FINAL TRANSCRIPT

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CVX - Q3 2011 Chevron Corp Earnings Conference Call

Event Date/Time: Oct. 28. 2011 / 3:00PM GMT

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PRESENTATION

Operator

Good morning. My name is Sean and I will be your conference facilitator today. Welcome to Chevron's third quarter 2011 earnings conference call.

At this time all participants are in a listen-only mode. After the speakers' remarks there will be a question-and-answer session and instructions will be given at that time. (Operator Instructions)

As a reminder, this conference call is being recorded. I will now turn the call over to the Vice President and Chief Financial Officer for Chevron Corporation, Ms. Pat Yarrington. Please go ahead.

Pat Yarrington - *Chevron Corporation - VP & CFO*

Thank you, Sean. Welcome to Chevron's third quarter earnings conference call and webcast. On the call with me today are Mike Wirth, Executive Vice President of Downstream and Chemicals; and Jeannette Ourada, General Manager, Investor Relations.

Our focus today is on Chevron's financial and operating results for the third quarter of 2011. We'll refer to the slides that are available on Chevron's website.

Before we get started, please be reminded that this presentation contains estimates, projections, and other forward-looking statements. We ask that you review the cautionary statement shown on slide two.

Slide three provides an overview of our financial performance. The Company's third quarter earnings were $7.8 billion or $3.92 per diluted share. Earnings in the third quarter 2011 were more than twice that of third quarter 2010. Upstream benefited from higher crude oil prices and Downstream benefited from gains on asset sales and improved margins.

Return on capital employed for the trailing 12 months exceeded 22%. Our debt ratio at the end of September was 7.5%. This is lower than previous quarters due to the early and economic redemption of a $1.5 billion Chevron Corporation bond.

In the third quarter we repurchased $1.25 billion of our shares. In the fourth quarter we expect to repurchase the same amount.

Of particular note, we announced Wednesday that Chevron's Board of Directors approved a $0.03 per share, or 3.8%, increase in the quarterly common stock dividend. Our Board took the unusual step to authorize a second dividend increase this year because of the Company's strong performance and financial position, as well as their confidence in the Company's future cash generating capabilities.

Chevron has a long history of annual dividend increases, 24 consecutive years. The two dividend actions in 2011 result in annual quarterly dividend increase of 12.5%, which is consistent with our priority of delivering long-term dividend growth to our shareholders.

Turning to slide four, cash generation from operations was $11.5 billion during the third quarter. This is, yet again, a new quarterly record for the Company and has resulted from continued strong operational performance. Asset sales during the quarter, which included the Pembroke Refinery, generated about $2 billion in proceeds.

Year-to-date cash generated from operations was $32 billion, reflecting the strong cash generating power of our recent investments and of our base business. This strong cash flow allows us to both reinvest in a top-tier project queue as well as reward our shareholders with meaningful dividend growth and a sustainable share repurchase program.

At quarter end our cash balances totaled over $20 billion, up $3.3 billion year-to-date. This puts us in a net cash position of $10.6 billion.

Jeanette will now take us through the quarterly comparison.

Jeanette Ourada - *Chevron Corporation - GM, IR*

Thanks, Pat. Turning to slide five, I'll compare results of the third quarter 2011 with the second quarter 2011. As a reminder, our earnings release compares third quarter 2011 with the same quarter a year ago.

Third quarter earnings were $7.8 billion, slightly higher than second quarter earnings. Starting on the left side of the chart, Upstream earnings were down $670 million, driven by lower crude oil realizations and lower volumes partly offset by favorable foreign exchange effects. Downstream results increased $942 million between quarters, benefiting from gains on asset sales, favorable foreign exchange effects, and improved international margins. The variance in the Other bar reflects an unfavorable swing in corporate tax items.

On slide six, our U.S. Upstream earnings for the third quarter were $442 million lower than the second quarter's results. Combined crude oil and natural gas realizations reduced earnings by $190 million. Chevron's average US crude oil realizations decreased 7% between consecutive quarters, slightly higher than the 5% drop in posted Midway Sunset and LLS spot prices.

Natural gas realizations also dropped, decreasing 5% between quarters, in line with average Henry Hub spot prices. Between quarters sales volumes decreased 32,000 barrels oil equivalent per day, decreasing earnings by $105 million. The Other bar is comprised of a number of unrelated items, including the absence of gains on several small asset sales during the second quarter.

Turning to slide seven, international Upstream earnings were down $228 million compared with the second quarter. Lower realizations decreased earnings by $225 million. Unit realizations for liquids decreased about 4% in line with the decrease in average Brent spot prices.

Natural gas realizations were relatively flat between periods, but benefited earnings by about $45 million due to sales mix. Lower liftings across multiple countries decreased earnings by $250 million. Between consecutive quarters, liquids liftings were down 54,000 barrels per day and natural gas sales volumes were down 26,000 barrels of oil equivalent per day. Comparing third quarter liquids production with third quarter liquids liftings, we were under-lifted by about 1%.

Moving to the next bar, as you know the UK raised the effective tax rate from 50% to 62% in July, retroactive to March. The total impact recognized in the third quarter was $180 million, about $135 million related to the first six months and about $45 million related to the current quarter.

Moving to the next bar, a favorable change in foreign currency effects benefited earnings by $275 million. The U.S. dollar strengthened against many currencies, most notably the Australian dollar and the Canadian dollar.

The third quarter had a foreign exchange gain of about $305 million compared to a small gain of about $30 million in the second quarter. These foreign exchange effects have minimal impacts on cash. They are primarily balance sheet translation effects.

The other bar reflects a number of items, including lower exploration expense and lower OpEx.

In total, our global Upstream earned almost $27 per barrel for the quarter. Based on preliminary competitor results announced today, we outpaced our nearest competitor by over $5.50. We've now led our peer group on this metric for over two years.

Slide eight summarizes the quarterly change in Chevron's worldwide net oil equivalent production. Between quarters production decreased 95,000 barrels per day. We don't show a price effects bar this quarter as the production impact from the $4 decrease in average Brent spot prices was negligible due to the timing of cargoes.

Moving to the first bar, impacts relating to a third-party pipeline incident in Thailand negatively affected production by 27,000 barrels per day. Repairs have been completed on the two pipelines. The larger pipeline was back online in August and the smaller pipeline in mid-September.

Gulf of Mexico Tropical Storms Don and Lee decreased production by 10,000 barrels per day. Production has since been restored at all impacted facilities and operations have returned to normal.

Base business production decreased 64,000 barrels per day. Of this, about 30,000 barrels per day was related to a high level of planned and unplanned maintenance in the quarter, most notably in the U.K., Australia, and Kazakhstan. Because the third quarter was a heavy turnaround quarter, as it usually is, I want to highlight that our year-to-date decline rate is in the 3% to 4% range, consistent with our previous guidance.

Incremental production from major capital projects benefited third quarter production by 6,000 barrels per day, primarily driven by the continued ramp up at Frade in Brazil and Perdido in the Gulf of Mexico.

Turning to slide nine, on a year-to-date basis our production averaged 2.68 million barrels per day. Third quarter 2011 was an obvious low in production for us. We do expect to see notably increased production during the fourth quarter on the order of 100,000 to 150,000 barrels per day.

The key drivers of this increase are -- in Thailand pipeline repairs are complete and our production has been fully restored. In addition, we will see new production during the fourth quarter as our Platong II asset quickly ramps up. In the Gulf of Mexico we expect to see improved production as hurricane season comes to an end and from Perdido as a result of recent facility modifications.

In Kazakhstan, we expect a strong fourth quarter at TCO now that major turnarounds are complete and because we normally see higher production during cooler weather. And our other significant annual turnarounds are essentially complete.

Looking beyond the quarter, I want to remind you of our long-term guidance. At the end of 2009 we said we would grow production on average 1% per year through 2014 and then grow 4% to 5% thereafter. For the first two years we are doing that and I am reaffirming our original guidance now.

With the strength and scale of our major capital projects and our strong base business performance, we continue to expect production to grow to 3.3 million barrels per day by 2017. We are advancing the queue, reaching critical milestones, and are well placed to deliver consistent growth and performance over the long term.

Turning to slide 10, U.S. Downstream earnings improved $140 million in the third quarter. Indicator margins weakened between quarters, decreasing earnings by $225 million.

Refining and marketing margins for both the Gulf Coast and West Coast weakened relative to last quarter. On the West Coast inventories lingered above seasonal averages, and for both the West and Gulf Coast gasoline demand declined at the end of peak driving season. However, realized margins strengthened between quarters increasing earnings by $250 million. Pascagoula and El Segundo refineries both benefited from running more economic crude slates during the quarter.

Higher produced volumes increased earnings by $30 million, driven mainly by the absence of second quarter maintenance. The Other bar consists of several unrelated items, including lower OpEx and stronger trading results.

On slide 11, international Downstream earnings were also higher this quarter increasing $802 million from second quarter's results. Refining and marketing margins benefited earnings by $55 million due to improved Korean marketing margins and continued strong Asian demand. Gains on asset sales improved earnings by $490 million. This includes the Pembroke Refinery and related marketing facilities in the UK and Ireland.

Positive foreign currency effects benefited earnings by $240 million, primarily in our affiliates. Third quarter's foreign exchange gain was about $145 million, compared to the second quarter loss of about $95 million. The other bar includes a number of unrelated items.

Slide 12 covers All Other. Third quarter charges were $358 million compared to a net $183 million charge in the second quarter, an increase of $175 million between periods. An unfavorable swing in corporate tax items resulted in a $167 million variance and corporate charges were slightly higher by $8 million in the third quarter.

Year-to-date all other charges were $929 million. We believe our quarterly guidance range of $250 million to $350 million for net charges in the All Other segment is still appropriate going forward.

Mike is now going to provide an update on our Downstream operations. Mike?

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Thanks, Jeanette. I'm pleased to have an opportunity to update everyone on our Downstream performance. We continue to focus on improving returns through a relentless commitment to operating safely and reliably and driving improvements through all our business operations.

Please turn to slide 14.

I'd like to start with an update in the area of reliability, where we now have 2010 Solomon data. This comprehensive, biennial third-party benchmarking survey shows that Chevron ranked number one among major competitors in refinery utilization for the third consecutive period.

Reliable operations are the foundation of competitiveness and the reduction of unplanned shutdowns enables us to capture maximum value from our installed capacity. I've talked to you for years now about our commitment to reliability and this independent assessment shows the results of that commitment. I'm extremely proud of this outcome as it demonstrates our sustained leadership in an essential measure of operational excellence.

Year-to-date 2011 we've delivered utilization rates at close to 2010 levels, and our people are focused on continuing to sustain this level of performance.

Please turn to slide 15. In March, I updated you on the progress of our organizational restructuring to lower our costs. At that time we delivered a reduction in headcount of some 20% versus a year-end 2008 baseline, largely through work simplification and streamlining.

As of the end of the third quarter, we now stand at a reduction of 34% or 6,300 people, mostly outside of the U.S. This continued progress reflects portfolio rationalization and our significant efforts to keep our cost structure lean and competitive.

On the right-hand side of this chart you see an update on our commitment to improve refining performance by $700 million by the end of next year. More than a year ahead of schedule we've exceeded our target and captured $750 million in annual improvements.

We've optimized a number of individual units across multiple refineries which have increased yield, lowered blend costs, and reduced lesser-valued product streams. At the same time, modest investments in mechanical improvements have allowed us to lower energy, water treatment, and catalyst costs. We'll use 2010 Solomon data to confirm the impact of these improvements and to establish targets for additional improvement.

Please turn to slide 16. I'd also like to update you on our efforts to high grade and simplify our portfolio to improve focus, efficiency, and returns.

We've made continued progress this year, including 21 more country exits, primarily in Africa, the Caribbean, and Central America; eight logistics asset divestments, including six terminals in the United States, and the sale of our UK and Ireland refining and marketing assets, including the Pembroke Refinery. And we still have a number of other portfolio actions in progress. We've signed sales agreements in Spain and Africa, and are in final negotiations for the sale of additional assets in the Caribbean.

Since beginning this portfolio work in 2005 we have generated more than $8 billion in cash as a result of these actions.

Turning to slide 17, we're also optimizing our business line focus moving investment into higher return business segments. I'd like to highlight four important lubricants and chemicals projects.

In Saudi Arabia, Chevron Phillips Chemical's Saudi Polymer Company achieved mechanical completion and is on track to start up a 1.2 million tons per year ethylene cracker and associated derivative units.

We reached final investment decision to fund the 25,000 barrel per day Pascagoula Base Oil Plant, which when completed in 2013 will make us the world's leading supplier of premium base oil.

We plan to expand our Oronite specialty chemicals plant in Singapore, already the largest additives plant in the Asia-Pacific region, to increase supply capability in the fast-growing Asia-Pacific market. FID is scheduled for next year.

And Chevron Phillips Chemical is conducting a feasibility study of a world-scale ethane cracker on the U.S. Gulf Coast that would utilize advantage feed made available by the development of shale gas resources. CP Chem has a very strong existing position in this market and a competitive advantage in the ability to run a lighter feed slate with more ethane than the industry in general. On top of that they've got excellent infrastructure and logistics capabilities, and are one of the first in the industry to advance plans for new cracker investments.

With multiple facilities in the region and a proven track record of capability and performance, we're confident that CP Chem has a leg up on the right kind of project to deliver strong returns. We'll keep you advised as this project progresses. Turning to slide 18.

In summary, we continue to operate safely and reliably and are delivering very competitive financial results. With year-to-date adjusted earnings per barrel of $3.15 and return on capital employed of 19%, we've come a long way in the last two years. Our relative competitive performance on these two measures was strong in 2010 and continues to be strong this year, where we stand number one on earnings per barrel and number two on ROCE after nine months.

We've got the right strategies and are executing on our commitments. I am confident we will continue to deliver excellent performance in the quarters to come.

With that, I'd like to turn it over back to Pat.

Pat Yarrington - *Chevron Corporation - VP & CFO*

Okay, thanks, Mike. Now turning to slide 19, I'd like to close out with a few highlights of Chevron's strategic progress during the quarter.

Mike just covered our Downstream progress; clearly our plans to improve the competitiveness of our Downstream operations are well on track. Let me cover some of the highlights on Upstream now.

Most recently, we achieved first production at Platong II in the Gulf of Thailand. This natural gas project is expected to ramp up to 330 million cubic feet per day and it will also produce about 18,000 barrels per day of natural gas liquids.

We made final investment decisions on a number of major capital projects this quarter. In Australia, we sanctioned the Wheatstone LNG project, which along with the Gorgon project, positions us to be one of the world's leading LNG suppliers.

The project cost estimate for Wheatstone is $29 billion. It is a two-train, 8.9 million-ton-per-year LNG facility and a domestic gas plant. We currently have about 60% of our equity LNG under long-term sales agreements.

In the North Sea, the second phase of the Clair Ridge development received a green light. This project is expected to cost $7.1 billion and will extend peak production and increase recovery from the Clair Ridge field.

We also sanctioned the Tubular Bells project in the deepwater Gulf of Mexico. First production from this $2.3 billion oil and gas development is expected in 2014 with peak production at 40,000 to 45,000 barrels per day oil equivalent.

Our exploration activities have accelerated throughout the year. In the deepwater Gulf of Mexico we recently announced the Moccasin oil discovery and spud our Coronado well. We also spud a pre-salt well in Angola and in offshore China we have just begun drilling our first well in the deepwater Pearl River Mouth Basin. In Australia, we announced a discovery at Acme West and we have just spud our Vos well.

We are also progressing our global shale activity with our first well currently drilling in Canada's Duvernay and with an imminent spud of our first well in Poland.

It's clear that we are in a growth phase through mid-decade. You see this on the long-term production slide Jeanette reviewed earlier with you. And it is reinforced as I run through these strategic milestones, where we are evaluating newly captured acreage and continuing to sanction new development projects.

We have indicated previously that our medium-term C&E requirements would be robust, a direct result of having such a healthy and, frankly enviable, development queue. For 2012 I am not in a position just yet to offer a firm C&E target, but you should expect a noticeable increase from current spending levels. We will be reviewing our investment plans with our Board in just a few weeks and we will be announcing the 2012 target investment figure, most likely in the first week of December.

In closing, the Company is operating very well. Our financial performance is quite strong, our strategies are the right ones, and we are executing well against them. Our shareholders are benefiting from both growing dividends and an expanding share repurchase program.

We're truly excited about the value creation opportunities ahead for us. We're committed to delivering disciplined growth and shareholder value for a long time to come.

So that now concludes our prepared remarks. Because last quarter we had several analysts who didn't get an opportunity to ask a question, we ask that you limit yourself to no more than two questions. We want to be sure to give everybody a chance this time.

So now, Sean, if you could open up the lines for questions, we'll get started.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ed Westlake, Credit Suisse.

Ed Westlake - *Credit Suisse - Analyst*

Good morning, everyone. Very strong cash flow again this quarter.

Just a quick question; obviously you have taken FID on Wheatstone and Tubular Bells. People out there do question the returns on perhaps the initial phases of Wheatstone and the Tubular Bells project. Clearly Wheatstone is more strategic. But what would you say that the people might be missing when you think about the returns for both of those projects?

Pat Yarrington - *Chevron Corporation - VP & CFO*

I think actually both of the projects are strongly economic. You did mention the strategic aspect around Wheatstone and there is a prospect of brownfield expansion beyond the initial commitments that we have made.

We continue to be very successful in the Australian basin in finding gas. I think we have announced 11 discoveries over the last couple of years, so obviously it's a very prolific basin. So that will have strong returns for a very long time to come.

At the same time, the Gulf of Mexico is a strategic basin for us as well and the economics on Tubular Bells look strong. They are competitive in our portfolio.

Ed Westlake - *Credit Suisse - Analyst*

And maybe specifically on Wheatstone, obviously $29 billion total CapEx. How quickly are you going to be able to get spend going into, say, 2012?

Pat Yarrington - *Chevron Corporation - VP & CFO*

I think that our project team was waiting for the final investment decision to be made. They are very anxious and ready and, in fact, are ramping up as we speak. And so I would expect there to be a significant ramp up there in 2012 for Wheatstone.

Ed Westlake - *Credit Suisse - Analyst*

Okay, thanks very much.

Operator

Paul Cheng, Barclays Capital.

Paul Cheng - *Barclays Capital - Analyst*

Couple questions. First, for R&M, other than, say, the pending sales in Spain, Africa, and the Caribbean, are you largely done with the portfolio restructuring, or then you still have significant more to go?

And also if you can give a comment about Richmond, whether that we are going to see any progress on the upgrading there. Then also with the Eagle Ford, the increasing NGL and the condensate production, have you guys looked at whether it makes sense in Pascagoula or some of your facility adding a condensate splitter to take advantage on that?

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Okay, Paul. I will take those in order. First of all, on the portfolio. We have tried to lay out for you on an annual basis the larger portfolio actions that are underway or the clusters of geographies. And as I mentioned, Spain and a little bit of Africa still is pending with some deals signed and yet to close.

We are negotiating on businesses in the Caribbean still -- Puerto Rico, the Dominican Republic, a number of the other islands in the Caribbean -- and would expect to have deals on those signed before the end of this year and close next year. Beyond that, we'll always continue to review our portfolio for competitiveness, but I think the big work will be complete in 2012. And if we have got any other things that we anticipate doing here in the near term, you'll hear about them in March.

But we are winding this down towards the portfolio that we really believe is right for us and will allow us to deliver sustained, very competitive returns.

On Richmond, you know the history so I won't reprise that. We continue to be committed to investing under the right circumstances in a project there.

In May of this year we submitted an application to the city of Richmond restarting the environmental review process and taking clear note of the deficiencies in the prior process that were noted by the judge in the lawsuit.

We have scaled it back. We initially had a significantly larger set of projects that we were undertaking and moving through the permitting process. The revised project will only complete the replacement of a very old hydrogen plant equipment and give us the ability to use that hydrogen both on-site at the refinery and to export some of it to other users.

We have removed a catalytic -- a continuous cat reformer project and some other power plant replacement projects. So we have scaled it back.

The other point I would make is this doesn't really change the basic function of the refinery. What it does is it allows the refinery to remain competitive by replacing older equipment with newer, cleaner technologies to reduce emissions and improve efficiency. We have got some of the toughest environmental laws in the world in California and the Richmond refinery is one of the most efficient and low-emitting refineries that we have.

So we believe that this is a sound project and, frankly, shouldn't be as controversial as it has become. I can't speculate on when we're going to receive permits or when construction would continue. So we will keep you advised as we go through that process.

Finally, on Pascagoula. Pascagoula has got a big coker and we are investing in a lube oil plant there. And so it has very good product flexibility and it has got good crude flexibility in terms of taking in heavier or more sour crudes to take advantage of the discounts there. We are undertaking some further crude flexibility work to bring in other higher viscosity crudes, higher acid crudes, but have not undertaken anything relative to a condensate splitter there.

Paul Cheng - *Barclays Capital - Analyst*

Okay, thank you. Pat, a quick one --

Pat Yarrington - *Chevron Corporation - VP & CFO*

Paul, we need to go on to the next person.

Paul Cheng - *Barclays Capital - Analyst*

Okay, will do.

Pat Yarrington - *Chevron Corporation - VP & CFO*

If there is room at the end, we will take you again okay.

Paul Cheng - *Barclays Capital - Analyst*

All right.

Pat Yarrington - *Chevron Corporation - VP & CFO*

Thank you very much.

Operator

Doug Leggate, Bank of America Merrill Lynch.

Doug Leggate - *BofA Merrill Lynch - Analyst*

Good morning, everybody. Pat, if I can take my full course of two, hopefully, quick ones.

First of all, I appreciate the update from Jeanette on timing, or at least on capital, I should say, on the production outlook. However, can you reiterate or reaffirm the timing on Gorgon? Because we are hearing chatter out of Australia that things might have slipped behind schedule, both on a budget and on a timing basis. If you could reaffirm that.

My quick follow-up, I guess take advantage of Mike being on the line here. Mike, it looks like, at least on our model, when we look at capture rates on the international business and particularly on the U.S. business that relative to your indicator margins things seem to have kind of deteriorated a little bit versus to what you were able to capture previously from the same assets.

I'm just wondering if something has changed notably there that you could share with us. And I will leave it at that, thanks.

Pat Yarrington - *Chevron Corporation - VP & CFO*

Okay, I'll take the first one there on Gorgon. We are reaffirming our timing of Gorgon, which would include production, first production at the end of 2014.

I think we've been pretty transparent about some of the weather-related delays that we had initially on when eight cyclones went through before we had much of the site prep work done. That has been resolved. We've now got the housing facilities that are cyclone proof, so should there be bad weather again we won't have to demobilize people on and off and remobilize people on and off the island.

We've actually made tremendous progress over the last several months. The materials offloading facility is ready for service; that will make the logistics moving quite easy. I mentioned the housing is really already -- 80% of it's there and occupied.

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We've got the tankage being built. We have the wells being drilled. So there is really tremendous progress that is being made on Gorgon.

And to the extent that you hear some chatter about schedule slippage, as you know, we continue -- there are critical path items and non-critical path items on any major project schedule and we feel very secure that our critical path items are right on plan.

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Doug, on the question on capture rates, I don't know exactly what your model is showing you. In the third quarter we had a very good quarter. In fact, in the U.S. we saw some significant margin deterioration.

The West Coast refining margins were off by $3 a barrel or more, and we saw some reductions on the Gulf Coast as well. Actually the West Coast was down $5 and the Gulf Coast was down $3. We were actually able to capture that back and claw it back. And, likewise, internationally we ran pretty well.

Earlier in the year -- and so if you are looking at year-to-date -- we did have some issues in the first and particularly the second quarter with some extended turnarounds at one of our facilities and a fire at another one that took a crude unit off-line for a while. That had us running slates different than we normally would and selling out intermediates and buying intermediates, which are some things that can chew into your margins while you are operating like that.

So earlier in the year we did have some challenges, but in the third quarter we did well. There is nothing material that has changed in terms of our ability to continue to be competitive in that regard.

Doug Leggate - *BofA Merrill Lynch - Analyst*

Great, thanks very much.

Operator

Jason Gammel, Macquarie Capital.

Jason Gammel - *Macquarie Research - Analyst*

Thanks very much. First of all, I wanted to ask a question about Australia with the incremental exploration success.

Pat, maybe if you could update us on what you think the resource base that you have captured in Australia is and sort of contrast that with what I calculate to be about 23 Tcf you would need to back up the two projects that are currently under construction or at least approved.

Then a very specific one for Mike. Mike, you had mentioned a couple of years ago a technology that you were piloting in Pascagoula. It was a vacuum resid hydrocracking process with near 100% clean product yield. How is that process going? Is that something that you think could be commercialized?

Pat Yarrington - *Chevron Corporation - VP & CFO*

Okay, first one on Gorgon. Actually Jason, I wish I had a slide in front of me that I would just refer you back to. George showed a slide at our security analyst meeting back in March where he talked to the incremental gas quantities being found and the points over time when we have sanctioned these various projects.

What you continue to see is that we continue to find additional resources, both that can support an additional Train 4 around Gorgon and then also potentially supporting additional trains around Wheatstone. So I don't have any incrementally new number to advise you of that. I suggest that you go back and pull out that slide and know that we have continued to have major success since March. And that George, I am sure, will update you in March with some rendition of that slide.

But obviously, it is a very prolific gas basin and we are very encouraged about the exploration success that we continue to have.

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

And Jason, on the technology that we talked about a few years back, we continue to mature that in a pilot plant and to very good results. We looked very hard at a couple of different locations at a pre-commercial plant that would run at a few thousand barrels a day, and prove it up so that we could scale it up. The capital costs on that were pretty significant. And at a time when we have got a lot of other value-creating capital opportunities in our queue -- and the questions today have been about a number of those -- we are prioritizing our activity.

And this one really, at the scale it would take for us to answer the next set of questions as we manage our way through capital spend, it just doesn't stack up.

So we've got the technology, we've got it well covered with IP protection and we will maintain it. But at this point, we have chosen not to proceed to the next step of scale-up on that.

Jason Gammel - *Macquarie Research - Analyst*

Okay. Thanks very much, guys.

Operator

John Herrlin, Societe Generale.

John Herrlin - *Societe Generale - Analyst*

Two quick ones. With Angola will that be a fourth quarter TD or first quarter on the pre-salt well?

Pat Yarrington - *Chevron Corporation - VP & CFO*

I don't know. I mean, it just started drilling so I don't think you are talking about a fourth quarter outcome here. I think you are really talking much into or early into 2012.

John Herrlin - *Societe Generale - Analyst*

Okay, that is fine. With Wheatstone, Pat, could you address what you think reserve bookings might be? Initially you started out with a small amount for projects that are sanctioned offshore. I was wondering if you were willing to give an order of magnitude.

Pat Yarrington - *Chevron Corporation - VP & CFO*

I'm not willing to give an order of magnitude. We will do that, obviously, with our year-end reports. But having sanctioned Wheatstone, and the fact that is an LNG project, will mean that you should see a sizable reserve booking this year.

John Herrlin - *Societe Generale - Analyst*

Thank you.

Operator

Evan Calio, Morgan Stanley.

Evan Calio - *Morgan Stanley - Analyst*

Good morning, everybody. I will keep it to two questions, one Downstream and one on exploration.

Question for Mike on your near-term refining outlook. Good quarter, good Downstream quarter, by the way. As I look at the European inventory, both distillate and crude at seven- and five-year lows, U.S. day cover five lows, steep backwardation in the product market. I was wondering what your perspective was on the near-term distillate markets, as well as what you are seeing in Asia where there is -- frankly, inventory and demand data are a little less transparent.

On the Japan cargo side, I think you had comments there last time you were on the call as well.

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Okay, so I will take that one and then we will take your follow-up question.

Yes, so right now sentiment seems to swing. We had some optimism about the announcements out of Europe earlier this week, but I think overall in the OECD the demand side and the overall economic situation continues to be problematic. And so there is some risk.

Now you've gone to the part of the barrel where things look better, which is distillate. Japanese diesel demand looks to be up pretty sharply. We have seen a strong draw in stocks in Japan in October. There is some talk -- and you are right -- in China, things are less transparent, but some talk that diesel may be a little bit on the short end there right now.

Certainly, as you look at the data here for the U.S., the implied diesel demand, including exports which have become a regular part of the mix here, it's above the five-year average. We are well into the harvest season and moving into cooler weather, so there is a number of supportive factors for distillate demand right now and the spreads reflect that. If you look at the NYMEX right now, distillate commands quite a healthy premium to gasoline.

Gasoline markets look weak right now. High prices; demand has been struggling to stay within range of what we saw a year ago here in the U.S. and so the gasoline part of the barrel continues to be pretty weak.

I think in Asia it's a mix, as always. There is a quote from Lee Kwan Yu that Asia is a figment of the Western imagination. Things in places like China and Singapore look very, very strong. Thailand and the Philippines right now are really struggling with weather and the impact of the floods in Thailand and a couple of typhoons that took a pretty direct shot at the large demand centers in the Philippines.

And then there is other parts of Asia, like Japan, where demand continues to be pretty weak. So, overall, I think China remains the big story and I think distillate is the part of the barrel that we continue to see the strength in.

Evan Calio - *Morgan Stanley - Analyst*

Great. That is great. My follow-up question is on exploration.

I know that Cabinda and then Block O have been very prolific for Chevron. You kind of highlighted the pre-salt well. I think you have drilled through that salt before and so I think it's thinner and less uniform. But as you were highlighting that well, I presume it's a material well. I just wondered if you could -- is there something different or more prospective here?

And then update on Liberia spud date, maybe Bear's Hump as well.

Pat Yarrington - *Chevron Corporation - VP & CFO*

Evan, there is not really much more I can offer on the Angola well. We'll just have to wait and see how that comes out.

The Liberia spud date is later here in the fourth quarter. And that again is -- three large blocks it's the first well; highly prospective or we hope it will be highly prospective area.

Bear's Hump same kind of thing. Bear's Hump is still drilling and we'll have to wait and see what the outcome there is. That is Gulf of Mexico deep gas and we will just have to wait and see.

Evan Calio - *Morgan Stanley - Analyst*

Okay, great. Thanks for the update.

Operator

Mark Gilman, The Benchmark Company.

Mark Gilman - *The Benchmark Company - Analyst*

Folks, good morning. Mike, I got one for you relating to some of Jeanette's comments. In discussing the U.S. Downstream in the third quarter she referenced a very, very sizable impact associated with, I think she termed it, a more economic crude slate.

If you do the math on those numbers that is a big figure on a per barrel basis. Could you talk about what that is about and the sustainability of it? And in particular, the extent to which it's associated with market factors as opposed to specific Chevron initiatives? And then I have a follow-up.

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

So the thing that I think you ought to pay attention to in there is it's a 2Q to 3Q comparison, number one. Number two, it reflects some of the challenges I referenced earlier in that earlier in the year we had some refineries that had some issues.

We had a fire at the Pascagoula, one of our crude units at Pascagoula, in the second quarter and so we were off-line there buying higher-priced intermediates to keep the backend conversion units full. We had some problems at El Segundo in the second quarter as well.

In the third quarter, by contrast, everything ran extraordinarily well. We had virtually no unanticipated issues to face and we were able to optimize some spreads that had opened up in the market. We also have a couple of our refineries that are smaller, Burnaby and Hawaii, that purchase a fair amount of their feedstock priced off of WTI. And while we don't have the big WTI exposure that some of the larger Mid-Continent refiners do, that's been a non-trivial factor for those refineries as well.

So you have a number of issues, some of them market related, some of them operations related, and some of the Chevron related, all of which moved significantly to the positive in Q3. A number of which were either not nearly as strong in Q2 or, given the operational challenges, actually negatives in Q2. So without trying to take you down into a detailed breakdown on that, Mark, I would tell you that you shouldn't bank on all that as being kind of a sustainable kind of a way to beat the market, but there is certainly a chunk of that that I think is.

Mark Gilman - *The Benchmark Company - Analyst*

Okay, Mike, thanks. Pat, you've been in the global LNG selling/contracting business for a while. Was wondering if you could just comment on the kind of trends you're seeing in the more recent LNG contracts in terms of such features as the slope, S curve aspects and anything else you might want to comment on in terms of how that market is looking.

Pat Yarrington - *Chevron Corporation - VP & CFO*

Actually, what we're seeing, frankly, is I would call it a strengthening of the midterm LNG market really with fallout from the Fukushima circumstance. And so I would say in the medium term it's been a stronger market.

So we -- I think you can get an indication of what the various slopes have been from various publications. I don't want to go into specifics there, but I think the contracts -- we are not working off of S curve interpretations and we feel very comfortable about where we sit commercially. We have additional volumes that we can still place with Wheatstone and Gorgon, frankly. We are in discussions with numerous buyers on that, and we feel very optimistic about our ability to find quality buyers at very good commercial terms.

Mark Gilman - *The Benchmark Company - Analyst*

Okay, guys. Thanks very much.

Operator

Blake Fernandez, Howard Weil.

Blake Fernandez - *Howard Weil - Analyst*

Good morning, thanks for taking my question. I had two quick ones for you. One, I wanted to clarify the production comment.

If I'm not mistaken, the guidance last quarter was for full-year volumes of 2.73 million barrels a day. And if I heard the correct number for ramp up in 4Q of 100,000 to 150,000 it seems like you may come in a bit light according to my arithmetic. I'm just trying to confirm, is that the case?

Pat Yarrington - *Chevron Corporation - VP & CFO*

I think that's a fair assessment, yes.

Blake Fernandez - *Howard Weil - Analyst*

Okay, thanks. And then, secondly, as we kind of look ahead to CapEx I realize you will be giving some details in December, but, in our efforts to try and quantify what that could be, when we look at Wheatstone you are 73% working interest I believe?

Pat Yarrington - *Chevron Corporation - VP & CFO*

Yes.

Blake Fernandez - *Howard Weil - Analyst*

Can you give us any clue for where you expect that number to ultimately land or are you maintaining that level?

Pat Yarrington - *Chevron Corporation - VP & CFO*

You mean in terms of our equity ownership?

Blake Fernandez - *Howard Weil - Analyst*

Correct.

Pat Yarrington - *Chevron Corporation - VP & CFO*

Yes, we do anticipate a further sell down here. That's our expectation, yes.

Blake Fernandez - *Howard Weil - Analyst*

Is there a targeted percentage level that we should be thinking about maybe?

Pat Yarrington - *Chevron Corporation - VP & CFO*

You mean in terms of the -- in terms of our overall ownership?

Blake Fernandez - *Howard Weil - Analyst*

Yes, right. How low do you want to get?

Pat Yarrington - *Chevron Corporation - VP & CFO*

I think that really depends on commercial discussions that are underway here, and I think having a proportionality in a 70%, 70%-ish range works well for us. I don't want to get any more specific than that I think.

Blake Fernandez - *Howard Weil - Analyst*

Okay, that's great. Thank you very much.

Operator

Iain Reid, Jefferies.

Iain Reid - *Jefferies & Company - Analyst*

Hi there, guys. Got a couple questions for Mike actually.

Firstly, a bit of a big picture one on the Downstream, Mike. If you kind of step back to 2009 and look at where you've come in terms of improvements in your Downstream earnings, if you split that between the portfolio actions you have done on cost reduction and kind of new investment, how would that improvement kind of breakdown? I'm also interested in about how you see, in a constant margin environment, that improving in the future.

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

So that is something in March that I'll update everybody on, because we laid out some pretty specific targets against our 2009 performance and I just don't have a breakdown in front of me right now. I would tell you from a big picture standpoint we have certainly seen margins better than what we experienced in 2009. So a portion of what you have seen in the Downstream is due to improved fundamentals out there in the marketplace.

But we have made sizable cost reductions. I spoke to you a third reduction in headcount. We have reduced our positions in a lot of countries around the world where, frankly, we worked hard to not take a lot home and we are coring up into the areas where we really have competitive strength. So the cost side of it and the portfolio side have been very important.

The other part is reliability and I talked to you about our utilization rates. We are running our assets extremely well and better than our competitors are. You take whatever the market has to offer you and if you can continue to run reliably you can be very, very competitive.

So there are contributions from the market that are non-trivial, but there is a big, big piece of self-help that I'll talk about when we are back in New York again in March. I just don't have a specific breakdown for you this morning.

I do think that the self-help piece is intended to be sustainable and in the Downstream it's a margin business. The competition is tough and hanging on to the improvements is always a challenge, which is why we continually reset targets to get even better. And I made reference to that today in our refining system.

Iain Reid - *Jefferies & Company - Analyst*

Okay, thanks, Mike. My second question is about CP Chem. I just wonder whether you have got any concerns about the new kind of co-owner which you are going to have there some time in next year and whether there is any plans for any change in the way the joint venture is set up.

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

You know, this joint venture has been very successful over the decade that it's been in place. And Phillips and then Conoco Philips has been a very good partner, and we have been well aligned.

I think that they have indicated they intend this to go to their downstream company. The CEO of that downstream company has been announced and he happens to be the former CEO of Chevron Phillips Chemical company. So he is a strong leader and somebody who we know well and have a good relationship with.

We are having discussions with them to ensure that we remain aligned, but I can tell you that in the boardroom and in shareholder discussions with them we see more alignment than we see differences that is for sure. They will be a smaller company and they will be a company that is purely exposed to the fundamentals of the downstream business. And so that could become an issue over time, but we'll just have to see how that plays out.

Iain Reid - *Jefferies & Company - Analyst*

Okay, Mike, thanks a lot.

Operator

Paul Sankey, Deutsche Bank.

Paul Sankey - *Deutsche Bank - Analyst*

Good morning, everyone. Mike, thanks for being on the call. Could I ask you about California crude pricing and feedstock pricing from the point of view of your position as a major producer and consumer there? I am just thinking that things are shifting over time quite dramatically in California. Thanks.

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Without knowing exactly what you are referring to, I would tell as an equity producer of heavy crude in the San Joaquin Valley we are seeing strong pricing for that crude today. So as an upstream producer we are enjoying the demand for that crude. You match that up with where domestic natural gas prices are and our steamflood there is quite economic at these kinds of natural gas prices.

So it's a good place to be; there's strong demand for that crude. We have got options with both pipeline connections to those fields and the ability to bring in cargoes from other markets to support our upstream with good, strong runs of our equity heavy crudes and keep our refinery competitive by taking advantage of opportunities to bring in South American heavies, for instance into El Segundo.

So it has been a market that I think has been good for our Upstream and it hasn't been bad for our Downstream business.

Paul Sankey - *Deutsche Bank - Analyst*

You are heading exactly where I wanted you to. On San Joaquin I was just wondering; you said it's the demand effect that is causing the big premium that we are seeing relative to historical premiums?

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Yes, people are set up to run these heavy crudes, not just our refinery but other refineries that are connected to it. And with some of the demand you see in Asia that is pulling some of the heavy crudes to Asia the options have changed and the reliance on certain feedstocks, particularly when you are tied to a pipeline where you can get it in, is something that you have to confront as a refiner.

So I do think you've seen some shifting dynamics there, which put a little more pressure on the refiners to be sure that they are as good as they can be. And it has been healthy for our Upstream.

Paul Sankey - *Deutsche Bank - Analyst*

Sure. Has it -- I know it's an Upstream question, but have you been suffering permitting issues offsetting that benefit?

Pat Yarrington - *Chevron Corporation - VP & CFO*

In the San Joaquin Valley, are you talking, Paul?

Paul Sankey - *Deutsche Bank - Analyst*

Yes.

Pat Yarrington - *Chevron Corporation - VP & CFO*

No, we haven't. We obviously work very closely with the regulators, but we haven't seen any sort of negative impact associated with additional regulatory oversight there.

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Not out of the normal for California.

Pat Yarrington - *Chevron Corporation - VP & CFO*

Well said, Mike. Yes.

Paul Sankey - *Deutsche Bank - Analyst*

Okay, great. And then my second, if I could, Pat, to you. I know you hate it when I describe it as a war chest but it is notable that you've got over $10 billion.

You have obviously done the dividend step up, which I guess is very unusual for you to raise twice in a year. I'm not sure you have ever done it, frankly. Why not more buyback in Q4?

Pat Yarrington - *Chevron Corporation - VP & CFO*

Paul, I guess it's coming down to I guess no matter how you give the cash away people aren't -- not everybody is happy all the time.

We felt very good about the second quarter -- the second time in a year dividend increase. We have done it in the past, typically when you have seen a significant run-up in commodity prices in a short period of time. And that is really what we saw here in 2011.

So our cash balance for 2011 is coming in much stronger than we thought it would be at the beginning of the year, and the dividend increase was really intended to signal confidence in our current position as well as our future cash-generating position.

We do look at the share repurchases every quarter. We do run through that sort of discussion with the Board and at this particular time the preference is given over to dividends. We think that actually sends a stronger signal about the performance of the Company presently and really on a go-forward basis, because we view it as a permanent increase.

All I can say is we will continue to look every quarter at the cash balance. We'll look at our medium-term outlook on prices, margins, C&E requirements. I did signal that we would have a more -- a noticeable uptick in C&E in 2012 relative to current spending. So all of that gets taken into account when we look at the share repurchase decision.

Paul Sankey - *Deutsche Bank - Analyst*

Okay. I realize it's 11:58 so I'll hop off. Thanks.

Operator

Allen Good, Morningstar.

Allen Good - *Morningstar - Analyst*

Good morning. Just had a question on -- you mentioned the Duvernay. I was just questioning any other activity, as far as unconventional, in the lower 48 or even in Canada as far as acreage adds go during the quarter.

Pat Yarrington - *Chevron Corporation - VP & CFO*

Not during the quarter, no. We've continued to add significantly in unconventional properties over the course of the last 12 and 18 months, and we've been pretty descriptive about what all those properties were. I think some 15 million acres in total added over that period of time for all acreage, of which certainly the unconventional gas is a portion of that.

Allen Good - *Morningstar - Analyst*

Okay. And then just one for Mike. It looks like last week California regulators voted to move ahead with some sort of carbon market in California by 2013. I am just wondering what you see as the impact for Chevron there. ()Is there going to be increased costs or is that going to be something that is going to be passed along to the consumer?

Mike Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

It's a great question. California has decided to go it alone, or largely alone here, on climate change. The benchmark calculations are still not clear. The first compliance period is 2013 through 2014. Transportation fuels are not included in the first compliance period, which is where a real consumer pass-through issue will absolutely exist.

And so at this point, I think in the early portion of the program, we feel like because we have very efficient facilities and have invested in energy efficiency that we can manage our way through the beginning. But I have to tell you just a few facts.

California energy prices are some of the highest in the nation, whether you are talking about electricity or fuels. By policy this is designed to drive prices higher and at some point businesses have to confront that, as do the consumers of those businesses' products. And in a state where the economy is challenged, where employment is challenged, and with a fiscal situation that is unsustainable I think the effects here are predictable.

And so we're on a policy path in California that I think is going to need to be addressed by policy makers over time.

Allen Good - *Morningstar - Analyst*

Okay. Thanks for that commentary.

Pat Yarrington - *Chevron Corporation - VP & CFO*

I think we have got time for one last question here.

Operator

Pavel Molchanov, Raymond James.

Pavel Molchanov - *Raymond James - Analyst*

Very quick one if I may. I believe the last resource estimate for the Wheatstone fields was given back in 2008. Given the discoveries since then, I am curious what kind of color you can give on the current resource base.

Pat Yarrington - *Chevron Corporation - VP & CFO*

Pavel, I don't have a number handy. Again, I hate to -- next time I come into the call I'll bring that slide. There is a slide that George showed that talked about the entire Australian resource opportunity. I just have to refer you to that.

We will update that slide come March because we have had additional success but I don't have a specific number for you here today.

Pavel Molchanov - *Raymond James - Analyst*

Understood.

Pat Yarrington - *Chevron Corporation - VP & CFO*

Okay. Thank you very much. I think that concludes our discussion here this morning. Let me thank everybody for their participation on the call today. I want to thank particularly those who asked questions, because I think it enlarges the debate and the understanding for everybody.

So thank you, everyone, I appreciate your interest in Chevron.

Operator

Thank you. Ladies and gentlemen, this concludes Chevron's third quarter 2011 earnings conference call. You may now disconnect.