating to the sale by Caltex of its interest in NPRC, less taxes applicable to the portion of the sale proceeds distributed to Caltex' shareholders. Results for 1995 included first quarter net special gains of \$80 million, principally relating to the sale of land by a Caltex affiliate in Japan. Excluding net special gains, second quarter and first six months of 1996 earnings totaled \$80 million and \$172 million, respectively. For the first six months of 1995, results excluding net special gains totaled \$183 million.

Earnings, before special items, for the second quarter of 1996 benefited from higher marketing margins in Brazil, as well as higher margins in the Caltex operating markets, primarily Singapore and Australia. These benefits were offset partially by lower operating margins in Japan resulting from competitive pressures and by the April 1996 sale by Caltex of its interest in NPRC. In Europe, higher refining margins were offset partially by lower marketing margins, particularly in the U.K., reflecting excess supply and a highly competitive market.

The decline in comparative earnings, before special items, for the first six months of 1996 reflected lower Caltex earnings in Japan and Korea, offset partially by higher refining margins in Bahrain and Singapore. The benefits of higher refining margins in Europe were somewhat offset by lower marketing margins.

### NONPETROLEUM

Nonpetroleum results for the second quarter and first six months of 1996 were \$3 million and \$5 million, respectively, as compared with \$7 million and \$11 million for the respective 1995 periods.

## CORPORATE/NONOPERATING RESULTS

Corporate and nonoperating charges for the second quarter and first six months of 1996 were \$108 million and \$217 million, respectively, as compared with charges of \$105 million and \$195 million for the respective periods of 1995. Results for 1995 included first quarter gains of \$25 million, principally from sales of equity securities held for investment by the insurance operations.

### LIQUIDITY AND CAPITAL RESOURCES

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As of June 30, 1996, Texaco's cash, cash equivalents and short-term investments totaled \$822 million, as compared with the 1995 year-end level of \$536 million. Texaco's total cash provided by operating activities for the first six months of 1996 totaled \$2.1 billion, primarily reflecting strong operational earnings. In addition, cash from operations for 1996 included a net inflow of some \$470 million of items that were not directly related to current period operations. This net inflow was primarily comprised of the receipt of a cash dividend from Caltex, related to the sale of Caltex' interest in NPRC. Other items included the collection of receivables, primarily insurance recoveries relating to environmental matters, and payments related to litigation matters, mainly the final payment for the state of Louisiana royalty dispute settlement.

During the first six months of 1996, cash generated from operating activities, proceeds from the sale of discontinued operations (discussed below) and proceeds from normal asset sales were used to support Texaco's capital and exploratory expenditures of \$1,231 million, for payment of dividends to common, preferred and minority shareholders of \$480 million, and for the reduction of debt.

Total debt at June 30, 1996 amounted to \$5.5 billion as compared with \$6.2 billion at year-end 1995. Texaco's ratio of total debt to total borrowed and invested capital was 34.1% at June 30, 1996, as compared with 38.0% at year-end 1995. At June 30, 1996, Texaco's long-term debt included \$779 million of debt scheduled to mature within one year, which the company has both the intent and the ability to refinance on a long-term basis. Texaco maintains a revolving credit facility with commitments of \$2.0 billion, which remained unused at both June 30, 1996 and at year-end 1995. Additionally, a subsidiary maintains a long-term revolving credit facility for \$330 million, which was fully utilized at June 30, 1996 and year-end 1995 and is reflected in long-term debt.

During the first six months of 1996, Texaco received \$147 million from the sale of certain equipment leasehold interests in conjunction with a sale/leaseback arrangement. In the aggregate, through June 30, 1996, Texaco has received \$395 million for these interests. Additional payments are expected to be received over the remainder of 1996. Texaco will repurchase the total interests when the related equipment is placed in service, which is currently expected by the end of 1996.

During the first quarter of 1996, Texaco sold its worldwide lubricant additive business for \$196 million, comprised of \$136 million in cash and a three-year note of \$60 million. Also during the first quarter of 1996, Texaco received \$208 million from the prepayment of the note received as part of the consideration for the 1994 sale of Texaco Chemical Company and related international chemical operations to Huntsman Corporation.

During 1995, Texaco announced a stock repurchase program to buy up to \$500 million of its common stock through open market or privately negotiated transactions. Subject to market conditions and applicable regulatory requirements, the stock repurchase program is expected to be completed around the second quarter of 1997.

Texaco also announced that it has signed an agreement in principle with the Korea Petroleum Development Corporation for the sale of a 15% interest in Texaco's Captain Field in the U.K. North Sea for approximately \$210 million. This sale is expected to be completed in late 1996.

Subsequent to June 30, 1996, Texaco announced that it will increase its quarterly dividend on its common stock to 85 cents per share from 80 cents per share, an increase of 6.25 percent, effective with the third quarter 1996 dividend.

The company considers its financial position sufficient to meet its anticipated future financial requirements.

#### EMPLOYEE SEVERANCE PROGRAM

On July 5, 1994, Texaco announced its plan for growth which included a series of action steps to increase competitiveness and profitability. This program also called for reductions in overhead, including reduced layers of supervision, and improvements in operating efficiencies. Implementation of Texaco's program was expected to result in the reduction of approximately 2,500 employees worldwide by June 30, 1995, involving U.S. and international upstream and downstream segments, as well as various support staff functions. During the second quarter of 1994, Texaco recorded an after-tax charge of \$88 million for the anticipated severance costs associated with the employee reductions. As a result of the continued successful application of its overhead reduction initiative, Texaco announced on October 2, 1995 that it had expanded this program to include approximately 1,500 additional employee separations worldwide by year-end 1996. In this regard, in the third quarter of 1995, Texaco recorded an after-tax charge of \$56 million for the cost of these additional employee separations.

As of June 30, 1996, implementation of Texaco's program has included reductions of approximately 4,300 employees worldwide with a related commitment to severance payments of \$203 million, or an after-tax cost of \$140 million. Of this pre-tax commitment, payments of \$179 million have been made as of June 30, 1996.

#### CAPITAL AND EXPLORATORY EXPENDITURES

Capital and exploratory expenditures for continuing operations, including equity in such expenditures of affiliates, were \$1,437 million for the first half of 1996, as compared to \$1,272 million for the same period of 1995. Expenditures for the second quarter of 1996 amounted to \$796 million versus \$759 million for the second quarter of 1995.

Increased U.S. exploration and production expenditures in the first half of 1996 reflected the continued focus on key upstream opportunities especially in the Gulf of Mexico, in both the immediate offshore and deepwater areas. The investment increase resulted from higher levels of rank wildcat drilling, continued revitalization of existing fields and an aggressive lease acquisition program. Texaco's first subsea development, the Shasta Prospect, began producing natural gas in the first quarter of 1996. In the deepwater areas, recent appraisal wells have confirmed the commerciality of the 1995 Petronius discovery and production testing at the Gemini Prospect confirmed that the reservoirs are capable of producing at commercial rates. Significant deepwater acreage acquired at the recent federal lease sale provides Texaco with the third-largest inventory of deepwater Gulf of Mexico acreage holdings in the industry. Also, planning has begun to construct a major natural gas gathering and transmission pipeline and processing complex to be located onshore and offshore South Louisiana.

Internationally, upstream investment for the first half of 1996 exceeded the aggressive activity level of 1995. Increased expenditures focused on Latin America, West Africa, the Partitioned Neutral Zone and Denmark while development work continued on the Captain Field in the U.K. North Sea and in Indonesia.

Expenditures in downstream operations decreased due to the completion of refinery upgrades in the U.S. and Panama, and the completion of refining construction projects in Thailand and Singapore by Caltex, which were offset partially by selected marketing investments, particularly in Latin American growth markets.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to the discussion of Contingent Liabilities in Note 4 to the Consolidated Financial Statements of this Form 10-Q, Item 1 of Texaco Inc.'s Form 10-Q for the quarterly period ended March 31, 1996 and to Item 3 of Texaco Inc.'s 1995 Annual Report on Form 10-K, which are incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of the Stockholders of Texaco Inc. was held on May 14, 1996, for the purpose of (1) electing six directors, (2) approving the appointment of auditors for the year 1996, and (3) acting on three stockholder proposals concerning corporate conduct guidelines, termination of operations in Burma, and the establishment of a shareholders' advisory committee. The following summarizes the shareholder voting results:

Shareholders elected Ms. Robin B. Smith and Messrs. Michael C. Hawley, Allen J. Krowe, William C. Steere, Jr., and William Wrigley, each for a three-year term expiring at the 1999 Annual Meeting and Mr. Peter I. Bijur for a two-year term expiring at the 1998 Annual Meeting. The vote tabulation for each individual director was as follows:

Director	Shares Voted for	% of Vote	Shares Withheld
Peter I. Bijur	233,956,771	98.3	4,083,993
Michael C. Hawley	234,154,948	98.4	3,885,816
Allen J. Krowe	233,139,642	97.9	4,901,122
Robin B. Smith	234,030,264	98.3	4,010,500
William C. Steere, Jr.	234,222,383	98.4	3,818,381
William Wrigley	234,312,963	98.4	3,727,801

Directors continuing in office are Drs. John Brademas and Franklyn G. Jenifer, and Messrs. Robert A. Beck, Willard C. Butcher, Edmund M. Carpenter, Thomas S. Murphy, Charles H. Price II and Thomas A. Vanderslice.

The appointment of Arthur Andersen LLP to audit the accounts of the company and its subsidiaries for the fiscal year 1996 was approved. Of those shares voted, 235,637,768 shares, or 99.3% voted in favor, 1,629,362 shares, or 0.7% voted against, and 773,634 shares abstained.

Stockholders rejected the three stockholder proposals. The proposal relating to corporate conduct guidelines, as set forth in Item 3 of the 1996 Proxy Statement, was rejected by a vote of 185,911,904 shares, or 95.0%, against. Shares voting for the proposal totaled 9,755,792 shares, or 5.0%, and 15,311,414 shares abstained. The proposal relating to the termination of operations in Burma, as set forth in Item 4 of the 1996 Proxy Statement, was rejected by a vote of 189,396,048 shares, or 97.0%, against. Shares voting for the proposal totaled 5,823,231 shares, or 3.0%, and 15,760,033 shares abstained. The proposal relating to the establishment of a shareholders' advisory committee, as set forth in Item 5 of the 1996 Proxy Statement, was rejected by a vote of 199,031,205 shares, or 96.3%, against. Shares voting for the proposal totaled 7,566,738 shares, or 3.7%, and 4,381,168 shares abstained.

Item 5. Other Information

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	(Unaudited)			
	For the six months ended June 30,		For the three months ended June 30,	
	1996	1995(a)	1996	1995(a)
	----- (Millions of dollars) -----			
<b>FUNCTIONAL NET INCOME</b>				
-----				
Operating earnings from continuing operations before cumulative effect of accounting change				
Petroleum and natural gas				
Exploration and production				
United States	\$ 510	\$ 433	\$ 243	\$ 177
International	233	166	103	83
Total	743	599	346	260
Manufacturing, marketing and distribution				
United States	148	11	144	30
International	396	263	304	79
Total	544	274	448	109
Total petroleum and natural gas	1,287	873	794	369
Nonpetroleum	5	11	3	7
Total operating earnings	1,292	884	797	376
Corporate/Nonoperating	(217)	(195)	(108)	(105)
Net income from continuing operations before cumulative effect of accounting change	1,075	689	689	271
Cumulative effect of accounting change	-	(121)	-	-
Net income	<u>\$1,075</u>	<u>\$ 568</u>	<u>\$ 689</u>	<u>\$ 271</u>
	=====	=====	=====	=====
<b>CAPITAL AND EXPLORATORY EXPENDITURES -</b>				
-----				
INCLUDING EQUITY IN AFFILIATES				
-----				
Exploration and production				
United States	\$ 621	\$ 387	\$ 355	\$ 215
International	450	438	243	295
Total	1,071	825	598	510
Manufacturing, marketing and distribution				
United States	156	167	79	93
International	201	268	114	149
Total	357	435	193	242
Other	9	12	5	7
Total	1,437	1,272	796	759
Discontinued operations	-	1	-	-
Total, including equity in affiliates	<u>\$1,437</u>	<u>\$1,273</u>	<u>\$ 796</u>	<u>\$ 759</u>
	=====	=====	=====	=====

(a) Previously reported results for 1995 have been reclassified and restated for the adoption of SFAS 121.

(Unaudited)

	For the six months ended June 30,		For the three months ended June 30,	
	1996	1995	1996	1995
<b>OPERATING DATA - INCLUDING INTERESTS</b>				
<b>IN AFFILIATES</b>				
Net production of crude oil and natural gas liquids (thousands of barrels per day)				
United States	387	385	391	382
Other Western Hemisphere	11	17	11	17
Europe	115	116	110	98
Other Eastern Hemisphere	263	237	268	236
Total	776	755	780	733
Net production of natural gas available for sale (millions of cubic feet per day)				
United States	1,666	1,632	1,685	1,604
Europe	192	229	180	200
Other International	173	174	177	174
Total	2,031	2,035	2,042	1,978
Natural gas sales (millions of cubic feet per day)				
United States	3,120	3,221	3,007	3,166
Europe	276	267	255	240
Other International	183	184	187	183
Total	3,579	3,672	3,449	3,589
Natural gas liquids sales, including purchased LPG's (thousands of barrels per day)				
United States	216	218	188	199
International	106	75	95	61
Total	322	293	283	260
Refinery input (thousands of barrels per day)				
United States	716	685	721	686
Other Western Hemisphere	60	32	64	41
Europe	337	270	340	226
Other Eastern Hemisphere	385	437	268	409
Total	1,498	1,424	1,393	1,362
Refined product sales (thousands of barrels per day)				
United States	1,027	896	1,034	904
Other Western Hemisphere	379	345	381	342
Europe	464	436	453	424
Other Eastern Hemisphere	712	756	627	731
Total	2,582	2,433	2,495	2,401

Item 6. Exhibits and Reports on Form 8-K

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(a) Exhibits

- (11) Computation of Earnings Per Share of Common Stock of Texaco Inc. and Subsidiary Companies.
- (12) Computation of Ratio of Earnings to Fixed Charges of Texaco on a Total Enterprise Basis.
- (20) Copy of Texaco Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 1995 (including portions of Texaco Inc.'s Annual Report to Stockholders for the year 1995) and a copy of Texaco Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1996, as previously filed by the Registrant with the Securities and Exchange Commission, File No. 1-27.
- (22) Information relative to the various matters submitted to a vote of security holders are described on pages 8 through 18 of the 1996 Proxy Statement of Texaco Inc., relating to the Annual Meeting of Stockholders held on May 14, 1996, as previously filed by the Registrant with the Securities and Exchange Commission, File No. 1-27.
- (27) Financial Data Schedule.

(b) Reports on Form 8-K:

During the second quarter of 1996, the Registrant filed a Current Report on Form 8-K for the following event:

1. April 23, 1996 (date of earliest event reported: April 22, 1996)

Item 5. Other Events -- reported that Texaco issued an Earnings Press Release for the first quarter 1996. Texaco appended as an exhibit thereto a copy of the Press Release entitled "Texaco Reports Results for the First Quarter 1996," dated April 22, 1996.



SIGNATURES  
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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Texaco Inc.  
-----  
(Registrant)

By: R.C. Oelkers  
-----  
(Comptroller)

By: R.E. Koch  
-----  
(Assistant Secretary)

Date: August 12, 1996  
-----

TEXACO INC. AND SUBSIDIARY COMPANIES  
 COMPUTATION OF EARNINGS PER SHARE OF COMMON STOCK  
 FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 1996 AND 1995

(Millions of dollars, except per share amounts)

	(Unaudited)			
	For the six months ended June 30,		For the three months ended June 30,	
-----	1996	1995	1996	1995
-----	----	----	----	----
Primary Net Income Per Common Share				
-----				
Net income from continuing operations before cumulative effect of accounting change	\$ 1,075	\$ 689	\$ 689	\$ 271
Cumulative effect of accounting change	-	(121)	-	-
	-----	-----	-----	-----
Net income	1,075	568	689	271
Less: Preferred stock dividend requirements	(29)	(31)	(14)	(15)
	-----	-----	-----	-----
Primary net income available for common stock	\$ 1,046	\$ 537	\$ 675	\$ 256
	=====	=====	=====	=====
Average number of primary common shares outstanding for computation of earnings per share (thousands)	260,709	259,749	260,764	259,876
	=====	=====	=====	=====
Primary net income per common share	\$ 4.01	\$ 2.07	\$ 2.59	\$ .99
	=====	=====	=====	=====
Fully Diluted Net Income Per Common Share				
-----				
Net income	\$ 1,075	\$ 568	\$ 689	\$ 271
Less: Preferred stock dividend requirements of non-dilutive and anti-dilutive issues and adjustments to net income associated with dilutive securities	(12)	(13)	(6)	(6)
	-----	-----	-----	-----
Fully diluted net income	\$ 1,063	\$ 555	\$ 683	\$ 265
	=====	=====	=====	=====
Average number of primary common shares outstanding for computation of earnings per share (thousands)	260,709	259,749	260,764	259,876
Additional shares outstanding assuming full conversion of dilutive convertible securities into common stock (thousands):				
Convertible debentures	146	148	146	148
Convertible Preferred Stock				
Series B ESOP	9,475	9,930	9,423	9,872
Series F ESOP	607	664	599	655
Other	26	78	22	50
	-----	-----	-----	-----
Average number of fully diluted common shares outstanding for computation of earnings per share (thousands)	270,963	270,569	270,954	270,601
	=====	=====	=====	=====
Fully diluted net income per common share	\$ 3.92	\$ 2.05	\$ 2.52	\$ .98
	=====	=====	=====	=====

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
OF TEXACO ON A TOTAL ENTERPRISE BASIS (UNAUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND  
FOR EACH OF THE FIVE YEARS ENDED DECEMBER 31, 1995 (a)

-----  
(Millions of dollars)  
-----

	For the Six Months Ended June 30, 1996 -----	Years Ended December 31, -----				
		1995 ----	1994 ----	1993 ----	1992 ----	1991 ----
Income from continuing operations, before provision or benefit for income taxes and cumulative effect of accounting changes effective 1-1-92 and 1-1-95.....	\$2,046	\$1,201	\$1,409	\$1,392	\$1,707	\$1,744
Dividends from less than 50% owned companies more or (less) than equity in net income.....	(3)	1	(1)	(8)	(9)	5
Minority interest in net income.....	33	54	44	17	18	16
Previously capitalized interest charged to income during the period.....	14	33	29	33	30	23
Total earnings.....	2,090	1,289	1,481	1,434	1,746	1,788
Fixed charges:						
Items charged to income:						
Interest charges.....	280	614	594	546	551	644
Interest factor attributable to operating lease rentals.....	55	110	118	91	94	76
Preferred stock dividends of subsidiaries guaranteed by Texaco Inc.....	17	36	31	4	--	--
Total items charged to income.....	352	760	743	641	645	720
Interest capitalized.....	7	28	21	57	109	80
Interest on ESOP debt guaranteed by Texaco Inc.....	5	14	14	14	18	26
Total fixed charges.....	364	802	778	712	772	826
Earnings available for payment of fixed charges..... (Total earnings + Total items charged to income)	\$2,442	\$2,049	\$2,224	\$2,075	\$2,391	\$2,508
Ratio of earnings to fixed charges of Texaco on a total enterprise basis.....	6.70	2.55	2.86	2.91	3.10	3.04

(a) Excludes discontinued operations.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM  
 TEXACO INC.'S SECOND QUARTER 1996 FORM 10-Q AND IS QUALIFIED IN ITS  
 ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000097349  
 TEXACO INC.  
 1,000,000

6-MOS		
	DEC-31-1996	
	JAN-1-1996	
	JUN-30-1996	724
		98
		4,061
		28
		1,478
		6,561
		31,666
		18,805
		25,241
	5,206	
		5,159
	0	
		613
		1,595
		7,818
25,241		
		20,876
	21,532	
		16,127
		17,511
		2,105
		0
		221
		1,695
		620
	1,075	
		0
		0
		0
		1,075
		4.01
		3.92