UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2005

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-368-2

ChevronTexaco Corporation

(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**94-0890210** *(I.R.S. Employer Identification Number)*
6001 Bollinger Canyon Road, San Ramon, California *(Address of principal executive offices)*	**94583** *(Zip Code)*

Registrant's telephone number, including area code: (925) 842-1000

NONE
(Former name or former address, if changed since last report.)

Indicate by check mark whether the registrant (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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☑ No o

Indicate the number of shares of each of the issuer's classes of common stock, as of the latest practicable date:

Class	**Outstanding as of March 31, 2005**
Common stock, $.75 par value	2,098,220,174

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CAUTIONARY STATEMENTS RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This quarterly report on Form 10-Q of ChevronTexaco Corporation contains forward-looking statements relating to ChevronTexaco's operations that are based on management's current expectations, estimates and projections about the petroleum, chemicals and other energy-related industries. Words such as "anticipates," "expects," "intends," "plans," "targets," "projects," "believes," "seeks," "schedules," "estimates" and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Unless legally required, ChevronTexaco undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the factors that could cause actual results to differ materially are crude oil and natural gas prices; refining margins and marketing margins; chemicals prices and competitive conditions affecting supply and demand for aromatics, olefins and additives products; actions of competitors; the competitiveness of alternate energy sources or product substitutes; technological developments; the results of operations and financial condition of equity affiliates; the ability to successfully consummate the proposed acquisition of Unocal Corporation and successfully integrate the operations of both companies; inability or failure of the company's joint-venture partners to fund their share of operations and development activities; potential failure to achieve expected net production from existing and future crude oil and natural gas development projects; potential delays in the development, construction or start-up of planned projects; potential disruption or interruption of the company's net production or manufacturing facilities due to war, accidents, political events, civil unrest or severe weather; potential liability for remedial actions under existing or future environmental regulations and litigation; significant investment or product changes under existing or future environmental regulations and litigation (including, particularly, regulations and litigation dealing with gasoline composition and characteristics); potential liability resulting from pending or future litigation; the company's acquisition or disposition of assets; the effects of changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; and the factors set forth under the heading "Risk Factors" in the company's Annual Report on Form 10-K. In addition, such statements could be affected by general domestic and international economic and political conditions. Unpredictable or unknown factors not discussed herein also could have material adverse effects on forward-looking statements.

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PART I.

FINANCIAL INFORMATION

Item 1. ***Consolidated Financial Statements***

CHEVRONTEXACO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three Months Ended March 31, 2005	2004
	(Millions of dollars, except per-share amounts)	
Revenues and Other Income		
Sales and other operating revenues(1)(2)	**$ 40,441**	$ 33,063
Income from equity affiliates	**889**	444
Other income	**277**	138
Total Revenues and Other Income	**41,607**	33,645
Costs and Other Deductions		
Purchased crude oil and products(2)	**26,491**	20,027
Operating expenses	**2,469**	2,167
Selling, general and administrative expenses	**999**	1,021
Exploration expenses	**153**	85
Depreciation, depletion and amortization	**1,334**	1,190
Taxes other than on income(1)	**5,126**	4,765
Interest and debt expense	**107**	93
Minority interests	**21**	22
Total Costs and Other Deductions	**36,700**	29,370
Income From Continuing Operations Before Income Tax Expense	**4,907**	4,275
Income Tax Expense	**2,230**	1,724
Income From Continuing Operations	**2,677**	2,551
Income From Discontinued Operations	**—**	11
Net Income	**$ 2,677**	$ 2,562
Per Share of Common Stock(3):		
Income From Continuing Operations		
— Basic	**$ 1.28**	$ 1.21
— Diluted	**$ 1.28**	$ 1.20
Income From Discontinued Operations		
— Basic	**$ —**	$ —
— Diluted	**$ —**	$ —
Net Income		
— Basic	**$ 1.28**	$ 1.21
— Diluted	**$ 1.28**	$ 1.20
Dividends	**$ 0.40**	$ 0.36
Weighted Average Number of Shares Outstanding (000s)		
— Basic	**2,090,609**	2,126,735
— Diluted	**2,099,899**	2,130,735
(1) Includes consumer excise taxes:	**$ 2,116**	$ 1,857
(2) Includes amounts in revenues for buy/sell contracts (associated costs are in “Purchased crude oil and products”). See Note 15 starting on page 18:	**$ 5,290**	$ 4,256
(3) 2004 restated to reflect a two-for-one stock split effected as a 100 percent stock dividend in September 2004		

See accompanying notes to consolidated financial statements.

CHEVRONTEXACO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(Millions of dollars)	
Net Income	**$ 2,677**	$ 2,562
Currency translation adjustment	**(3)**	1
Unrealized holding (loss) gain on securities	**(33)**	7
Net derivatives gain on hedge transactions		
Before income taxes	**10**	4
Income taxes	**(2)**	(2)
Total	**8**	2
Minimum pension liability adjustment	**1**	—
Other Comprehensive (Loss) Gain, Net of Tax	**(27)**	10
Comprehensive Income	**$ 2,650**	$ 2,572

See accompanying notes to consolidated financial statements.

CHEVRONTEXACO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Unaudited)

	At March 31, 2005	At December 31, 2004
	(Millions of dollars, except per-share amounts)	
ASSETS		
Cash and cash equivalents	$ **10,687**	$ 9,291
Marketable securities	**1,164**	1,451
Accounts and notes receivable, net	**13,665**	12,429
Inventories:		
Crude oil and petroleum products	**2,455**	2,324
Chemicals	**179**	173
Materials, supplies and other	**462**	486
Total inventories	**3,096**	2,983
Prepaid expenses and other current assets	**2,547**	2,349
Total Current Assets	**31,159**	28,503
Long-term receivables, net	**1,391**	1,419
Investments and advances	**14,547**	14,389
Properties, plant and equipment, at cost	**104,739**	103,954
Less: accumulated depreciation, depletion and amortization	**60,524**	59,496
Properties, plant and equipment, net	**44,215**	44,458
Deferred charges and other assets	**4,196**	4,277
Assets held for sale	**295**	162
Total Assets	$ **95,803**	$ 93,208
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt	$ **624**	$ 816
Accounts payable	**11,821**	10,747
Accrued liabilities	**2,805**	3,410
Federal and other taxes on income	**2,966**	2,502
Other taxes payable	**1,458**	1,320
Total Current Liabilities	**19,674**	18,795
Long-term debt	**10,191**	10,217
Capital lease obligations	**231**	239
Deferred credits and other noncurrent obligations	**8,171**	7,942
Noncurrent deferred income taxes	**7,454**	7,268
Reserves for employee benefit plans	**3,325**	3,345
Minority interests	**165**	172
Total Liabilities	**49,211**	47,978
Preferred stock (authorized 100,000,000 shares, $1.00 par value, none issued)	**—**	—
Common stock (authorized 4,000,000,000 shares, $.75 par value, 2,274,032,014 shares issued at March 31, 2005, and December 31, 2004)	**1,706**	1,706
Capital in excess of par value	**4,199**	4,160
Retained earnings	**47,258**	45,414
Accumulated other comprehensive loss	**(346)**	(319)
Deferred compensation and benefit plan trust	**(494)**	(607)
Treasury stock, at cost (175,811,840 and 166,911,890 shares at March 31, 2005, and December 31, 2004, respectively)	**(5,731)**	(5,124)
Total Stockholders' Equity	**46,592**	45,230
Total Liabilities and Stockholders' Equity	$ **95,803**	$ 93,208

See accompanying notes to consolidated financial statements.

CHEVRONTEXACO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(Millions of dollars)	
Operating Activities		
Net income	**$ 2,677**	$ 2,562
Adjustments		
Depreciation, depletion and amortization	**1,334**	1,190
Dry hole expense	**60**	33
Distributions less than income from equity affiliates	**(210)**	(299)
Net before-tax gains on asset retirements and sales	**(144)**	(91)
Net foreign currency losses	**10**	12
Deferred income tax provision	**175**	242
Net (increase) decrease in operating working capital	**(332)**	209
Minority interest in net income	**21**	22
(Increase) decrease in long-term receivables	**(4)**	37
Decrease in other deferred charges	**73**	470
Cash contributions to employee pension plans	**(63)**	(549)
Other	**149**	(361)
Net Cash Provided by Operating Activities	**3,746**	3,477
Investing Activities		
Capital expenditures	**(1,310)**	(1,354)
Proceeds from asset sales	**297**	381
Net sales (purchases) of marketable securities	**287**	(22)
Repayment of loans by equity affiliates	**37**	14
Net Cash Used for Investing Activities	**(689)**	(981)
Financing Activities		
Net payments of short-term obligations	**(72)**	(3)
Repayments of long-term debt	**(12)**	(141)
Cash dividends	**(836)**	(775)
Dividends paid to minority interests	**(26)**	(2)
Net (purchases) sales of treasury shares	**(568)**	43
Redemption of preferred stock of subsidiary	**(140)**	—
Net Cash Used For Financing Activities	**(1,654)**	(878)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(7)**	(26)
Net Change in Cash and Cash Equivalents	**1,396**	1,592
Cash and Cash Equivalents at January 1	**9,291**	4,266
Cash and Cash Equivalents at March 31	**$ 10,687**	$ 5,858

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Interim Financial Statements

The accompanying consolidated financial statements of ChevronTexaco Corporation and its subsidiaries (the company) have not been audited by independent accountants. In the opinion of the company's management, the interim data include all adjustments necessary for a fair statement of the results for the interim periods. These adjustments were of a normal recurring nature, except for the item described in Note 2.

Certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the company's 2004 Annual Report on Form 10-K.

The results for the three-month period ended March 31, 2005, are not necessarily indicative of future financial results.

Note 2. Net Income

Net income for the first quarter 2005 was $2.7 billion, compared with $2.6 billion in the 2004 first quarter. Included in the 2004 results were a special-item charge of $55 million for a litigation matter and income from discontinued operations of $11 million. Information for discontinued operations is discussed in Note 5.

Foreign currency effects reduced earnings by $21 million and $43 million in the 2005 and 2004 periods, respectively.

Note 3. Agreement to Acquire Unocal

On April 4, 2005, ChevronTexaco announced plans to acquire Unocal Corporation (Unocal) in a stock and cash transaction valued at approximately $16.5 billion for accounting purposes under FAS 141, *"Business Combinations."* The acquisition is subject to approvals by certain regulatory agencies and Unocal shareholders. For additional information on this planned acquisition, refer to the company's Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on April 7, 2005.

Note 4. Common Stock Split

On July 28, 2004, the company's Board of Directors approved a two-for-one stock split in the form of a stock dividend to the company's stockholders of record on August 19, 2004, with distribution of shares on September 10, 2004. The total number of authorized common shares and associated par value were unchanged by this action. All per-share amounts in the financial statements reflect the stock split for the periods presented.

Note 5. Assets Held for Sale and Discontinued Operations

At March 31, 2005, and December 31, 2004, the company classified $295 million and $162 million, respectively, of net properties, plant and equipment as "Assets held for sale" on the Consolidated Balance Sheet. Assets in this category at the end of both periods consist of service stations outside of the United States. These assets are expected to be disposed of in 2005.

Summarized income statement information relating to discontinued operations is as follows:

	Three Months Ended March 31,	
	2005	**2004**
	(Millions of dollars)	
Revenues and other income	$ —	$ 114
Income from discontinued operations before income tax expense	—	21
Income from discontinued operations, net of tax	—	11

No significant gains or losses were recorded for the held-for-sale assets, including those accounted for as discontinued operations, in the 2004 and 2005 first quarters. Revenues and earnings in the comparative periods associated with held-for-sale assets not accounted for as discontinued operations were likewise insignificant.

Not all assets sold or to be disposed of are classified as discontinued operations, mainly because the cash flows from the assets were not or will not be eliminated from the ongoing operations of the company.

Note 6. Information Relating to the Statement of Cash Flows

The "Net (increase) decrease in operating working capital" was composed of the following operating changes:

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(Millions of dollars)	
Increase in accounts and notes receivable	**$ (1,288)**	$ (1,432)
Increase in inventories	**(113)**	(254)
Increase in prepaid expenses and other current assets	**(181)**	(22)
Increase in accounts payable and accrued liabilities	**620**	886
Increase in income and other taxes payable	**630**	1,031
Net (increase) decrease in operating working capital	**$ (332)**	$ 209

"Net Cash Provided by Operating Activities" included the following cash payments for interest on debt and for income taxes:

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(Millions of dollars)	
Interest on debt (net of capitalized interest)	**$ 125**	$ 114
Income taxes	**1,520**	499

The "Net sales (purchases) of marketable securities" consisted of the following gross amounts:

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(Millions of dollars)	
Marketable securities purchased	**$ (250)**	$ (353)
Marketable securities sold	**537**	331
Net sales (purchases) of marketable securities	**$ 287**	$ (22)

The "Net (purchases) sales of treasury shares" in 2005 included share repurchases of $708 million related to the company's common stock repurchase program, which began in the second quarter 2004. These purchases were partially offset by the issuance of shares for the exercise of stock options.

The major components of "Capital expenditures" and the reconciliation of this amount to the capital and exploratory expenditures, including equity affiliates, presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" are presented in the following table:

	Three Months Ended March 31, 2005	2004
	(Millions of dollars)	
Additions to properties, plant and equipment	**$ 1,202**	$ 1,222
Additions to investments	**81**	142
Current year dry hole expenditures	**42**	20
Payments for other liabilities and assets, net	**(15)**	(30)
Capital expenditures	**1,310**	1,354
Other exploration expenditures	**93**	51
Capital and exploratory expenditures, excluding equity affiliates	**$ 1,403**	$ 1,405
Equity in affiliates' expenditures	**293**	277
Capital and exploratory expenditures, including equity affiliates	**$ 1,696**	$ 1,682

Note 7. Operating Segments and Geographic Data

Although each subsidiary of ChevronTexaco is responsible for its own affairs, ChevronTexaco Corporation manages its investments in these subsidiaries and their affiliates. For this purpose, the investments are grouped as follows: upstream — exploration and production; downstream — refining, marketing and transportation; chemicals; and all other. The first three of these groupings represent the company's "reportable segments" and "operating segments" as defined in FAS 131, *"Disclosures about Segments of an Enterprise and Related Information."*

The segments are separately managed for investment purposes under a structure that includes "segment managers" who report to the company's "chief operating decision maker" (CODM) (terms as defined in FAS 131). The CODM is the company's Executive Committee, a committee of senior officers that includes the chief executive officer, and which in turn reports to the Board of Directors of ChevronTexaco Corporation.

The operating segments represent components of the company as described in FAS 131 terms that engage in activities (a) from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the CODM to make decisions about resources to be allocated to the segment and to assess its performance; and (c) for which discrete financial information is available.

Segment managers for the reportable segments are directly accountable to, and maintain regular contact with, the company's CODM to discuss the segment's operating activities and financial performance. The CODM approves annual capital and exploratory budgets at the reportable segment level. However, business-unit managers within the operating segments are directly responsible for decisions relating to project implementation and all other matters connected with daily operations. Company officers who are members of the Executive Committee also have individual management responsibilities and participate on other committees for purposes other than acting as the CODM.

"All Other" activities include the company's interest in Dynegy Inc. (Dynegy), coal mining operations, power generation businesses, worldwide cash management and debt financing activities, corporate administrative functions, insurance operations, real estate activities and technology companies.

The company's primary country of operation is the United States of America, its country of domicile. Other components of the company's operations are reported as "international" (outside the United States).

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Segment Earnings. The company evaluates the performance of its operating segments on an after-tax basis, without considering the effects of debt financing interest expense or investment interest income, both of which are managed by the company on a worldwide basis. Corporate administrative costs and assets are not allocated to the operating segments. However, operating segments are billed for the direct use of corporate services. Nonbillable costs remain at the corporate level in "All Other." Income from continuing operations by operating segment for the three-month periods ended March 31, 2005 and 2004, is presented in the following table:

Segment Income

	Three Months Ended March 31,	
	2005	2004
	(Millions of dollars)	
Income from Continuing Operations		
Upstream — Exploration and Production		
United States	**$ 767**	$ 854
International	**1,612**	1,120
Total Exploration and Production	**2,379**	1,974
Downstream — Refining, Marketing and Transportation		
United States	**58**	276
International	**351**	364
Total Refining, Marketing and Transportation	**409**	640
Chemicals		
United States	**129**	49
International	**8**	25
Total Chemicals	**137**	74
Total Segment Income	**2,925**	2,688
All Other		
Interest Expense	**(75)**	(59)
Interest Income	**54**	21
Other	**(227)**	(99)
Income from Continuing Operations	**2,677**	2,551
Income from Discontinued Operations	**—**	11
Net Income	**$ 2,677**	$ 2,562

Segment Assets. Segment assets do not include intercompany investments or intercompany receivables. "All Other" assets consist primarily of worldwide cash, cash equivalents and marketable securities, real estate, information systems, the company's investment in Dynegy, coal mining operations, power generation businesses, technology companies and assets of the corporate administrative functions. Segment assets at March 31, 2005, and December 31, 2004 follow:

Segment Assets

	At March 31, 2005	At December 31, 2004
	(Millions of dollars)	
Upstream — Exploration and Production		
United States	**$ 11,848**	$ 11,869
International	**31,586**	31,239
Total Exploration and Production	**43,434**	43,108
Downstream — Refining, Marketing and Transportation		
United States	**10,527**	10,091
International	**20,281**	19,415
Total Refining, Marketing and Transportation	**30,808**	29,506
Chemicals		
United States	**2,455**	2,316
International	**664**	667
Total Chemicals	**3,119**	2,983
Total Segment Assets	**77,361**	75,597
All Other		
United States	**11,878**	11,746
International	**6,564**	5,865
Total All Other	**18,442**	17,611
Total Assets — United States	**36,708**	36,022
Total Assets — International	**59,095**	57,186
Total Assets	**$ 95,803**	$ 93,208

Segment Sales and Other Operating Revenues. Revenues for the upstream segment are derived primarily from the production of crude oil and natural gas, as well as the sale of third-party production of natural gas. Revenues for the downstream segment are derived from the refining and marketing of petroleum products such as gasoline, jet fuel, gas oils, kerosene, lubricants, residual fuel oils and other products derived from crude oil. This segment also generates revenues from the transportation and trading of crude oil and refined products. Revenues for the chemicals segment are derived primarily from the manufacture and sale of additives for lubricants and fuel. "All Other" activities include revenues from coal mining operations, power generation businesses, insurance operations, real estate activities and technology companies.

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Operating segment sales and other operating revenues, including internal transfers, for the three-month periods ended March 31, 2005 and 2004, are presented in the following table. Products are transferred between operating segments at internal product values that approximate market prices.

Sales and Other Operating Revenues

	Three Months Ended March 31,	
	2005	**2004**
	(Millions of dollars)	
Upstream — Exploration and Production		
United States	**$ 4,278**	$ 4,302
International	**4,729**	3,922
Sub-total	**9,007**	8,224
Intersegment Elimination — United States	**(1,816)**	(2,452)
Intersegment Elimination — International	**(2,860)**	(2,083)
Total	**4,331**	3,689
Downstream — Refining, Marketing and Transportation		
United States	**16,608**	13,426
International	**19,143**	15,566
Sub-total	**35,751**	28,992
Intersegment Elimination — United States	**(44)**	(30)
Intersegment Elimination — International	**(9)**	(15)
Total	**35,698**	28,947
Chemicals		
United States	**143**	124
International	**217**	216
Sub-total	**360**	340
Intersegment Elimination — United States	**(52)**	(39)
Intersegment Elimination — International	**(32)**	(26)
Total	**276**	275
All Other		
United States	**213**	209
International	**20**	30
Sub-total	**233**	239
Intersegment Elimination — United States	**(94)**	(86)
Intersegment Elimination — International	**(3)**	(1)
Total	**136**	152
Sales and Other Operating Revenues		
United States	**21,242**	18,061
International	**24,109**	19,734
Sub-total	**45,351**	37,795
Intersegment Elimination — United States	**(2,006)**	(2,607)
Intersegment Elimination — International	**(2,904)**	(2,125)
Total Sales and Other Operating Revenues*	**$ 40,441**	$ 33,063

* Includes buy/sell contracts of $5,290 and $4,256 in the 2005 and 2004 periods, respectively. Substantially all of the amount in each period related to the downstream segment. Refer to Note 15 starting on page 18 for a discussion on the company's accounting for buy/sell contracts.

Note 8. Restructuring and Reorganization Costs

In connection with various reorganizations and restructurings across several businesses and corporate departments, the company recorded before-tax charges of $258 million ($146 million after tax) during the third and fourth quarters of 2003 for estimated termination benefits for approximately 4,500 employees. Nearly half of the liability related to the global downstream segment. Substantially all of the employee reductions are expected to occur by the end of 2005.

Activity for the company's before-tax liability related to reorganizations and restructuring for the first quarter 2005 is summarized in the following table:

	Amount (Millions of dollars)
Balance at January 1, 2005	$ 119
Additions	—
Payments	(38)
Balance at March 31, 2005	$ 81

Substantially all of the balance at March 31, 2005, related to employee severance costs that were part of a presumed ongoing benefit arrangement under applicable accounting rules in FAS 146, *"Accounting for Costs Associated with Exit or Disposal Activities,"* paragraph 8, footnote 7. Therefore, the company accounts for severance costs in accordance with FAS 88, *"Employers' Accounting for Settlements and Curtailments of Defined Pension Plans and for Termination Benefits."* The amount was categorized as a current accrued liability on the Consolidated Balance Sheet and the associated charges during the period were categorized as "Operating expenses" or "Selling, general and administrative expenses" on the Consolidated Statement of Income.

Note 9. Summarized Financial Data — Chevron U.S.A. Inc.

Chevron U.S.A. Inc. (CUSA) is a major subsidiary of ChevronTexaco Corporation. CUSA and its subsidiaries manage and operate most of ChevronTexaco's U.S. businesses. Assets include those related to the exploration and production of crude oil, natural gas and natural gas liquids and those associated with refining, marketing, supply and distribution of products derived from petroleum, other than natural gas liquids, excluding most of the regulated pipeline operations of ChevronTexaco. CUSA also holds ChevronTexaco's investments in the Chevron Phillips Chemical Company LLC (CPChem) joint venture and Dynegy, which are accounted for using the equity method.

	Three Months Ended March 31,	
	2005	2004
	(Millions of dollars)	
Sales and other operating revenues	**$ 29,143**	$ 23,189
Costs and other deductions	**28,422**	21,715
Income from discontinued operations	**—**	6
Net income	**575**	1,023

	At March 31, 2005	At December 31, 2004
	(Millions of dollars)	
Current assets	**$ 25,314**	$ 23,147
Other assets	**19,900**	19,961
Current liabilities	**18,326**	17,044
Other liabilities	**12,819**	12,533
Net equity	**$ 14,069**	$ 13,531
Memo: Total debt	**$ 8,348**	$ 8,349

Note 10. Summarized Financial Data — Chevron Transport Corporation

Chevron Transport Corporation Limited (CTC), incorporated in Bermuda, is an indirect, wholly owned subsidiary of ChevronTexaco Corporation. CTC is the principal operator of ChevronTexaco's international tanker fleet and is engaged in the marine transportation of crude oil and refined petroleum products. Most of CTC's shipping revenue is derived by providing transportation services to other ChevronTexaco companies. ChevronTexaco Corporation has guaranteed this subsidiary's obligations in connection with certain debt securities issued by a third party. Summarized financial information for CTC and its consolidated subsidiaries is presented as follows:

	Three Months Ended March 31, 2005	2004
	(Millons of dollars)	
Sales and other operating revenues	**$ 189**	$ 180
Costs and other deductions	**105**	123
Net income	**28**	53

	At March 31, 2005	At December 31, 2004
	(Millions of dollars)	
Current assets	**$ 512**	$ 292
Other assets	**215**	219
Current liabilities	**145**	67
Other liabilities	**388**	278
Net equity	**$ 194**	$ 166

There were no restrictions on CTC's ability to pay dividends or make loans or advances at March 31, 2005.

Note 11. Income Taxes

Taxes on income from continuing operations for the first quarter 2005 were $2.2 billion, compared with $1.7 billion in last year's first quarter. The associated effective tax rates from continuing operations for the 2005 and 2004 first quarters were 45 percent and 40 percent, respectively.

The effective tax rate for the 2005 period was higher than the rate for the comparable 2004 period primarily as a result of a higher proportion of international upstream taxable income, which is taxed at higher rates than U.S. taxable income.

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Note 12. Stock Options

At March 31, 2005, the company had stock-based compensation plans. The company accounts for these plans under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, *“Accounting for Stock Issued to Employees,”* and related interpretations. The following table illustrates the effect on net income and earnings per share as if the company had applied the fair-value recognition provisions of Financial Accounting Standards Board (FASB) Statement No. 123, *“Accounting for Stock-Based Compensation,”* to stock-based employee compensation:

	Three Months Ended March 31,	
	2005	2004
	(Millions of dollars)	
Net income, as reported	**$ 2,677**	$ 2,562
Add: Stock-based employee compensation expense included in reported net income determined under APB No. 25, net of related tax effects	**3**	—
Deduct: Total stock-based employee compensation expense determined under fair-value-based method for awards, net of related tax effects(1)	**(13)**	(6)
Pro forma net income	**$ 2,667**	$ 2,556
Net income per share(2):		
Basic — as reported	**$ 1.28**	$ 1.21
Basic — pro forma	**$ 1.27**	$ 1.21
Diluted — as reported	**$ 1.28**	$ 1.20
Diluted — pro forma	**$ 1.27**	$ 1.20

(1) The fair value is estimated using the Black-Scholes option-pricing model for stock options. Stock appreciation rights are estimated based on the method outlined in SFAS 123 for these instruments.

(2) 2004 restated to reflect a two-for-one stock split effected as a 100 percent stock dividend in September 2004.

Note 13. Employee Benefits

The company has defined benefit pension plans for many employees and provides for certain health care and life insurance plans for some active and qualifying retired employees. The company typically funds those defined benefit plans only if funding is legally required. In the United States, this includes all qualified tax-exempt plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) minimum funding standard. The company does not typically fund domestic nonqualified tax-exempt pension plans that are not subject to legal funding requirements because contributions to these pension plans may be less economic and investment returns may be less attractive than the company’s other investment alternatives.

The company shares the cost of retiree medical coverage with retirees. The increase to the company contributions for retiree medical coverage is limited to no more than 4 percent each year. Certain life insurance benefits are paid by the company and annual contributions reflect actual plan experience.

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The components of net periodic benefit costs for the first quarters of 2005 and 2004 were:

	Three Months Ended March 31,	
	2005	2004
	(Millions of dollars)	
Pension Benefits		
United States		
Service cost	**$ 45**	$ 42
Interest cost	**91**	82
Expected return on plan assets	**(103)**	(87)
Amortization of prior-service costs	**11**	11
Recognized actuarial losses	**40**	28
Settlement losses	**23**	20
Total United States	**107**	96
International		
Service cost	**23**	17
Interest cost	**54**	43
Expected return on plan assets	**(56)**	(41)
Amortization of prior-service costs	**4**	4
Recognized actuarial losses	**14**	13
Total International	**39**	36
Net Periodic Pension Benefit Costs	**$ 146**	$ 132
Other Benefits*		
Service cost	**$ 7**	$ 8
Interest cost	**39**	46
Amortization of prior-service costs	**(22)**	(1)
Recognized actuarial losses	**23**	7
Net Periodic Other Benefit Costs	**$ 47**	$ 60

* Includes costs for U.S. and international other postretirement benefit plans. Obligations for plans outside the U.S. are not significant relative to the company's total other postretirement benefit obligation.

At the end of 2004, the company estimated it would contribute $400 million to employee pension plans during 2005 (composed of $250 million for the U.S. plans and $150 million for the international plans). Through March 31, 2005, a total of $63 million was contributed (approximately $50 million to the U.S. plans). Estimated contributions for the full year continue to be $400 million, but the company may contribute an amount that differs from this estimate. Actual contribution amounts are dependent upon investment returns, changes in pension obligations, regulatory environments and other economic factors. Additional funding may ultimately be required if investment returns are insufficient to offset increases in plan obligations.

During the first quarter 2005, the company contributed $55 million to its other postretirement benefit plans. The company anticipates contributing $165 million during the remainder of 2005.

Note 14. Accounting For Suspended Exploratory Wells

In April 2005, the FASB issued a FASB Staff Position (FSP) FAS 19-1, *"Accounting for Suspended Well Costs"* that amends FAS 19, *"Financial Accounting and Reporting by Oil and Gas Producing Companies."* The company has elected early application of this guidance with the first quarter 2005 financial statements.

Under the provisions of the FSP FAS 19-1, exploratory well costs continue to be capitalized after the completion of drilling when (a) the well has found a sufficient quantity of reserves to justify completion as a producing well and (b) the enterprise is making sufficient progress assessing the reserves and the economic and operating viability of the project. If either condition is not met, or if an enterprise obtains information that raises substantial doubt about the economic or operational viability of the project, the exploratory well would be assumed to be impaired, and its costs, net of any salvage value, would be charged to expense. The FSP provides a number of indicators that can assist an entity to demonstrate sufficient progress is being made in assessing the reserves and economic viability of the project.

The following table indicates the changes to the company's suspended exploratory well costs for the three-month period ended March 31, 2005 and for the year ended December 31, 2004:

	Three Months Ended March 31, 2005	Year Ended December 31, 2004
	(Millions of dollars)	
Balance at beginning of period	**$ 671**	$ 549
Capitalized exploratory well costs charged to expense upon the adoption of FSP FAS 19-1	**—**	—
Additions to capitalized exploratory well costs pending the determination of proved reserves	**75**	252*
Reclassifications to wells, facilities and equipment based on the determination of proved reserves	**—**	(64)
Capitalized exploratory well costs charged to expense	**—**	(66)*
Balance at end of period	**$ 746**	$ 671

* Amount revised by $10 million from that reported in the company's 2004 Annual Report on Form 10-K due to changes between the draft FSP FAS 19-a and the final FSP FAS 19-1. The final FSP directs that costs suspended and expensed in the same annual period not be included in this analysis.

The following table provides an aging of capitalized well costs, based on the date the drilling was completed, and the number of projects for which exploratory well costs were capitalized for a period greater than one year since the completion of drilling:

	At March 31, 2005	At December 31, 2004
	(Millions of dollars)	
Exploratory well costs capitalized for a period of one year or less	**$ 294**	$ 222
Exploratory well costs capitalized for a period greater than one year	**452**	449
Balance at end of period	**$ 746**	$ 671
Number of projects with exploratory well costs that have been capitalized for a period greater than one year	**24**	22

Of the $746 million of total suspended costs at March 31, 2005, approximately $310 million related to 21 projects in areas requiring a major capital expenditure before production could begin and for which additional drilling efforts were not under way or firmly planned for the near future. Additional drilling was not deemed necessary because the presence of hydrocarbons had already been established, and other activities were in process to enable a future decision on project development. The $436 million balance related to wells in areas for which drilling was under way or firmly planned for the near future.

Of the $310 million referenced above, the amount capitalized in 2005 was approximately $20 million (4 projects). The $290 million balance was composed of approximately $50 million for well costs suspended in 2004 (6 projects) and $240 million suspended prior to 2004 (11 projects). The projects for the $240 million

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had the following activities associated with assessing the reserves and the projects' economic viability: (a) $75 million — discussions of joint development with an operator in an adjacent field and selection of subsurface and development plans, with front-end engineering and design (FEED) expected to begin in 2005 (one project); (b) $63 million — negotiations with contractors for FEED, negotiations with partners on equity alignment and negotiations with potential customers for natural gas (2 projects); (c) $42 million — continuation of work on FEED and finalization on all commercial terms (one project); (d) $20 million — award of detailed engineering and design contracts expected by early 2006 and discussions with host government (one project); and (e) $40 million — miscellaneous activities for projects with smaller amounts suspended. Progress is being made on all projects in this category, and the decision on the recognition of proved reserves under SEC rules in some cases may not occur for several years because of the complexity, scale and negotiations connected with the projects. The majority of these decisions are expected to occur in the next three years.

The $452 million of suspended well costs capitalized for a period greater than one year as of March 31, 2005 represents 40 exploratory wells in 24 projects. The table below contains the aging of these costs on a well and a project basis:

Exploratory well costs capitalized greater than one year:

	Millions of Dollars	Number of Wells
Aging based on drilling completion date of individual wells:		
1994 through 1999	$ 68	9
2000 through first quarter 2004	384	31
Total	$ 452	40

	Millions of Dollars	Number of Projects
Aging based on drilling completion date of last well in project:		
1998	$ 50	1
2000 through first quarter 2005	402	23
Total	$ 452	24

Note 15. Accounting for Buy/ Sell Contracts

In the first quarter 2005, the SEC issued comment letters to ChevronTexaco and other companies in the oil and gas industry requesting disclosure of information related to the accounting for buy/sell contracts. Under a buy/sell contract, a company agrees to buy a specific quantity and quality of a commodity to be delivered at a specific location while simultaneously agreeing to sell a specified quantity and quality of a commodity at a different location to the same counterparty. Physical delivery occurs for each side of the transaction, and the risk and reward of ownership are evidenced by title transfer, assumption of environmental risk, transportation scheduling, credit risk, and risk of nonperformance by the counterparty. Both parties settle each side of the buy/sell through separate invoicing.

The company routinely has buy/sell contracts, primarily in the United States downstream business, associated with crude oil and refined products. For crude oil, these contracts are used to facilitate the company's crude oil marketing activity, which includes the purchase and sale of crude oil production, fulfillment of the company's supply arrangements as to physical delivery location and crude oil specifications, and purchase of crude oil to supply the company's refining system. For refined products, buy/sell arrangements are used to help fulfill the company's supply agreements to customer locations and specifications.

The company accounts for buy/sell transactions in the Consolidated Statement of Income the same as any other monetary transaction for which title passes, and the risks and rewards of ownership are assumed by the counterparties. At issue with the SEC is whether the accounting for buy/sell contracts should be shown net on the income statement and accounted for under the provisions of Accounting Principles Board (APB) Opinion No. 29, *"Accounting for Nonmonetary Transactions"* (APB 29). The company understands that others in the oil and gas industry may report buy/sell transactions on a net basis in the income statement rather than gross.

The topic is under deliberation by the Emerging Issues Task Force (EITF) of the FASB as Issue No. 04-13, *"Accounting for Purchases and Sales of Inventory with the Same Counterparty."* The EITF first discussed this issue in November 2004 and again in March 2005 when tentative conclusions were reached on the accounting for nonmonetary exchanges of inventory. Additional research is being performed by the FASB staff to explore circumstances under which two or more inventory transactions with the same counterparty (counterparties) should be viewed as a single nonmonetary transaction. This topic will be discussed again at a future EITF meeting. While this issue is under deliberation, the SEC staff directed ChevronTexaco and other companies in its first quarter 2005 comment letters to disclose on the face of the income statement the amounts associated with buy/sell contracts and to discuss in a footnote to the financial statements the basis for the underlying accounting.

With regard to the latter, the company's accounting treatment for buy/sell contracts is based on the view that such transactions are monetary in nature. Monetary transactions are outside the scope of APB 29. The company believes its accounting is also supported by the indicators of gross reporting of purchases and sales in paragraph 3 of EITF Issue No. 99-19, *"Reporting Revenue Gross as a Principal versus Net as an Agent."* Additionally, FASB Interpretation No. 39, *"Offsetting of Amounts Related to Certain Contracts"* (FIN 39), prohibits a receivable from being netted against a payable when the receivable is subject to credit risk unless a right of offset exists that is enforceable by law. The company also views netting the separate components of buy/sell contracts in the income statement to be inconsistent with the gross presentation that FIN 39 requires for the resulting receivable and payable on the balance sheet.

The company's buy/sell transactions are also similar to the "barrel back" example used in other accounting literature, including EITF Issue No. 03-11, *"Reporting Realized Gains and Losses on Derivative Instruments That Are Subject to FASB Statement No. 133 and Not "Held for Trading Purposes' as Defined in Issue No. 02-3"* (which indicates a company's decision to show buy/sell-types of transactions gross on the income statement as being a matter of judgment of the relevant facts and circumstances of the company's activities) and Derivatives Implementation Group (DIG) Issue No. K1, *"Miscellaneous: Determining Whether Separate Transactions Should be Viewed as a Unit."*

The company further notes that the accounting for buy/sell contracts as separate purchases and sales is in contrast to the accounting for other types of contracts typically described by the industry as exchange contracts, which are considered nonmonetary in nature and appropriately shown net on the income statement. Under an exchange contract, for example, one company agrees to exchange refined products in one location for the same quantity of another company's refined products in another location. Upon transfer, the only amounts that may be invoiced are for transportation and quality differentials. Among other things, unlike buy/sell contracts, the obligations of each party to perform under the contract are not independent and the risks and rewards of ownership are not separately transferred.

As shown on the company's Consolidated Statement of Income, "Sales and other operating revenues" for the three-month periods ending March 31, 2005 and 2004, included $5.3 billion and $4.3 billion, respectively, for buy/sell contracts. These revenue amounts associated with buy/sell contracts represent 13 percent of total "Sales and other operating revenues" in each period. Ninety-nine percent of these revenue amounts in each period associated with buy/sell contracts pertain to the company's downstream segment. The costs associated with these buy/sell revenue amounts are included in "Purchased crude oil and products" on the Consolidated Statement of Income in each period.

Note 16. Litigation

MTBE. The company and many other companies in the petroleum industry have used methyl tertiary butyl ether (MTBE) as a gasoline additive.

The company is a party to more than 70 lawsuits and claims, the majority of which involve numerous other petroleum marketers and refiners, related to the use of MTBE in certain oxygenated gasolines and the alleged seepage of MTBE into groundwater. Resolution of these actions may ultimately require the company to correct or ameliorate the alleged effects on the environment of prior release of MTBE by the company or other parties. Additional lawsuits and claims related to the use of MTBE, including personal-injury claims, may be filed in the future.

The company's ultimate exposure related to these lawsuits and claims is not currently determinable, but could be material to net income in any one period. The company does not use MTBE in the manufacture of gasoline in the United States and there are no detectable levels of MTBE in that gasoline.

Note 17. Other Contingencies and Commitments

Income Taxes. The U.S. federal income tax liabilities have been settled through 1996 for ChevronTexaco Corporation (formerly Chevron Corporation), 1997 for ChevronTexaco Global Energy Inc. (formerly Caltex Corporation), and 1991 for Texaco Inc. The company's California franchise tax liabilities have been settled through 1991 for Chevron and 1987 for Texaco.

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

Guarantees. The company and its subsidiaries have certain other contingent liabilities with respect to guarantees, direct or indirect, of debt of affiliated companies or others and long-term unconditional purchase obligations and commitments, throughput agreements and take-or-pay agreements, some of which relate to suppliers' financing arrangements. Under the terms of the guarantee arrangements, generally the company would be required to perform should the affiliated company or third party fail to fulfill its obligations under the arrangements. In some cases, the guarantee arrangements have recourse provisions that would enable the company to recover any payments made under the terms of the guarantees from assets provided as collateral.

Indemnifications. The company provided certain indemnities of contingent liabilities of Equilon and Motiva to Shell Oil Company (Shell) and Saudi Refining Inc. in connection with the February 2002 sale of the company's interests in those investments. The indemnities cover certain contingent liabilities, including those associated with the Unocal patent litigation. The company would be required to perform should the indemnified liabilities become actual losses. Should that occur, the company could be required to make maximum future payments of $300 million. Through March 31, 2005, the company had paid $28 million under these indemnities. Following a recently completed arbitration, Shell was awarded $10 million by an arbitrator. The company expects to receive additional requests for indemnification payments in the future.

The company has also provided indemnities relating to contingent environmental liabilities related to assets originally contributed by Texaco to the Equilon and Motiva joint ventures and environmental conditions that existed prior to the formation of Equilon and Motiva or that occurred during the periods of Texaco's ownership interests in the joint ventures. In general, the environmental conditions or events that are subject to these indemnities must have arisen prior to December 2001. Claims relating to Equilon indemnities must be asserted either as early as February 2007, or no later than February 2009, and claims relating to Motiva must be asserted no later than February 2012. Under the terms of the indemnities, there is no maximum limit on the amount of potential future payments. The company has not recorded any liabilities for possible claims under these indemnities. The company has posted no assets as collateral and has made no payments under these indemnities.

The amounts payable for the indemnities described above are to be net of amounts recovered from insurance carriers and others and net of liabilities recorded by Equilon or Motiva prior to September 30, 2001, for any applicable incident.

Minority Interests. The company has commitments of approximately $165 million related to minority interests in subsidiary companies.

Texaco Capital LLC, a wholly owned finance subsidiary, issued Deferred Preferred Shares, Series C, in December 1995. In February 2005, the company redeemed the last of these shares for approximately $140 million.

Environmental. The company is subject to loss contingencies pursuant to environmental laws and regulations that in the future may require the company to take action to correct or ameliorate the effects on the environment of prior release of chemical or petroleum substances, including MTBE, by the company or other parties. Such contingencies may exist for various sites, including, but not limited to, federal Superfund sites and analogous sites under state laws, refineries, crude oil fields, service stations, terminals, and land development areas, whether operating, closed or divested. These future costs are not fully determinable due to such factors as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions that may be required, the determination of the company's liability in proportion to other responsible parties, and the extent to which such costs are recoverable from third parties.

Although the company has provided for known environmental obligations that are probable and reasonably estimable, the amount of additional future costs may be material to results of operations in the period in which they are recognized. The company does not expect these costs will have a material effect on its consolidated financial position or liquidity. Also, the company does not believe its obligations to make such expenditures have had or will have any significant impact on the company's competitive position relative to other U.S. or international petroleum or chemicals companies.

Global Operations. ChevronTexaco and its affiliates conduct business activities in approximately 180 countries. Areas in which the company and its affiliates have significant operations include the United States, Canada, Australia, the United Kingdom, Norway, Denmark, France, the Partitioned Neutral Zone between Kuwait and Saudi Arabia, Republic of the Congo, Angola, Nigeria, Chad, South Africa, Indonesia, the Philippines, Singapore, China, Thailand, Venezuela, Argentina, Brazil, Colombia, Trinidad and Tobago and South Korea. The company's Caspian Pipeline Consortium (CPC) affiliate operates in Russia and Kazakhstan. The company's Tengizchevroil affiliate operates in Kazakhstan. The company's Chevron Phillips Chemical Company LLC (CPChem) affiliate manufactures and markets a wide range of petrochemicals on a worldwide basis, with manufacturing facilities in the United States, Puerto Rico, Singapore, China, South Korea, Saudi Arabia, Qatar, Mexico and Belgium.

The company's operations, particularly exploration and production, can be affected by changing economic, regulatory and political environments in the various countries in which it operates, including the United States. As has occurred in the past, actions could be taken by host governments to increase public ownership of the company's partially or wholly owned businesses or assets or to impose additional taxes or royalties on the company's operations or both.

In certain locations, host governments have imposed restrictions, controls and taxes, and in others, political conditions have existed that may threaten the safety of employees and the company's continued presence in those countries. Internal unrest, acts of violence or strained relations between a host government and the company or other governments may affect the company's operations. Those developments have, at times, significantly affected the company's related operations and results, and are carefully considered by management when evaluating the level of current and future activity in such countries.

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

One such equity redetermination process has been under way since 1996 for ChevronTexaco's interests in four producing zones at the Naval Petroleum Reserve at Elk Hills in California, for the time when the remaining interests in these zones were owned by the U.S. Department of Energy. A wide range remains for a possible net settlement amount for the four zones. ChevronTexaco currently estimates its maximum possible net before-tax liability at approximately $200 million. At the same time, a possible maximum net amount that could be owed to ChevronTexaco is estimated at about $50 million. The timing of the settlement and the exact amount within this range of estimates are uncertain.

Other Contingencies. ChevronTexaco receives claims from and submits claims to customers, trading partners, U.S. federal, state and local regulatory bodies, host governments, contractors, insurers, and suppliers. The amounts of these claims, individually and in the aggregate, may be significant and take lengthy periods to resolve.

The company and its affiliates also continue to review and analyze their operations and may close, abandon, sell, exchange, acquire or restructure assets to achieve operational or strategic benefits and to improve competitiveness and profitability. These activities, individually or together, may result in gains or losses in future periods.

Note 18. New Accounting Standards

FASB Statement No. 151, "Inventory Costs, an Amendment of ARB No. 43, Chapter 4" (FAS 151) In November 2004, the FASB issued FAS 151 which is effective for the company on January 1, 2006. The standard amends the guidance in Accounting Research Bulletin (ARB) No. 43, Chapter 4, *"Inventory Pricing"* to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and spoilage. In addition, the standard requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The company does not expect the clarification related to abnormal costs to have a significant impact on the company's results of operations or financial position. The company is currently assessing its overhead allocation systems to evaluate the impact of the remaining portion of this standard.

FASB Statement No. 153, "Exchanges of Nonmonetary Assets — An Amendment of APB Opinion No. 29" (FAS 153) In December 2004, the FASB issued FAS 153, which is effective for the company for asset-exchange transactions beginning July 1, 2005. Under APB No. 29, assets received in certain types of nonmonetary exchanges were permitted to be recorded at the carrying value of the assets that were exchanged (i.e., recorded on a carryover basis). As amended by FAS 153, assets received in some circumstances will have to be recorded instead at their fair values. In the past, ChevronTexaco has not engaged in a large number of nonmonetary asset exchanges for significant amounts.

FASB Statement No. 123R, "Share-Based Payment" (FAS 123R) In December 2004, the FASB issued FAS 123R, which requires that compensation costs relating to share-based payments be recognized in the company's financial statements. On March 29, 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107) providing the staff's views on the interaction between FAS 123R and certain SEC rules and regulations and on the valuation of share-based payment arrangements for public companies. The company currently accounts for share-based payments under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees,"* and related interpretations. In April 2005, the SEC extended the implementation date for calendar-year companies to January 1, 2006; however, the company still plans to implement FAS 123R and the guidance in SAB 107 effective July 1, 2005. The impact of adoption is expected to have a minimal impact on the company's results of operations, financial position and liquidity. Refer to Note 12 on page 15, for the company's calculation of the pro forma impact on net income of FAS 123, which would be similar to that under FAS 123R.

FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47) In March 2005, the FASB issued FIN 47, which is effective for the company on December 31, 2005. FIN 47 clarifies that the phrase "conditional asset retirement obligation," as used in FASB Statement No. 143, *"Accounting for Asset Retirement Obligations"* (FAS 143), refers to a legal obligation to perform an asset retirement activity for which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the company. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FAS 143 acknowledges that in some cases, sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The company does not expect that adoption of FIN 47 will have a significant effect on the company's financial position or results of operations.

EITF Issue No. 04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry" (Issue 04-6) In March 2005, the FASB ratified the earlier EITF consensus on Issue 04-6 which is effective for the company on January 1, 2006. Stripping costs are costs of removing overburden and other waste materials to access mineral deposits. The consensus calls for stripping costs incurred once a mine goes into production to be treated as variable production costs that should be considered a component of mineral inventory cost subject to ARB No. 43, *"Restatement and Revision of Accounting Research Bulletins."* Adoption for the company's coal and oil sands operations is not expected to significantly affect the company's financial position or results of operations.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

First Quarter 2005 Compared with First Quarter 2004

Key Financial Results

Income From Continuing Operations by Major Operating Area

	Three Months Ended March 31, 2005	2004
	(Millions of dollars)	
Income from Continuing Operations		
Upstream — Exploration and Production		
United States	**$ 767**	$ 854
International	**1,612**	1,120
Total Upstream	**2,379**	1,974
Downstream — Refining, Marketing and Transportation		
United States	**58**	276
International	**351**	364
Total Downstream	**409**	640
Chemicals	**137**	74
All Other	**(248)**	(137)
Income From Continuing Operations	**2,677**	2,551
Income from Discontinued Operations	**—**	11
Net Income(1)(2)	**$ 2,677**	$ 2,562
(1) Includes special charges:	**$ —**	$ (55)
(2) Includes foreign currency effects:	**$ (21)**	$ (43)

Net income for the first quarter 2005 was $2.7 billion ($1.28 per share — diluted). Net income for the 2004 first quarter was $2.6 billion ($1.20 per share — diluted), which included a special-item charge of $55 million ($0.03 per share — diluted) for a litigation matter and income from discontinued operations of $11 million.

The special item mentioned above is identified separately because of its nature and amount to help explain the changes in net income and segment income between periods and to help distinguish the underlying trends for the company's businesses. In the following discussions, the term "earnings" is defined as net income or segment income.

Upstream earnings in the first quarter 2005 were $2.4 billion, compared with $2 billion in the year–ago quarter. The earnings improvement was due primarily to higher prices for crude oil and natural gas, the benefits of which were partially offset by lower oil-equivalent production than in the 2004 quarter.

Average prices for U.S. crude oil and natural gas liquids increased about 28 percent from the 2004 first quarter to more than $38 per barrel. Internationally, the average price increased 38 percent to approximately $40.

Average prices for U.S. natural gas increased 10 percent between periods to about $5.75 per thousand cubic feet. Internationally, the average natural gas price increased 11 percent to nearly $3.00.

Worldwide net oil-equivalent production in the first quarter of 2005, including volumes produced from oil sands and production under an operating service agreement, declined approximately 7 percent from the first quarter of 2004. Accounting for 6 percentage points of the 7 percent decline were the effects of property sales, cost-recovery and variable-royalty provisions of certain production contracts, and significant damage to certain producing operations in the Gulf of Mexico in the third quarter 2004 as a result of Hurricane Ivan.

Refer to pages 29 through 30 for a further discussion of upstream results in 2005 and 2004.

Downstream earnings were $409 million in the first quarter 2005, down approximately $230 million from the comparative period in 2004. The decline was largely due to the impacts of planned and unplanned downtime at several of the company's refineries. Refer to page 30 for a further discussion of downstream results in 2005 and 2004.

Business Environment and Outlook

ChevronTexaco's current and future earnings depend largely on the profitability of its upstream and downstream business segments. The single biggest factor that affects the results of operations for upstream and downstream is the price of crude oil. Overall earnings trends are typically less affected by results from the company's chemical business and other investments. In some reporting periods, net income can also be affected significantly by special-item gains or charges.

The company's long-term competitive position, particularly given the capital-intensive and commodity-based nature of the industry, is closely associated with the company's ability to invest in projects that provide adequate financial returns and to manage operating expenses effectively. Creating and maintaining an inventory of projects depends on many factors, including obtaining rights to explore, develop and produce hydrocarbons in promising areas, drilling success, the ability to bring long-lead-time capital-intensive projects to completion on budget and schedule, and efficient and profitable operation of mature properties.

The company also continuously evaluates opportunities to dispose of assets that are not key to providing sufficient long-term value and to acquire assets or operations complementary to its asset base to help sustain the company's growth. Asset-disposition and restructuring plans may occur in future periods and result in significant gains or losses.

In early April 2005, the company announced plans to acquire Unocal Corporation for ChevronTexaco common stock and cash in a transaction valued at approximately $16.5 billion. (Refer to Note 3 on page 7 for a discussion of the agreement to acquire Unocal). Unocal's assets complement the company's existing upstream portfolio and ChevronTexaco's long-term strategies to grow profitability in core upstream areas, build new legacy positions and commercialize the company's large undeveloped natural gas resource base. The acquisition is subject to approvals by certain regulatory agencies and Unocal shareholders.

Comments related to earnings trends for the company's major business areas are as follows:

Upstream. Changes in exploration and production earnings align most closely with industry price levels for crude oil and natural gas. Crude oil and natural gas prices are subject to external factors over which the company has no control, including product demand connected with global economic conditions, industry inventory levels, production quotas imposed by the Organization of Petroleum Exporting Countries (OPEC), weather-related damages and disruptions, competing fuel prices, and regional supply interruptions that may be caused by military conflicts, civil unrest or political uncertainty. Moreover, any of these factors could also inhibit the company's production capacity in an affected region. The company monitors developments closely in the countries in which it operates and holds investments and attempts to manage risks in operating its facilities and business.

Longer-term trends in earnings for this segment are also a function of other factors besides price fluctuations, including changes in the company's crude oil and natural gas production levels and the company's ability to find or acquire and efficiently produce crude oil and natural gas reserves. Most of the company's overall capital investment is in its upstream businesses, particularly outside the United States. Investments in upstream projects generally are made well in advance of the start of the associated crude oil and natural gas production.

During 2004, industry price levels for West Texas Intermediate (WTI), a benchmark crude oil, averaged about $41 per barrel. Prices followed an upward trend in the first quarter of 2005, with WTI averaging nearly $50 per barrel, compared with $35 per barrel in the first quarter 2004. In early April 2005, industry price levels for WTI reached record highs above $57 per barrel, then declined to about $50 at the end of the month. These relatively high industry prices reflected, among other things, increased demand for crude oil from strong economic growth, particularly in Asia and the United States, the heightened level of geopolitical uncertainty in many areas of the world and supply concerns in the Middle East and other key producing regions.

During most of 2004 and into 2005, the differential in prices between high quality, light-sweet crude oils, such as the U.S. benchmark WTI, and the heavier crudes was unusually wide. The upward trend in light crude oil prices in 2004 and 2005 reflected the increased demand for light products (i.e., motor gasoline, jet fuel, aviation gasoline and diesel fuel) as all refineries can process these higher quality crudes. However, the demand and price for the heavier crudes were dampened due to the limited number of refineries that were able to process this lower quality feedstock. The company produces heavy crude oil (including volumes under an operating service agreement) in California, Chad, Indonesia, the Partitioned Neutral Zone (between Saudi Arabia and Kuwait), Venezuela and certain fields in Angola and the United Kingdom North Sea.

U.S. benchmark prices for Henry Hub natural gas averaged nearly $6.00 per thousand cubic feet (MCF) for 2004. In the first three months of 2005, the U.S. benchmark natural gas price averaged $6.33 per MCF, compared with $5.61 in the year-ago period. In early April, the Henry Hub spot price reached nearly $7.75 per MCF before falling to about $6.60 per MCF late in the month. Natural gas prices in the United States are typically higher during the winter period, when demand for heating is greatest. Additionally, natural gas price movements depend in part on the adequacy of production and storage levels to meet such demand.

As compared with the supply and demand factors for natural gas in the United States and the resultant trend in the Henry Hub benchmark prices, certain other regions of the world in which the company operates have significantly different supply, demand and regulatory circumstances, typically resulting in significantly lower average sales prices for the company's production of natural gas. (Refer to page 33 for the company's average natural gas prices for the U.S. and international regions.) Additionally, excess supply conditions that exist in certain parts of the world cannot easily serve to mitigate the relatively high-price conditions in the United States and other markets because of the lack of infrastructure and the difficulties in transporting natural gas.

To help address this regional imbalance between supply and demand for natural gas, ChevronTexaco and other companies in the industry are planning increased investment in long-term projects in areas of excess supply to install infrastructure to produce and liquefy natural gas for transport by tanker and investment to regasify the product in markets where demand is strong and supplies are not as plentiful. Due to the significance of the overall investment in these long-term projects, the natural gas sales prices in the areas of excess supply (before the natural gas is transferred to a company-owned or third-party processing facility) are expected to remain well below sales prices for natural gas that is produced much nearer to areas of high demand and that can be transported in existing natural gas pipeline networks (as in the United States).

In the first three months of 2005, the company's net worldwide oil-equivalent production, including volumes produced from oil sands and production under an operating service agreement, declined about 7 percent from the year-ago period. The decrease was largely the result of property sales, production curtailments resulting from damages to producing operations caused by Hurricane Ivan in the third quarter 2004 and lower production in the United States due to normal field declines. International oil-equivalent production declined 2 percent between periods, primarily from the effect of property sales, cost recovery and variable-royalty provisions of certain production contracts.

The level of oil-equivalent production in future periods is uncertain, in part because of production quotas by OPEC and the potential for local civil unrest and changing geopolitics that could cause production disruptions. Approximately 26 percent of the company's net oil-equivalent production in the first three months of 2005, including net barrels from oil sands and production under an operating service agreement, occurred in the OPEC-member countries of Indonesia, Nigeria and Venezuela and in the Partitioned Neutral Zone between Saudi Arabia and Kuwait. Although the company's production level during the first three months of

2005 was not constrained in these areas by OPEC quotas, future production could be affected by OPEC-imposed limitations. Future production levels also are affected by the size and number of economic investment opportunities — including, but not limited to, the planned acquisition of Unocal — and, for new large-scale projects, the time lag between initial exploration and the beginning of production.

In certain onshore areas of Nigeria, approximately 45,000 barrels per day of the company's net production capacity has been shut-in since March 2003 because of civil unrest and damage to production facilities. The company has adopted a phased plan to restore these operations and has begun production-resumption efforts in certain areas. While production in 2005 was not constrained in Nigeria through early May, future OPEC actions could limit the company's ability to produce at capacity.

As a result of damages sustained from Hurricane Ivan in the Gulf of Mexico in September 2004, production in the first quarter 2005 was about 36,000 barrels per day lower than it otherwise would have been. Although most of the residual production that continues to be shut-in as a result of the storm is expected to be back on-line by the end of the second quarter 2005, ongoing facility-related expenditures relating to storm damage are likely to continue throughout the remainder of the year.

Downstream. Refining, marketing and transportation earnings are closely tied to regional demand for refined products and the associated effects on industry refining and marketing margins. The company's core marketing areas are the West Coast of North America, the U.S. Gulf Coast, Latin America, Asia and sub-Saharan Africa.

Specific factors influencing the company's profitability in this segment include the operating efficiencies and expenses of the refinery network, including the effects of any downtime due to planned and unplanned maintenance, refinery upgrade projects and operating incidents. The level of operating expenses can also be affected by the volatility of charter expenses for the company's shipping operations, which are driven by the industry's demand for crude-oil tankers. Factors beyond the company's control include the general level of inflation, especially energy costs to operate the refinery network.

Downstream earnings declined in the first three months of 2005, compared with the year-ago quarter, largely due to the impacts associated with planned and unplanned downtime in the 2005 period at several of the company's refineries, including the effect of the downtime on the company's margin for refined-product sales. Company and industry margin levels may be volatile in the future, depending primarily on price movements for crude oil feedstocks, the demand for refined products, inventory levels, refinery maintenance and mishaps, and other factors.

Chemicals. Earnings in the petrochemical segment are closely tied to global chemical demand, industry inventory levels and plant capacities. Additionally, feedstock and fuel costs, which tend to follow crude oil and natural gas price movements, influence earnings in this segment.

Earnings of $137 million in the first quarter 2005 were up from the year-ago period primarily from the results of the company's 50 percent-owned Chevron Phillips Chemical Company LLC (CPChem) affiliate, which recorded higher margins for commodity chemicals.

Operating Developments

Noteworthy operating developments and events in recent months included the following:

Upstream

- **North America —** Resumed production at the Petronius platform in the Gulf of Mexico in mid-March, following repairs of the significant damage caused by Hurricane Ivan in September 2004. By the end of April, the facility was producing 28,000 net oil-equivalent barrels per day. ChevronTexaco is the operator of Petronius and holds a 50 percent interest.
- **Angola —** Signed key agreements with partners to establish the gas supply, corporate structure and legal and regulatory framework for the multi-billion dollar Angola Liquefied Natural Gas (LNG) project and awarded contracts for front-end engineering and design (FEED) studies. This project will

be designed to help reduce flaring and enable commercialization of some of Angola's vast natural gas resources. At the Sanha Field located in the Block 0 concession, offshore Cabinda province, the company produced first condensate at a total average rate of 6,000 barrels per day. Total production from the 39 percent-owned Sanha and the nearby Bomboco fields is expected to reach a maximum of approximately 100,000 barrels per day of crude oil, condensate and liquefied petroleum gas in 2006.

- **Australia —** Announced an agreement in principle with joint-venture participants to align equity interests in the Greater Gorgon Area, offshore Western Australia. The agreement provides the basis for the combined development of natural gas at Gorgon and nearby gas fields as one project. The company is a significant holder of natural gas resources in the area and will have a 50 percent ownership interest in the licenses for the Greater Gorgon Area.
- **Libya —** Announced a successful bid in Libya's first exploration license round under the Exploration and Production Sharing Agreement IV. The company will be the operator and have a 100 percent interest in onshore Block 177.
- **Nigeria —** Signed a production-sharing contract for Block 1 in the Nigeria-São Tomé e Príncipe Joint Development Zone. The company will be the operator and have a 51 percent interest in the block. For the Agbami Field, the company entered into a $1.1 billion construction contract to build a floating production, storage and offloading (FPSO) vessel. The company also awarded a $1.7 billion engineering, procurement and construction contract for the Escravos gas-to-liquids project.
- **Trinidad and Tobago / Venezuela —** Announced the Manatee 1 natural gas discovery in Block 6d in Trinidad and Tobago waters. This well extends the area of natural gas discovered in Venezuela's Loran Field. The company also signed a letter of intent with Spain's Repsol YPF to pursue with the government of Venezuela new joint development activities in Venezuela's Orinoco Belt.
- **United Kingdom —** Produced first crude oil from the initial development phase of the Clair Field, offshore west of the Shetland Islands. With additional development, the 19 percent-owned project is expected to average total oil-equivalent production of about 60,000 barrels per day by 2006.

Downstream

- **Asset Dispositions —** Continued the marketing and sale of service station sites, with dispositions totaling nearly 1,700 sites from the program's inception in early 2003 through the first quarter of 2005. Also in the quarter, the company sold its interest in an equity affiliate in Dubai UAE and finalized an agreement to sell service stations in Colombia. In April, the company finalized an agreement to sell approximately 120 Texaco-owned service stations in the United Kingdom and also finalized an agreement to sell its service stations in Peru.

Corporate

- **Common Stock Dividends —** Announced a 12.5 percent increase in the quarterly dividend in April, marking the 18th consecutive year of increases to the annual dividend payment.
- **Common Stock Repurchase Program —** Purchased 12.4 million shares of the company's common stock in the open market during the first quarter 2005 at a cost of $708 million. In April, an additional 5.5 million shares were purchased for $311 million. Since the inception in the second quarter 2004 of a targeted $5 billion repurchase program, more than 60 million shares have been repurchased for a total of $3.1 billion.

Results of Operations

Major Business Areas. The following section presents the results of operations for the company's business segments, as well as for the departments and companies managed at the corporate level. (Refer to Note 7 beginning on page 9 for a discussion of the company's "reportable segments," as defined in FAS 131, "*Disclosures about Segments of an Enterprise and Related Information.*")

U.S. Upstream — Exploration and Production

	Three Months Ended March 31,	
	2005	**2004**
	(Millions of dollars)	
Income From Continuing Operations*	**$ 767**	$ 854
Income From Discontinued Operations	**—**	6
Segment Income*	**$ 767**	$ 860
* Includes special charges:	**$ —**	(55)

U.S. exploration and production segment income was $767 million in the first quarter, down $93 million from the 2004 period. An approximate $260 million benefit from higher prices for liquids and natural gas was more than offset by lower production — resulting from property sales, the effects of Hurricane Ivan and normal field declines — and higher depreciation and depletion expense than in the first quarter 2004. The special-item charge of $55 million in the 2004 quarter related to a litigation matter.

The average liquids realization for the first quarter 2005 was $38.68 per barrel, an increase of 28 percent from $30.20 in the year-ago period. The average natural gas realization for the first quarter 2005 was $5.76 per thousand cubic feet, compared with $5.23 in the 2004 quarter.

First quarter 2005 net oil and gas production declined compared with last year's first quarter but was essentially flat compared with the fourth quarter 2004. Net oil-equivalent production in the first quarter 2005 declined 18 percent from a year earlier to 719,000 barrels per day. The lower production in the first quarter 2005 included the effects of about 47,000 barrels per day from property sales and 36,000 barrels per day of production shut in as a result of damages from storms in the third quarter 2004. Absent the effects of property sales and storms, the decline in net oil-equivalent production was approximately 8 percent, mainly as a result of normal field declines that do not typically reverse.

The net liquids component of oil-equivalent production was down 15 percent to 452,000 barrels per day for the quarter. Excluding the effects of property sales and storm damage, first quarter 2005 net liquids production declined about 6 percent from the year-ago period. Net natural gas production in the 2005 quarter averaged 1.6 billion cubic feet per day, down about 22 percent from the 2004 period. Absent the effects of property sales and shut-in production related to storms, net natural gas production in 2005 declined 12 percent from the 2004 first quarter.

International Upstream — Exploration and Production

	Three Months Ended March 31,	
	2005	**2004**
	(Millions of dollars)	
Income From Continuing Operations*	**$ 1,612**	$ 1,120
Income From Discontinued Operations	**—**	5
Segment Income*	**$ 1,612**	$ 1,125
* Includes foreign currency effects	**$ (18)**	$ (20)

International exploration and production segment income increased about $500 million from the year-ago quarter to $1.6 billion. Approximately $600 million of the increase was associated with higher prices for liquids and natural gas, which was partially offset by the effect of lower oil-equivalent production. Net foreign exchange effects lowered earnings $18 million in the 2005 first quarter, about the same amount as last year's quarter.

The average liquids realization for the first quarter 2005 quarter was $40.42 per barrel, an increase of 38 percent from $29.26 in last year's quarter. The average natural gas realization was $2.95 per thousand cubic feet, compared with $2.67 in the 2004 quarter.

Net oil-equivalent production in the first quarter 2005 of 1.7 million barrels per day, which included 138,000 barrels per day from oil sands and production under an operating service agreement, declined about 2 percent from the year-ago period. Excluding the lower production associated with property sales and reduced volumes associated with cost-recovery and variable royalty volumes under certain production agreements, first quarter 2005 net oil-equivalent production increased approximately 3 percent.

The net liquids component of oil-equivalent production for the first quarter 2005, including volumes from oil sands and the operating service agreement, decreased about 2 percent to 1.3 million barrels per day. Excluding the effects of property sales and reduced volumes associated with cost-recovery and variable royalty volumes under certain production agreements, 2005 net liquids production increased about 3 percent from first quarter 2004, primarily from new production in China and Chad and higher production from Venezuela.

Net natural gas production of 2.2 billion cubic feet per day declined 2 percent from the first quarter 2004. Excluding the effects of property sales, first quarter 2005 natural gas production increased 3 percent from the year-ago period, primarily from higher natural gas production in Angola, Australia and Denmark.

U.S. Downstream — Refining, Marketing and Transportation

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(Millions of dollars)	
Segment Income	**$ 58**	$ 276

U.S. refining, marketing and transportation segment income declined $218 million from last year's first quarter. The earnings decline was due primarily to lower refined-product margins for the company's West Coast operations, which were adversely affected by significant planned and unplanned downtime at the company's refineries in El Segundo and Richmond, California. Company margins in the East were modestly higher, despite planned downtime at the company's Pascagoula, Mississippi, refinery. Total operating expenses were higher in the 2005 period, largely due to costs for the refinery maintenance.

Refined-product sales were essentially unchanged at 1.5 million barrels per day in the 2005 first quarter. Branded gasoline sales volumes increased 7 percent from the year-ago quarter to 583,000 barrels per day. The increase in branded gasoline sales was attributable to the reintroduction of the Texaco brand in the Southeast.

International Downstream — Refining, Marketing and Transportation

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(Millions of dollars)	
Segment Income*	**$ 351**	$ 364
* Includes foreign currency effects	**$ 12**	$ (25)

International refining, marketing and transportation segment income decreased $13 million in the first quarter 2005 to $351 million. Excluding foreign currency effects in both periods, earnings declined on lower average margins. Refinery downtime also contributed to the decline.

Total refined-product sales volumes of nearly 2.3 million barrels per day were down 2 percent from the 2004 quarter, primarily on lower sales of fuel oil.

Chemicals

	Three Months Ended March 31, 2005	2004
	(Millions of dollars)	
Segment Income*	**$ 137**	$ 74
* Includes foreign currency effects	**$ (1)**	$ (2)

Chemical operations earned $137 million in the first quarter of 2005, compared with $74 million in the 2004 quarter. Results for the company's 50 percent-owned Chevron Phillips Chemical Company LLC (CPChem) affiliate improved on higher margins for commodity chemicals. Partially offsetting the improved CPChem results was a decline in the earnings of the company's Oronite subsidiary, primarily due to higher feedstock costs, lower sales volumes and costs related to unplanned downtime at the Singapore manufacturing facility.

All Other

	Three Months Ended March 31, 2005	2004
	(Millions of dollars)	
Net Charges*	**$ (248)**	$(137)
* Includes foreign currency effects	**$ (14)**	$4

All Other consists of the company's interest in Dynegy, coal mining operations, power generation businesses, worldwide cash management and debt financing activities, corporate administrative functions, insurance operations, real estate activities and technology companies.

Net charges were $248 million in the first quarter of 2005, compared with $137 million in the corresponding 2004 period. The increase in net charges was associated with higher expenses for certain corporate items and lower Dynegy earnings.

Consolidated Statement of Income

Explanations are provided below of variations between periods for certain income statement categories:

Sales and other operating revenues for the first quarter 2005 were $40 billion, up from $33 billion in last year's quarter. Revenues increased mainly on higher prices for crude oil, natural gas and refined products.

Income from equity affiliates increased $445 million to $889 million in the first quarter 2005. Improved earnings from Tengizchevroil, CPChem, Hamaca and the Caspian Pipeline Consortium were partially offset by lower earnings by Dynegy.

Other income of $277 million was up from $138 million in the 2004 first quarter. The first quarter 2005 period included net gains from the sale of a Canadian upstream equity investment and higher interest income as a result of higher cash and marketable securities balances compared with the year-ago period.

Purchased crude oil and products costs of $26.5 billion in the first quarter 2005 were up from $20.0 billion in the 2004 quarter. The increases between periods were primarily the result of higher prices.

Operating, selling, general and administrative expenses of $3.5 billion in the first quarter 2005 were up from $3.2 billion in the year-ago quarter. The increase included costs associated with refinery downtime and tanker chartering activity.

Exploration expenses were $153 million, compared with $85 million in the year-ago quarter. The increase was associated with well write-offs and geological and geophysical costs.

Depreciation, depletion and amortization expenses were $1.3 billion in the first quarter 2005, compared with $1.2 billion in the first quarter 2004. The increase was mainly the result of higher depreciation rates for certain producing fields worldwide.

Taxes other than on income were $5.1 billion and $4.8 billion in the first quarter of 2005 and 2004, respectively. The increase in 2005 reflected higher international taxes assessed on product values and higher duty rates in the company's European downstream operations.

Interest and debt expense increased $14 million to $107 million in the 2005 first quarter. The modest increase in 2005 reflected lower capitalized interest, as several major projects commenced operation since last year's first quarter.

Income tax expense from continuing operations for the first quarter 2005 was $2.2 billion, compared with $1.7 billion in last year's first quarter. The associated effective tax rates from continuing operations for the 2005 and 2004 first quarters were 45 percent and 40 percent, respectively. The effective tax rate was higher in the 2005 period due to an increase in earnings in countries with higher tax rates.

Information Relating to the Company's Investment in Dynegy

ChevronTexaco owns an approximate 25 percent equity interest in the common stock of Dynegy Inc. — an energy provider engaged in power generation, gathering and processing of natural gas, and the fractionation, storage, transportation and marketing of natural gas liquids.

Investment in Dynegy Common Stock. At March 31, 2005, the carrying value of the company's investment in Dynegy common stock was approximately $110 million. This amount was about $300 million below the company's proportionate interest in Dynegy's underlying net assets. This difference is primarily the result of write-downs of the investment in 2002 for declines in the market value of the common shares below the company's carrying value that were determined to be other than temporary. The difference has been assigned to the extent practicable to specific Dynegy assets and liabilities, based upon the company's analysis of the various factors giving rise to the decline in value of the Dynegy shares. The company's equity share of Dynegy's reported earnings is adjusted quarterly when appropriate to recognize a portion of the difference between these allocated values and Dynegy's historical book values. The market value of the company's investment in Dynegy's common stock at March 31, 2005, was approximately $380 million.

Investment in Dynegy Preferred Stock. The face value of the company's investment in the Dynegy Series C preferred stock at March 31, 2005, was $400 million. The stock is accounted for at its fair value, which was estimated to be $335 million at March 31, 2005. Future temporary changes in the estimated fair values of the preferred stock will be reported in "Other comprehensive income." However, if any future decline in fair value is deemed to be other than temporary, a charge against income in the period would be recorded. Dividends payable on the preferred stock are recognized in income each period.

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Selected Operating Data

The following table presents a comparison of selected operating data:

Selected Operating Data(1)(2)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
U.S. Upstream		
Net Crude Oil and Natural Gas Liquids Production (MBPD)	**452**	531
Net Natural Gas Production (MMCFPD)(3)	**1,600**	2,061
Net Oil-Equivalent Production (MBOEPD)	**719**	875
Natural Gas Sales (MMCFPD)	**4,920**	4,585
Natural Gas Liquids Sales (MBPD)	**172**	182
Revenue from Net Production		
Liquids ($/Bbl.)	**$ 38.68**	$ 30.20
Natural Gas ($/MCF)	**$ 5.76**	$ 5.23
International Upstream		
Net Crude Oil and Natural Gas Liquids Production (MBPD)	**1,195**	1,225
Net Natural Gas Production (MMCFPD)(3)	**2,155**	2,196
Other Produced Volumes (MBPD)(4)	**138**	140
Net Oil-Equivalent Production (MBOEPD)(4)	**1,692**	1,730
Natural Gas Sales (MMCFPD)	**1,868**	1,939
Natural Gas Liquids Sales (MBPD)	**97**	97
Revenue from Liftings		
Liquids ($/Bbl.)	**$ 40.42**	$ 29.26
Natural Gas ($/MCF)	**$ 2.95**	$ 2.67
U.S. and International Upstream		
Net Oil-Equivalent Production (MBOEPD)(3)(4)	**2,411**	2,605
U.S. Downstream — Refining, Marketing and Transportation		
Gasoline Sales (MBPD)(5)	**698**	702
Other Refined Products Sales (MBPD)	**764**	759
Total(6)	**1,462**	1,461
Refinery Input (MBPD)	**855**	926
International Refining, Marketing and Transportation		
Gasoline Sales (MBPD)(5)	**548**	572
Other Refined Products Sales (MBPD)	**1,783**	1,798
Total(6)	**2,331**	2,370
Refinery Input (MBPD)	**1,014**	1,053

(1) Includes equity in affiliates

(2) MBPD — Thousands of barrels per day; MMCFPD — Millions of cubic feet per day; Bbl. — Barrel; MCF — Thousands of cubic feet; Oil-equivalent gas (OEG) conversion ratio is 6,000 cubic feet of natural gas = 1 barrel of crude oil; MBOEPD — Thousands of barrels of oil-equivalent (BOE) per day

(3) Includes natural gas consumed on lease (MMCFD):

	2005	2004
United States	**52**	51
International	**289**	282

(4) Includes (MBPD):

	2005	2004
Athabasca Oil Sands — net	**26**	27
Boscan Operating Service Agreement	**112**	113

(5) Includes branded and unbranded gasoline

(6) Includes volumes for buy/sell contracts (MBPD):

	2005	2004
United States	**85**	98
International	**127**	102

Liquidity and Capital Resources

Cash and cash equivalents and marketable securities totaled $11.9 billion at March 31, 2005, up from $10.7 billion at year-end 2004. Cash provided by operating activities was $3.7 billion in the first three months of 2005. Operating activities in the first three months of 2005 generated funds in excess of the requirements for the company's capital and exploratory program and payment of dividends to stockholders.

Dividends. During the first three months of 2005, the company paid dividends of $836 million to common stockholders.

Debt and Capital Lease Obligations. ChevronTexaco's total debt and capital lease obligations were $11.1 billion at March 31, 2005, down from $11.3 billion at year-end 2004.

The company's debt due within 12 months, consisting primarily of commercial paper and the current portion of long-term debt, totaled $5.4 billion at March 31, 2005, down from $5.6 billion at December 31, 2004. Of these amounts, $4.7 billion was reclassified to long-term at both March 31, 2005, and December 31, 2004. Settlement of these obligations is not expected to require the use of working capital in 2005, as the company has the intent and the ability, as evidenced by committed credit facilities, to refinance them on a long-term basis. The company's practice has been to continually refinance its commercial paper, maintaining levels management believes appropriate. In addition, the company has three existing effective "shelf" registrations on file with the SEC that together would permit additional registered debt offerings up to an aggregate $3.8 billion of debt securities.

At the end of the first quarter 2005, ChevronTexaco had $4.7 billion in committed credit facilities with various major banks, which permitted the refinancing of short-term obligations on a long-term basis. These facilities support commercial paper borrowing and also can be used for general corporate purposes. The company's practice has been to continually replace expiring commitments with new commitments on substantially the same terms, maintaining levels management believes appropriate. Any borrowings under the facilities would be unsecured indebtedness at interest rates based on LIBOR or an average of base lending rates published by specified banks and on terms reflecting the company's strong credit rating. No borrowings were outstanding under these facilities at March 31, 2005.

Texaco Capital LLC, a wholly owned finance subsidiary, issued Deferred Preferred Shares, Series C, in December 1995. In February 2005, the company redeemed the last of these shares for approximately $140 million.

In January 2005, the company contributed $98 million to its employee stock ownership plan (ESOP) to enable it to make a $144 million debt service payment, which included a principal payment of $113 million.

In the second quarter 2004, ChevronTexaco entered into $1 billion of interest rate fixed-to-floating swap transactions. Under the terms of the swap agreements, of which $250 million and $750 million terminate in September 2007 and February 2008, respectively, the net cash settlement will be based on the difference between fixed-rate and floating-rate interest amounts.

ChevronTexaco's senior debt is rated AA by Standard and Poor's Corporation and Aa2 by Moody's Investors Service, except for senior debt of Texaco Capital Inc., a wholly owned subsidiary, which is rated Aa3. ChevronTexaco's U.S. commercial paper is rated A-1+ by Standard and Poor's and Prime 1 by Moody's, and the company's Canadian commercial paper is rated R-1 (middle) by Dominion Bond Rating Service. All of these ratings denote high-quality, investment-grade securities.

The company's future debt level is dependent primarily on results of operations, the capital-spending program and cash that may be generated from asset dispositions. Further reductions from debt balances at March 31, 2005, are dependent upon many factors including management's continuous assessment of debt as an appropriate component of the company's overall capital structure. The company believes it has substantial borrowing capacity to meet unanticipated cash requirements, and, during periods of low prices for crude oil and natural gas and narrow margins for refined products and commodity chemicals, the company believes that it has the flexibility to increase borrowings and/or modify capital spending plans to continue paying the common stock dividend and maintain the company's high-quality debt ratings.

Current Ratio — current assets divided by current liabilities. The current ratio was 1.6 at March 31, 2005, compared with 1.5 at December 31, 2004. The current ratio is adversely affected because the company's inventories are valued on a LIFO basis. At year-end 2004, inventories were lower than replacement costs, based on average acquisition costs during the year, by approximately $3 billion. The company does not consider its inventory valuation methodology to affect liquidity.

Debt Ratio — total debt as a percentage of total debt plus equity. This ratio was approximately 19 percent at March 31, 2005, compared with 20 percent at year-end 2004 and 25 percent at March 31, 2004.

Common Stock Repurchase Program. The company announced a common stock repurchase program on March 31, 2004. Acquisitions of up to $5 billion will be made from time to time at prevailing prices as permitted by securities laws and other legal requirements, and subject to market conditions and other factors. The program will occur over a period of up to three years and may be discontinued at any time. The company purchased 54,679,000 shares in the open market for $2.8 billion through March 2005. Purchases during April increased the total shares acquired to 60,159,000 for a total of $3.1 billion.

Pension Obligations. At the end of 2004, the company estimated it would contribute $400 million to employee pension plans during 2005 (composed of $250 million for the U.S. plans and $150 million for the international plans). Through March 31, 2005, a total of $63 million was contributed (approximately $50 million to the U.S. plans). Estimated contributions for the full year continue to be $400 million, but the company may contribute an amount that differs from this estimate. Actual contribution amounts are dependent upon investment returns, changes in pension obligations, regulatory environments and other economic factors. Additional funding may ultimately be required if investment returns are insufficient to offset increases in plan obligations.

Capital and exploratory expenditures. Total expenditures, including the company's share of spending by affiliates, were $1.7 billion in the first three months of 2005, essentially unchanged from the corresponding 2004 period. The amounts included the company's share of affiliate expenditures of about $300 million in the 2005 and 2004 periods. Expenditures for exploration and production projects were approximately $1.3 billion — comprising about 80 percent of the total expenditures — reflecting the company's continued emphasis on profitably growing its upstream businesses.

Capital and Exploratory Expenditures by Major Operating Area

	Three Months Ended March 31,	
	2005	**2004**
United States		
Upstream — Exploration and Production	**$ 386**	$ 424
Downstream — Refining, Marketing and Transportation	**111**	53
Chemicals	**19**	27
All Other	**83**	207
Total United States	**599**	711
International		
Upstream — Exploration and Production	**941**	877
Downstream — Refining, Marketing and Transportation	**148**	90
Chemicals	**7**	2
All Other	**1**	2
Total International	**1,097**	971
Worldwide	**$ 1,696**	$ 1,682

Contingencies and Significant Litigation

MTBE. The company and many other companies in the petroleum industry have used methyl tertiary butyl ether (MTBE) as a gasoline additive.

The company is a party to more than 70 lawsuits and claims, the majority of which involve numerous other petroleum marketers and refiners, related to the use of MTBE in certain oxygenated gasolines and the alleged seepage of MTBE into groundwater. Resolution of these actions may ultimately require the company to correct or ameliorate the alleged effects on the environment of prior release of MTBE by the company or other parties. Additional lawsuits and claims related to the use of MTBE, including personal-injury claims, may be filed in the future.

The company's ultimate exposure related to these lawsuits and claims is not currently determinable, but could be material to net income in any one period. The company does not use MTBE in the manufacture of gasoline in the United States and there are no detectable levels of MTBE in that gasoline.

Income Taxes. The U.S. federal income tax liabilities have been settled through 1996 for ChevronTexaco Corporation (formerly Chevron Corporation), 1997 for ChevronTexaco Global Energy Inc. (formerly Caltex Corporation), and 1991 for Texaco Inc. The company's California franchise tax liabilities have been settled through 1991 for Chevron and 1987 for Texaco.

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

Guarantees. The company and its subsidiaries have certain other contingent liabilities with respect to guarantees, direct or indirect, of debt of affiliated companies or others and long-term unconditional purchase obligations and commitments, throughput agreements and take-or-pay agreements, some of which relate to suppliers' financing arrangements. Under the terms of the guarantee arrangements, generally the company would be required to perform should the affiliated company or third party fail to fulfill its obligations under the arrangements. In some cases, the guarantee arrangements have recourse provisions that would enable the company to recover any payments made under the terms of the guarantees from assets provided as collateral.

Indemnifications. The company provided certain indemnities of contingent liabilities of Equilon and Motiva to Shell Oil Company (Shell) and Saudi Refining Inc. in connection with the February 2002 sale of the company's interests in those investments. The indemnities cover certain contingent liabilities, including those associated with the Unocal patent litigation. The company would be required to perform should the indemnified liabilities become actual losses. Should that occur, the company could be required to make maximum future payments of $300 million. Through March 31, 2005, the company had paid $28 million under these indemnities. Following a recently completed arbitration, Shell was awarded $10 million by an arbitrator. The company expects to receive additional requests for indemnification payments in the future.

The company has also provided indemnities relating to contingent environmental liabilities related to assets originally contributed by Texaco to the Equilon and Motiva joint ventures and environmental conditions that existed prior to the formation of Equilon and Motiva or that occurred during the periods of Texaco's ownership interests in the joint ventures. In general, the environmental conditions or events that are subject to these indemnities must have arisen prior to December 2001. Claims relating to Equilon indemnities must be asserted either as early as February 2007, or no later than February 2009, and claims relating to Motiva must be asserted no later than February 2012. Under the terms of the indemnities, there is no maximum limit on the amount of potential future payments. The company has not recorded any liabilities for possible claims under these indemnities. The company has posted no assets as collateral and has made no payments under these indemnities.

The amounts payable for the indemnities described above are to be net of amounts recovered from insurance carriers and others and net of liabilities recorded by Equilon or Motiva prior to September 30, 2001, for any applicable incident.

Environmental. The company is subject to loss contingencies pursuant to environmental laws and regulations that in the future may require the company to take action to correct or ameliorate the effects on the environment of prior release of chemical or petroleum substances, including MTBE, by the company or other parties. Such contingencies may exist for various sites, including, but not limited to, federal Superfund sites and analogous sites under state laws, refineries, crude oil fields, service stations, terminals, and land development areas, whether operating, closed or divested. These future costs are not fully determinable due to such factors as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions that may be required, the determination of the company's liability in proportion to other responsible parties, and the extent to which such costs are recoverable from third parties.

Although the company has provided for known environmental obligations that are probable and reasonably estimable, the amount of additional future costs may be material to results of operations in the period in which they are recognized. The company does not expect these costs will have a material effect on its consolidated financial position or liquidity. Also, the company does not believe its obligations to make such expenditures have had or will have any significant impact on the company's competitive position relative to other U.S. or international petroleum or chemicals companies.

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

Global Operations. ChevronTexaco and its affiliates conduct business activities in approximately 180 countries. Areas in which the company and its affiliates have significant operations include the United States, Canada, Australia, the United Kingdom, Norway, Denmark, France, the Partitioned Neutral Zone between Kuwait and Saudi Arabia, Republic of the Congo, Angola, Nigeria, Chad, South Africa, Indonesia, the Philippines, Singapore, China, Thailand, Venezuela, Argentina, Brazil, Colombia, Trinidad and Tobago and South Korea. The company's Caspian Pipeline Consortium (CPC) affiliate operates in Russia and Kazakhstan. The company's Tengizchevroil affiliate operates in Kazakhstan. The company's Chevron Phillips Chemical Company LLC (CPChem) affiliate manufactures and markets a wide range of petrochemicals on a worldwide basis, with manufacturing facilities in the United States, Puerto Rico, Singapore, China, South Korea, Saudi Arabia, Qatar, Mexico and Belgium.

The company's operations, particularly exploration and production, can be affected by changing economic, regulatory and political environments in the various countries in which it operates, including the United States. As has occurred in the past, actions could be taken by host governments to increase public ownership of the company's partially or wholly owned businesses or assets or to impose additional taxes or royalties on the company's operations or both.

In certain locations, host governments have imposed restrictions, controls and taxes, and in others, political conditions have existed that may threaten the safety of employees and the company's continued presence in those countries. Internal unrest, acts of violence or strained relations between a host government and the company or other governments may affect the company's operations. Those developments have, at times, significantly affected the company's related operations and results, and are carefully considered by management when evaluating the level of current and future activity in such countries.

Equity Redetermination. For oil and gas producing operations, ownership agreements may provide for periodic reassessments of equity interests in estimated crude oil and natural gas reserves. These activities, individually or together, may result in gains or losses that could be material to earnings in any given period. One such equity redetermination process has been under way since 1996 for ChevronTexaco's interests in four producing zones at the Naval Petroleum Reserve at Elk Hills in California, for the time when the remaining interests in these zones were owned by the U.S. Department of Energy. A wide range remains for a possible net settlement amount for the four zones. ChevronTexaco currently estimates its maximum possible net before-tax liability at approximately $200 million. At the same time, a possible maximum net amount that could be owed to ChevronTexaco is estimated at about $50 million. The timing of the settlement and the exact amount within this range of estimates are uncertain.

Other Contingencies. ChevronTexaco receives claims from and submits claims to customers, trading partners, U.S. federal, state and local regulatory bodies, host governments, contractors, insurers, and suppliers. The amounts of these claims, individually and in the aggregate, may be significant and take lengthy periods to resolve.

The company and its affiliates also continue to review and analyze their operations and may close, abandon, sell, exchange, acquire or restructure assets to achieve operational or strategic benefits and to improve competitiveness and profitability. These activities, individually or together, may result in gains or losses in future periods.

Accounting for Buy/Sell Contracts. In the first quarter 2005, the SEC issued comment letters to ChevronTexaco and other companies in the oil and gas industry requesting disclosure of information related to the accounting for buy/sell contracts. Under a buy/sell contract, a company agrees to buy a specific quantity and quality of a commodity to be delivered at a specific location while simultaneously agreeing to sell a specified quantity and quality of a commodity at a different location to the same counterparty. Physical delivery occurs for each side of the transaction, and the risk and reward of ownership are evidenced by title transfer, assumption of environmental risk, transportation scheduling, credit risk, and risk of nonperformance by the counterparty. Both parties settle each side of the buy/sell through separate invoicing.

The company routinely has buy/sell contracts, primarily in the United States downstream business, associated with crude oil and refined products. For crude oil, these contracts are used to facilitate the company's crude oil marketing activity, which includes the purchase and sale of crude oil production, fulfillment of the company's supply arrangements as to physical delivery location and crude oil specifications, and purchase of crude oil to supply the company's refining system. For refined products, buy/sell arrangements are used to help fulfill the company's supply agreements to customer locations and specifications.

The company accounts for buy/sell transactions in the Consolidated Statement of Income the same as any other monetary transaction for which title passes, and the risks and rewards of ownership are assumed by the counterparties. At issue with the SEC is whether the accounting for buy/sell contracts should be shown net on the income statement and accounted for under the provisions of Accounting Principles Board (APB) Opinion No. 29, *"Accounting for Nonmonetary Transactions"* (APB 29). The company understands that others in the oil and gas industry may report buy/sell transactions on a net basis in the income statement rather than gross.

The topic is under deliberation by the Emerging Issues Task Force (EITF) of the FASB as Issue No. 04-13, *"Accounting for Purchases and Sales of Inventory with the Same Counterparty."* The EITF first discussed this issue in November 2004 and again in March 2005 when tentative conclusions were reached on the accounting for nonmonetary exchanges of inventory. Additional research is being performed by the FASB staff to explore circumstances under which two or more inventory transactions with the same counterparty (counterparties) should be viewed as a single nonmonetary transaction. This topic will be discussed again at a future EITF meeting. While this issue is under deliberation, the SEC staff directed ChevronTexaco and other companies in its first quarter 2005 comment letters to disclose on the face of the income statement the amounts associated with buy/sell contracts and to discuss in a footnote to the financial statements the basis for the underlying accounting.

With regard to the latter, the company's accounting treatment for buy/sell contracts is based on the view that such transactions are monetary in nature. Monetary transactions are outside the scope of APB 29. The company believes its accounting is also supported by the indicators of gross reporting of purchases and sales in paragraph 3 of EITF Issue No. 99-19, *"Reporting Revenue Gross as a Principal versus Net as an Agent."* Additionally, FASB Interpretation No. 39, *"Offsetting of Amounts Related to Certain Contracts"* (FIN 39), prohibits a receivable from being netted against a payable when the receivable is subject to credit risk unless a right of offset exists that is enforceable by law. The company also views netting the separate components of buy/sell contracts in the income statement to be inconsistent with the gross presentation that FIN 39 requires for the resulting receivable and payable on the balance sheet.

The company's buy/sell transactions are also similar to the "barrel back" example used in other accounting literature, including EITF Issue No. 03-11, *"Reporting Realized Gains and Losses on Derivative Instruments That Are Subject to FASB Statement No. 133 and Not 'Held for Trading Purposes' as Defined in Issue No. 02-3"* (which indicates a company's decision to show buy/sell-types of transactions gross on the income statement as being a matter of judgment of the relevant facts and circumstances of the company's activities) and Derivatives Implementation Group (DIG) Issue No. K1, *"Miscellaneous: Determining Whether Separate Transactions Should be Viewed as a Unit."*

The company further notes that the accounting for buy/sell contracts as separate purchases and sales is in contrast to the accounting for other types of contracts typically described by the industry as exchange contracts, which are considered nonmonetary in nature and appropriately shown net on the income statement. Under an exchange contract, for example, one company agrees to exchange refined products in one location for the same quantity of another company's refined products in another location. Upon transfer, the only amounts that may be invoiced are for transportation and quality differentials. Among other things, unlike buy/sell contracts, the obligations of each party to perform under the contract are not independent and the risks and rewards of ownership are not separately transferred.

As shown on the company's Consolidated Statement of Income, "Sales and other operating revenues" for the three-month periods ending March 31, 2005 and 2004, included $5.3 billion and $4.3 billion, respectively, for buy/sell contracts. These revenue amounts associated with buy/sell contracts represent 13 percent of total "Sales and other operating revenues" in each period. Ninety-nine percent of these revenue amounts in each period associated with buy/sell contracts pertain to the company's downstream segment. The costs associated with these buy/sell revenue amounts are included in "Purchased crude oil and products" on the Consolidated Statement of Income in each period.

Accounting for Suspended Exploratory Wells. In April 2005, the FASB issued a FASB Staff Position (FSP) FAS 19-1 *"Accounting for Suspended Well Costs"* that amends FAS 19, *"Financial Accounting and Reporting by Oil and Gas Producing Companies."* The company has elected for early application of this guidance with the first quarter 2005 financial statements.

Under the provisions of the FSP FAS 19-1, exploratory well costs continue to be capitalized after the completion of drilling when (a) the well has found a sufficient quantity of reserves to justify completion as a producing well and (b) the enterprise is making sufficient progress assessing the reserves and the economic and operating viability of the project. If either condition is not met, or if an enterprise obtains information that raises substantial doubt about the economic or operational viability of the project, the exploratory well would be assumed to be impaired, and its costs, net of any salvage value, would be charged to expense. The FSP provides a number of indicators that can assist an entity to demonstrate sufficient progress is being made in assessing the reserves and economic viability of the project.

New Accounting Standards

FASB Statement No. 151, "Inventory Costs, an Amendment of ARB No. 43, Chapter 4" (FAS 151) In November 2004, the FASB issued FAS 151 which is effective for the company on January 1, 2006. The standard amends the guidance in Accounting Research Bulletin (ARB) No. 43, Chapter 4, *"Inventory Pricing"* to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and spoilage. In addition, the standard requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The company does not expect the clarification related to abnormal costs to have a significant impact on the company's results of operations or financial position. The company is currently assessing its overhead allocation systems to evaluate the impact of the remaining portion of this standard.

FASB Statement No. 153, "Exchanges of Nonmonetary Assets — An Amendment of APB Opinion No. 29" (FAS 153) In December 2004, the FASB issued FAS 153, which is effective for the company for asset-exchange transactions beginning July 1, 2005. Under APB No. 29, assets received in certain types of nonmonetary exchanges were permitted to be recorded at the carrying value of the assets that were exchanged (i.e., recorded on a carryover basis). As amended by FAS 153, assets received in some circumstances will have to be recorded instead at their fair values. In the past, ChevronTexaco has not engaged in a large number of nonmonetary asset exchanges for significant amounts.

FASB Statement No. 123R, "Share-Based Payment" (FAS 123R) In December 2004, the FASB issued FAS 123R, which requires that compensation costs relating to share-based payments be recognized in the company's financial statements. On March 29, 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107) providing the staff's views on the interaction between FAS 123R and certain SEC rules and regulations and on the valuation of share-based payment arrangements for public companies. The company currently accounts for share-based payments under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees,"* and related interpretations. In April 2005, the SEC extended the implementation date for calendar-year companies to January 1, 2006; however, the company still plans to implement FAS 123R and the guidance in SAB 107 effective July 1, 2005. The impact of adoption is expected to have a minimal impact on the company's results of operations, financial position and liquidity. Refer to Note 12 on page 15, for the company's calculation of the pro forma impact on net income of FAS 123, which would be similar to that under FAS 123R.

FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47) In March 2005, the FASB issued FIN 47, which is effective for the company on December 31, 2005. FIN 47 clarifies that the phrase "conditional asset retirement obligation," as used in FASB Statement No. 143, *"Accounting for Asset Retirement Obligations"* (FAS 143), refers to a legal obligation to perform an asset retirement activity for which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the company. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FAS 143 acknowledges that in some cases, sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The company does not expect that adoption of FIN 47 will have a significant effect on the company's financial position or results of operations.

EITF Issue No. 04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry" (Issue 04-6) In March 2005, the FASB ratified the earlier EITF consensus on Issue 04-6 which is effective for the company on January 1, 2006. Stripping costs are costs of removing overburden and other waste materials to access mineral deposits. The consensus calls for stripping costs incurred once a mine goes into production to be treated as variable production costs that should be considered a component of mineral inventory cost subject to ARB No. 43, *"Restatement and Revision of Accounting Research Bulletins."* Adoption for the company's coal and oil sands operations is not expected to significantly affect the company's financial position or results of operations.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Information about market risks for the three months ended March 31, 2005, does not differ materially from that discussed under Item 7A of ChevronTexaco's Annual Report on Form 10-K for 2004.

Item 4. ***Controls and Procedures***

(a) Evaluation of disclosure controls and procedures

ChevronTexaco Corporation's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), as of March 31, 2005, have concluded that as of March 31, 2005, the company's disclosure controls and procedures were effective and designed to provide reasonable assurance that material information relating to the company and its consolidated subsidiaries required to be included in the company's periodic filings under the Exchange Act would be made known to them by others within those entities.

(b) Changes in internal control over financial reporting

During the quarter ended March 31, 2005, there were no changes in the company's internal control over financial reporting that have materially affected, or were reasonably likely to materially affect, the company's internal control over financial reporting.

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PART II

OTHER INFORMATION

Item 1. ***Legal Proceedings***

None.

Item 2. ***Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities***

CHEVRONTEXACO CORPORATION

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
Jan. 1-Jan. 31, 2005	**3,653,658**	**51.74**	2,907,000	—
Feb. 1-Feb. 28, 2005	**3,482,080**	**56.81**	2,738,000	—
Mar. 1-Mar. 31, 2005	**7,284,526**	**60.02**	6,710,000	—
Total	**14,420,264**	**57.15**	12,355,000	(2)

(1) Includes 230,189 common shares repurchased during the three-month period ended March 31, 2005 from company employees for required personal income tax withholdings on the individual's exercise of the stock options issued to management and employees under the company's broad-based employee stock options, long-term incentive plans and former Texaco Inc. stock option plans. Additionally, includes 1,835,075 shares delivered or attested to in satisfaction of the exercise price by holders of certain former Texaco Inc. employee stock options exercised during the three-month period ended March 31, 2005.

(2) On March 31, 2004, the company announced a common stock repurchase program. Acquisitions of up to $5 billion will be made from time to time at prevailing prices as permitted by securities laws and other requirements, and subject to market conditions and other factors. The program will occur over a period of up to three years and may be discontinued at any time. Through March 31, 2005, $2.8 billion had been expended to repurchase 54,679,000 shares since the common stock repurchase program began.

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Item 5. *Other Information*

Disclosure Regarding Nominating Committee Functions and Communications Between Security Holders and Boards of Directors

No change.

Rule 10b5-1 Plan Elections

No rule 10b5-1 plans were adopted for the period that ended on March 31, 2005.

Item 6. *Exhibits*

Exhibit Number	Description
(2)	ChevronTexaco Corporation and Unocal Corporation Agreement and Plan of Merger, dated April 4, 2005, filed as Exhibit 2.1 to ChevronTexaco's Current Report on Form 8-K dated April 7, 2005, and incorporated herein by reference.
(4)	Pursuant to the Instructions to Exhibits, certain instruments defining the rights of holders of long-term debt securities of the company and its consolidated subsidiaries are not filed because the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of the company and its subsidiaries on a consolidated basis. A copy of any such instrument will be furnished to the Commission upon request.
(10.13)	Summary of ChevronTexaco Management Incentive Plan Awards and Criteria
(10.14)	Chevron Corporation Change in Control Surplus Employee Severance Program For E-Level Salary Grades
(10.15)	Chevron Corporation Benefit Protection Program
(12.1)	Computation of Ratio of Earnings to Fixed Charges
(31.1)	Rule 13a-14(a)/15d-14(a) Certification by the company's Chief Executive Officer
(31.2)	Rule 13a-14(a)/15d-14(a) Certification by the company's Chief Financial Officer
(32.1)	Section 1350 Certification by the company's Chief Executive Officer
(32.2)	Section 1350 Certification by the company's Chief Financial Officer

SIGNATURE

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.

CHEVRONTEXACO CORPORATION
(Registrant)

/s/ M.A. HUMPHREY

M.A. Humphrey, Vice President and Comptroller
(Principal Accounting Officer and
Duly Authorized Officer)

Date: May 4, 2005

EXHIBIT INDEX

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(32.2)*	Section 1350 Certification by the company's Chief Financial Officer

* Filed herewith.

Copies of above exhibits not contained herein are available, to any security holder upon written request to the Corporate Governance Department, ChevronTexaco Corporation, 6001 Bollinger Canyon Road, San Ramon, California 94583.

SUMMARY OF CHEVRONTEXACO MANAGEMENT INCENTIVE PLAN AWARDS AND CRITERIA

The Management Incentive Plan (MIP) of ChevronTexaco Corporation is an annual cash incentive plan that links awards to performance results of the prior year. Individual target awards vary by salary grade and are based on the competitive annual bonus practices of the nine oil competitors, with reference to the award levels of the general industry comparator group. In any given year, actual individual awards vary from zero to 200 percent of target or more, reflecting ChevronTexaco's business results and performance at the business unit and individual level.

Awards are based on the assessments by the Management Compensation Committee of ChevronTexaco's Board of Directors of performance compared with objectives and performance compared with the peer competitor group. An individual's actual award is based on three components, with each component weighted equally. The components are: corporate results, operating company/Strategic Business Unit (SBU)/staff results and a Leadership Performance Factor. The Leadership Performance Factor is based on personal contribution in achieving business results and leadership behaviors demonstrated in achieving the results. The chief executive officer's award is based on two components, corporate results and individual performance. Although a formula of specifically weighted factors is not used to determine the total MIP fund available or the reporting unit ratings, the corporate component is heavily influenced by financial metrics while the reporting unit ratings are a balance of financial and operational metrics.

Corporate, operating company and SBU financial and strategic objectives are set at the beginning of each year. Financial objectives are developed for: earnings, Return On Capital Employed, cash flow, operating expense and other key operating measures. Relative Total Stockholder Return (calculated as stock price appreciation plus dividends on a reinvested basis) and non-financial measures such as safety and reliability are also included in the evaluation process. Results are measured against internal objectives and against external oil competitor results.

An individual's key job responsibilities and objectives are also established at the beginning of each year. Individual objectives include achievement of business unit financial goals as well as targets related to business operations (e.g., refinery throughput, production volumes, product quality, safety, environmental performance, etc.). Performance assessments are also made on other factors, including diversity, leadership, teamwork, communication, developing employees, creativity and innovation, and building partnerships.

The corporate performance assessment is the same for all MIP participants. Individuals will have different operating company, SBU and leadership performance assessments.

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Exhibit 10.14

CHEVRON CORPORATION

CHANGE IN CONTROL SURPLUS EMPLOYEE SEVERANCE PROGRAM FOR

E-LEVEL SALARY GRADES

(as adopted effective March 29, 2000)

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CHEVRON CORPORATION

CHANGE IN CONTROL SURPLUS EMPLOYEE SEVERANCE PROGRAM FOR

E-LEVEL SALARY GRADES

(as adopted effective March 29, 2000)

I. INTRODUCTION

The Chevron Corporation Change in Control Surplus Employee Severance Program for E-Level Salary Grades (the "Plan") was adopted by the Corporation effective March 29, 2000. For all purposes herein, any reference to E-Level Salary Grades shall be deemed to include the equivalent to such Salary Grades under a successor system of classifying Salary Grades.

The purpose of the Plan is to provide a Severance Pay Benefit or a Benefit Plan Allowance to certain Employees whose employment with the Company terminates in connection with a Change in Control. The Corporation is the Plan Administrator for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan shall terminate three years after a Change in Control.

II. COMMENCEMENT OF PARTICIPATION

An Eligible Employee shall commence participation in the Plan and become a Member upon the public announcement of the proposed transaction which, when effected, is a Change in Control.

III. TERMINATION OF PARTICIPATION

A Member's participation in the Plan shall terminate upon the occurrence of the earliest of the following:

(a) The Member's employment terminates without meeting the requirements of :

(i) Sections IV(a)(i)(2) or (3); or

(ii) Sections VI(a)(i) to (iii).

(b) The Member's employment terminates with a provision of Section IV(a)(ii) being applicable.

(c) The Member fails to meet the requirements of IV(a)(i)(4) or VI(a)(iv).

(d) The Member has received a complete distribution of his or her Severance Pay Benefit or Benefit Plan Allowance.

(e) The Member ceases to be an Eligible Employee (other than by reason of termination of his or her employment with the Company).

(f) The Extended Benefit Protection Period ends because of the abandonment of any plans to effectuate a transaction which, if effectuated, would have been a Change in Control and such transaction has not occurred.

(g) The Plan terminates.

IV. SEVERANCE PAY BENEFIT

(a) Eligibility for Severance Pay Benefit

(i) Subject to Section IV(a)(ii), a Member shall be eligible for a Severance Pay Benefit only if the Member meets the requirements of Section IV(a)(i)(1); Section IV(a)(i)(2) or (3); and Section IV(a)(i)(4).

(1) A Change in Control occurs during the Extended Benefit Protection Period.

(2) The Member's employment is involuntarily terminated by the Company on a date determined by the Company in its sole discretion that is no earlier than the public announcement of the proposed transaction which, when effected, is a Change in Control and no later than the last day of the Extended Benefit Protection Period .

(3) The Member meets all of the requirements of Section IV(a)(i)(3)(a) to (c):

(a) The Member receives a written offer no earlier than the public announcement of the proposed transaction which, when effected, is a Change in Control and no later than the last day of the Extended Benefit Protection Period of a position with the Company or an Affiliate that is a Demotion and does not have the option of remaining in his or her present job. (Such written offer and notification may be delivered in person or by mail. If the offer and notification are mailed, the Member shall be deemed to have received it the earlier of its actual receipt or three days after it is deposited in the United States mail, properly stamped and addressed to Member's last known address as reflected on the books of the Company.);

(b) The Member has failed to accept such Demotion in writing within the time prescribed in the offer or (if no such time is specified) within 7 days after the date the offer is actually or deemed to be received, if earlier. Failure to respond within the prescribed time shall be deemed a rejection of the Demotion, regardless of the reason for the failure to respond; and

(c) Such Member resigns his or her employment on a date determined by the Company, which shall be no later than sixty (60) days after the date the offer is actually or deemed to be received, whichever is earlier, or (if the Member so agrees) a later date that is no later than three years after the Change in Control;

(4) The Member executes the Release within forty-five (45) days after its receipt (or such extension as may be granted by the Company in its sole discretion) and the period for revoking the execution of the Release under the Older Workers' Benefit Protection Act, 29 U.S.C. § 626(f), has expired.

Under no circumstances shall a Member be construed as having terminated employment or be eligible for a Severance Pay Benefit because he terminates employment with the Company for the purpose of accepting employment with the entity that effectuates a Change in Control, its subsidiaries or affiliates.

(ii) Notwithstanding Section IV(a)(i), a Member shall be disqualified from receiving a Severance Pay Benefit upon the occurrence of any of the following:

(1) Except as provided in Section IV(a)(i)(3)(c), the Member voluntarily terminates employment with the Company for any reason prior to the termination date set by the Company;

(2) The Member's employment with the Company is terminated for cause or by death;

(3) If the Member is receiving short-term sick leave benefits under the Corporation's Short-Term Disability Plan (or similar program) on the date of termination, the Member fails to execute a written

waiver of any short-term sick leave benefits that might otherwise be payable after employment terminates;

(4) Subsequent to the offer of the Demotion and before termination of employment, such Member:

(a) is offered another position with the Company or an Affiliate (other than a Special Assignment) that is other than a Demotion; or

(b) accepts any job offer from the Company or an Affiliate (other than a Special Assignment) without regard to whether it is a Demotion;

(5) the Member terminates employment with the Company in order to accept employment with an organization that is wholly or partly owned (directly or indirectly) by the Company or an Affiliate;

(6) The Member accepts any job with a Buyer or Outsourcing Supplier; and

(7) The Member is offered full-time employment (or part-time if the Member is on an Approved Part-Time Schedule under the Chevron Part-Time Employment Guidelines when his or her employment terminates) with a Buyer or Outsourcing Supplier at a New Work Location when such position is:

(a) 50 miles or less from his or her Present Work Location with the Company; and

(b) would not result in a:

(i) material reduction in authority or responsibility; or

(ii) reduction in Overall Compensation.

The business decisions that may result in a Member qualifying for a Severance Pay Benefit are decisions to be made by the Company in its sole discretion.

In making these decisions, similarly situated organizations, locations, functions, classifications, and/or Members need not be treated in the same manner. The date selected by the Company to terminate the Member's employment is within its sole discretion and (subject to Section IV(a)(i)(3)(c) with respect to Demotions) the

Company is under no obligation to terminate a Member's employment prior to three years after the Change in Control.

(b) Amount of Severance Pay Benefit

(i) Subject to Section IV(b)(ii), the Severance Pay Benefit payable to a Member shall be equal to three years of such Member's Enhanced Regular Earnings.

(ii) Notwithstanding Section IV(b)(i), any Severance Pay Benefit otherwise payable under that section shall be reduced (but not below zero) as follows:

(1) If the Member had been or is on an Approved Part-Time Schedule under the Chevron Part-Time Employment Guidelines at any time after January 1, 1994, the Severance Pay Benefit shall be reduced by multiplication by a ratio. The numerator of the ratio shall be the total number of full months of the Member's Continuous Service after January 1, 1994 while not on such an Approved Part-Time Schedule. The denominator of the ratio shall be the Member's total number of full months of Continuous Service. In calculating the Severance Pay Benefit for a Member currently on such an Approved Part-Time Schedule, Enhanced Regular Earnings shall be based on a full-time equivalent.

(2) If a Member is reemployed by the Company or an Affiliate within three years after termination, the Severance Pay Benefit shall be reduced to the amount that the Member's Enhanced Regular Earnings would have been for the period from the date of termination to the date of reemployment. In all cases, the reduced benefit will be based on the Member's Enhanced Regular Earnings used to calculate such Member's Severance Pay Benefit under the Plan. A Member will be considered "reemployed" under the Plan for purposes of the repayment provision in this Section IV(b)(ii)(2) if retained at a Company facility, as or through a contractor for more than a full-time equivalent of more than 45 work days.

(3) If a Member is employed by a Buyer or Outsourcing Vendor within three years of termination, the Severance Pay Benefit shall be reduced to the greater of:

(a) the amount that the Member's Enhanced Regular Earnings would have been for the period from the date of termination to the date of employment with the Buyer or Outsourcing Vendor; or

(b) the amount the Member has received under Section V(b) prior to employment with the Buyer or Outsourcing Vendor.

This Section IV(b)(iii)(3) may be waived in writing by the Corporation in its sole discretion.

(4) By severance pay or other similar benefits payable under any other plan or policy of the Company or an Affiliate or government required payment (other than unemployment compensation under United States law) including, but not limited to, any benefit enhancement program that may be adopted as part of a pension plan.

(5) By any amounts payable pursuant to the Worker Adjustment and Retraining Notification Act (WARN) or any other similar federal, state or local statute.

(6) By the amount of any indebtedness to the Company.

(7) As described in Section 4(b) of the Chevron Corporation Benefit Protection Program established effective March 29, 2000, as it may be amended from time to time.

(c) Repayment of the Severance Pay Benefit

If the Member has received payment under the Plan in excess of the Severance Pay Benefit, as reduced in Section IV(b)(ii), the Member must agree as a condition of reemployment that such excess will be repaid to the Company.

V. FORM OF SEVERANCE PAY BENEFIT

(a) Subject to Section V(b), the Severance Pay Benefit under the Plan may take any one of the following forms of distribution as elected by the Member:

(i) a lump sum payment on or before December 31 of the year in which employment terminates;

(ii) a lump sum payment after December 31 of the year in which employment terminates, but within twenty-four (24) months after the termination of employment; or

(iii) a maximum of two installment payments over a period not to exceed twenty-four (24) months from the termination date. The amount and timing of each installment may be different.

(b) If a Member's employment with the Company is terminated in connection with a sale of some or all of the Company's interest applicable to, or with a transfer of management of, the operation in which the Member was employed, the Severance Pay Benefit will be paid in one of the following forms of distribution as elected by the Member:

(i) Six Monthly Payments

(1) An initial payment of one month's Enhanced Regular Earnings will be paid on or about the date the Member's employment with the Company terminates;

(2) Additional payments of up to one month's Enhanced Regular Earnings will be paid in one-month intervals for up to the succeeding five months; and

(3) If more than six monthly installments are required to complete the Severance Pay Benefit, there will be a lump-sum payment one month after the final monthly payment or it may be deferred as provided under any form permitted under Section V(a); or

(ii) Any form permitted under Section V(a); provided that no payment is made prior to six months from the date the Member's employment with the Company terminates.

(c) Interest

(i) Except as provided in this Section V(c), no interest shall be paid on a Severance Pay Benefit.

(ii) With respect to a benefit paid in a form described in V(b)(i), interest will be payable on any outstanding balance of the Severance Pay Benefit from the date employment with the Company terminates; provided that it shall not be payable during any period for which the Member elects a deferral of payment. This accrued interest will be included in the final Severance Pay Benefit payment described in Section V(b)(i)(3).

(iii) Where interest is payable, the rate of interest shall be equal to the rate paid on U. S. Thirty Year Treasury obligations for January of the year in which the Member terminated employment with the Company.

VI. BENEFIT PLAN ALLOWANCE

(a) Eligibility for Benefit Plan Allowance

A Member shall be eligible for a Benefit Plan Allowance only if all of the following requirements are met:

(i) the Member's employment terminates on the date specified by the Company that is no earlier than the public announcement of the proposed transaction which, when effected, is a Change in Control and no later than the last day of the Benefits Protection Period;

(ii) the Member is ineligible for a Severance Pay Benefit solely because of Section IV(a)(ii)(6) or (7) of the Plan;

(iii) prior to the beginning of negotiations with the Buyer or Outsourcing Supplier and at the time the written agreement with the Buyer or Outsourcing Supplier is executed, the Buyer or Outsourcing Supplier does not have any one of the following employee benefit plans in which the Member would participate if an offer of employment with the Buyer or Outsourcing Supplier is accepted:

(1) a defined benefit plan that is qualified under § 401 of the Internal Revenue Code;

(2) a defined contribution plan that is qualified under § 401 of the Internal Revenue Code;

(3) a post-retirement medical plan for pre-age 65 retirees to which the Buyer or Outsourcing Supplier makes company contributions (even if the amount of company contributions is zero for some coverage options). The Buyer or Outsourcing Supplier shall be deemed not to have such a plan unless the Buyer or Outsourcing Supplier agrees in the contract of sale with the Company to recognize the Member's combined Company and Buyer/Outsourcing Supplier service for purposes of eligibility for that plan. Notwithstanding the above, the Buyer or Outsourcing Supplier shall be deemed to have such a plan with respect to a particular Member if, on the date of closing, the Member is an Eligible Retiree as defined in the

Omnibus Health Care Plan of the Chevron Corporation Medical Plan Organization; and

(iv) the Member executes the Release within forty-five (45) days after its receipt (or such extension as may be granted by the Company in its sole discretion) and the period for revoking the execution of the Release under the Older Workers' Benefit Protection Act, 29 U.S.C. § 626(f), has expired.

The business decisions that may result in a Member qualifying for a Benefit Plan allowance are decisions to be made by the Company in its sole discretion. In making these decisions, similarly situated organizations, locations, functions, classifications, and/or Members need not be treated in the same manner. The date selected by the Company to terminate the Member's employment is within its sole discretion and the Company is under no obligation to terminate a Member's employment prior to three years after the Change in Control.

(b) Amount of Benefit Plan Allowance

(i) Subject to Section VI(b)(ii), the Benefit Plan Allowance payable to a Member shall be equal to one (1) week of such Member's Enhanced Regular Earnings for each full Year of Continuous Service (prorated for completed calendar months); provided, however, that the minimum Benefits Plan Allowance shall be equal to four (4) weeks of the Member's Enhanced Regular Earnings and the maximum Benefits Plan Allowance of any Member shall not exceed twenty-five (25) weeks of Enhanced Regular Earnings.

(ii) Notwithstanding Section VI(b)(i), any Benefit Plan Allowance otherwise payable under that section shall be reduced (but not below zero) as follows:

(1) If the Member had been or is on an Approved Part-Time Schedule under the Chevron Part-Time Employment Guidelines, at any time after January 1, 1994, the Benefit Plan Allowance shall be reduced by multiplication by a ratio. The numerator of the ratio shall be the total number of months of the Member's Continuous Service after January 1, 1994 while not on such an Approved Part-Time Schedule. The denominator of the ratio shall be the Member's total number of months of Continuous Service. In calculating any Benefit Plan Allowance for any such Member currently on such an

Approved Part-Time Schedule, Enhanced Regular Earnings shall be based on a full-time equivalent.

(2) If a Member is reemployed by the Company or an Affiliate within the number of weeks after termination that is equal to the number of weeks of Enhanced Regular Earnings of the Benefit Plan Allowance as determined under Section V(b)(i), the Benefit Plan Allowance shall be reduced to the amount that the Member's Enhanced Regular Earnings would have been for the period from the date of termination to the date of reemployment. In all cases, the reduced benefit will be based on the Member's Enhanced Regular Earnings used to calculate such Member's Severance Pay Benefit under the Plan. A Member will be considered "re-employed" under the Plan for purposes of the repayment provision in this Section VI(b)(ii)(2) if retained at a Company facility, as or through a contractor, for a full-time equivalent of more than 45 work days.

(3) If a Member is employed by a Buyer or Outsourcing Supplier within the number of weeks after termination of employment that is equal to the number of weeks of Enhanced Regular Earnings of the Benefits Plan Allowance as determined under Section V(b)(i), the Benefit Plan Allowance shall be reduced to the greater of:

(a) the amount that the Member's Enhanced Regular Earnings would have been for the period from the date of termination to the date of employment with the Buyer or Outsourcing Supplier; and

(b) the amount the Member has received under Section V(b) prior to employment with the Buyer or Outsourcing Supplier.

This Section VI(b)(ii)(3) may be waived in writing by the Corporation in its sole discretion.

(4) By severance pay or other similar benefits payable under any other plan or policy of the Company or an Affiliate or government required payment (other than unemployment compensation under United States law), including but not limited to any benefit enhancement program that may be adopted as part of a pension plan.

(5) By any amounts payable pursuant to the Worker Adjustment and Retraining Notification Act or any other similar federal, state or local statute.

(6) By the amount of any indebtedness to the Company.

(7) As described in Section 4(b) of the Chevron Corporation Benefit Protection Program established effective March 29, 2000, as it may be amended from time to time.

(c) Repayment of the Benefit Plan Allowance

If the Member has received payment under the Plan in excess of Benefit Plan Allowance, as reduced in Section VI(b)(ii), the Member must agree as a condition of reemployment that such excess will be repaid to the Company.

VII. FORM OF BENEFIT PLAN ALLOWANCE

The Benefit Plan allowance will be paid in a lump sum on or shortly after the latter of the date employment with the Company terminates or the date the sale or other transfer of management occurs; provided that the Member has properly signed and returned the Release to the Company and the revocation period under the Older Worker's Benefit Protection Act, 29 U.S.C. § 626(f), has expired.

VIII. DEATH OF A MEMBER

If a Member dies after qualifying for a Severance Pay Benefit or a Benefit Plan Allowance but before such benefit is paid is completely paid, the balance of the Severance Pay Benefit or Benefit Plan Allowance shall be paid in a lump sum to the Member's Beneficiary.

IX. BENEFITS PROVIDED UNDER OTHER PLANS

(a) Eligible Employees Who Qualify As Eligible Retirees.

As of March 29, 2000, Eligible Retirees are presently eligible to continue their health care coverage under the terms of the Omnibus Health Care Plan of the Chevron Corporation Medical Plan Organization and its Supplement Plans. As of March 29, 2000, Eligible Retirees are presently eligible for Company contributions toward the cost of that coverage under the terms of the Chevron Corporation Health Care Contributions Policy.

(b) Eligible Employees Who Do Not Qualify As Eligible Retirees.

As of March 29, 2000, Employees who terminate employment with the Company and their dependents are generally presently eligible for continued coverage in the Omnibus Health Care Plan of the Chevron Corporation Medical Plan Organization and its Supplement Plans for (eighteen) 18 months after termination of employment as required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"). As of March 29, 2000, Members who terminate employment with a Severance Pay Benefit under this Plan may generally presently qualify for Employee rates for coverage under the Omnibus Health Care Plan of the Chevron Medical Plan Organization and its Supplement Plans and for the applicable Company contribution for themselves and their dependents for the first twelve (12) months of COBRA coverage under the terms of the Chevron Corporation Health Care Contributions Policy (other than to the extent such Supplement Plan provides dental coverage).

(c) Relocation

Members who subsequently qualify for a Severance Pay Benefit after having relocated pursuant to a Transfer occurring after the Change in Control shall be entitled to a reimbursement of relocations expenses to his or her Present Work Location immediately prior to the Change in Control. Such reimbursement shall be no less than that determined pursuant to the Company's policy for post-retirement relocations as it existed immediately prior to the Change in Control.

X. AMENDMENT AND TERMINATION

(a) General Rule.

Although the Corporation expects to continue the Plan indefinitely, inasmuch as future conditions cannot be foreseen, (subject to Sections X(b) and (c)) the Corporation reserves the right to amend or terminate the Plan at any time by action of its board of directors or by action of a committee or individual(s) acting pursuant to a valid delegation of authority of the board of directors. However, no amendment or termination shall adversely affect the right to:

(i) Any unpaid Severance Pay Benefit or Benefit Plan Allowance; or

(ii) Qualify for a Severance Pay Benefit or Benefit Plan by the timely execution of the Release after such amendment or termination.

(b) Restrictions on Amendments During Extended Benefit Protection Period.

Notwithstanding Section X(a) of the Plan, subject to Section X(c), and except to the extent required to comply with applicable law; no amendment or termination of the Plan that is either not approved by the Corporation prior to the Extended Benefit Protection Period Commencement Date or is not executed after the expiration of the Extended Benefit Protection Period shall be effective to the extent it:

(i) Deprives any individual who is an Employee as of the Change in Control of coverage under the Plan as constituted at the time of such amendment;

(ii) Limits eligibility for or reduce the amount of any Severance Pay Benefit or Benefit Plan Allowance;

(iii) Amends Section X, XII, or the definitions of the terms Extended Benefit Protection Period (except to lengthen such period), Extended Benefit Protection Period Commencement Date (except to make it an earlier date), Change in Control or Successors and Assigns in Section XX of the Plan;

(iv) Terminates the Plan; or .

(v) Is executed (or would otherwise become effective) at the request of a third party who effectuates a Change in Control.

For purposes of this Section X(b), approval by the Corporation shall mean written approval (by a person or entity within the Corporation that has authority to do so) of the subsequent execution of such Plan amendment or termination.

No person shall take any action that would directly or indirectly have the same effect as any of the prohibited amendments or termination described in Section X(b).

(c) Section X(b) shall not apply to the extent:

(i) the amendment or termination of the Plan is approved after any plans have been abandoned to effect the transaction which, if effected, would have constituted a Change in Control and the event which would have constituted the Change in Control has not occurred, and

(ii) within a period of six months after such approval, no other event constituting a Change in Control shall have occurred, and no public announcement of a proposed event which would constitute a change in control shall have been made, unless thereafter any plans to effect the Change in Control have been abandoned and the event which would have constituted the Change in Control has not occurred.

XI. NON-ALIENATION OF BENEFITS

To the full extent permitted by law and except as provided in the Plan, no Severance Pay Benefit shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void.

XII. SUCCESSORS AND ASSIGNS

The Plan shall be binding upon the Corporation, its Successors and Assigns. Notwithstanding that the Plan may be binding upon a Successor or Assign by operation of law, the Corporation shall require any Successor or Assign to expressly assume and agree to be bound by the Plan in the same manner and to the same extent that the Corporation would be if no succession or assignment had taken place.

XIII. LEGAL CONSTRUCTION

This Plan is governed by and shall be construed in accordance with ERISA and, to the extent not preempted by ERISA, with the laws of the State of California.

XIV. ADMINISTRATION AND OPERATION OF THE PLAN

(a) Plan Sponsor and Plan Administrator.

The Corporation is the “Plan Sponsor” and the “Plan Administrator” of the Plan as such terms are used in ERISA.

(b) Administrative Power and Responsibility.

The Corporation in its capacity as Plan Administrator of the Plan is the named fiduciary that has the authority to control and manage the operation and administration of the Plan. The Corporation shall make such rules, regulations, interpretations and computations and shall take such other action to administer the Plan as it may deem appropriate. The Corporation shall have the sole discretion to interpret the provisions of the Plan and to determine eligibility for benefits pursuant to the objective criteria set forth in the Plan. In administering the Plan, the Corporation shall at all times discharge its duties with respect to the Plan in accordance with the standards set forth in Section 404(a)(1) of ERISA. The Corporation may engage the services of such persons or organizations to render advice or perform services with respect to its responsibilities under the Plan as it shall determine to be necessary or appropriate. Such persons or organizations may include (without limitation) actuaries, attorneys, accountants and consultants.

(c) Review Panel.

Upon receipt of a request for review the Corporation shall appoint a Review Panel that shall consist of three or more individuals. The Review Panel shall be the named fiduciary that shall have authority to act with respect to appeals from denial of benefits under the Plan.

(d) Service in More Than One Fiduciary Capacity.

Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

(e) Performance of Responsibilities.

The responsibilities of the Corporation under the Plan shall be carried out on its behalf by its officers, Employees and agents. The Corporation may delegate any of its fiduciary responsibilities under the Plan to another person or persons pursuant to a written instrument that specifies the fiduciary responsibilities so delegated to each such person.

(f) Employee Communications and Other Plan Activities.

In communications with its Employees and in any other activities relating to the Plan, the Corporation shall comply with the rules, regulations, interpretations, computations and instructions that were issued to administer the Plan. With respect to matters relating to the Plan, directors, officers and Employees of the Corporation shall act on behalf or in the name of the Corporation in their capacity as directors, officers and Employees and not as individual fiduciaries.

XV. CLAIMS, INQUIRIES AND APPEALS

(a) Claims for Benefits and Inquiries.

All claims for benefits and all inquiries concerning the Plan or present or future rights to benefits under the Plan, shall be submitted to the Plan Administrator in writing and addressed as follows: “Chevron Corporation, Plan Administrator under the Chevron Corporation Change in Control Surplus Employee Severance Program for E-Level Salary Grades, 6001 Bollinger Canyon Road, Bldg. H. CHVPK, Room Number H3501-B7, San Ramon, CA 94583-0967” or such other location as communicated to the Member. A claim for benefits shall be signed by the Member, or if a Member is deceased, by such Member’s spouse, designated beneficiary or estate, as the case may be.

(b) Denials of Claims.

In the event that any claim for benefits is denied, in whole or in part, the Plan Administrator shall notify the claimant in writing of such denial and of the right to a review thereof. Such written notice shall set forth in a manner calculated to be understood by the claimant, specific reasons for such denial, specific references to the Plan provision on which such denial is based, a description of any information or material necessary to perfect the claim, an explanation of why such material is necessary and an explanation of the Plan's review procedure. Such written notice shall be given to the claimant within 90 days after the Plan Administrator receives the claim, unless special circumstances require an extension of time of up to an additional 90 days for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period. This notice of extension shall indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to render its decision on the claim for benefits. If written notice of denial of the claim for benefits is not furnished within the time specified in this Section XV(b), the claim shall be deemed denied. The claimant shall be permitted to appeal such denial in accordance with the Review Procedure set forth below.

(c) Review Panel.

The Plan Administrator shall appoint a "Review Panel," consisting of three or more individuals who may (but need not) be Employees of the Company. The Review Panel shall be the named fiduciary that has the authority to act with respect to any appeal from a denial of benefits.

(d) Requests for a Review.

Any person whose claim for benefits is denied (or is deemed denied) in whole or in part, or such person's duly authorized representative, may appeal from such denial by submitting a request for a review of the claim to the Review Panel within 60 days after receiving written notice of such denial from the Plan Administrator (or, in the case of a deemed denial, within 60 days after the claim is deemed denied). The Plan Administrator shall give the claimant or such representative an opportunity to review pertinent documents that are not privileged in preparing a request for a review. A request for review shall be in writing and shall be addressed as follows: "Review Panel under the Chevron Corporation Change in Control Surplus Employee Severance Program E-Level Salary Grades, 6001 Bollinger Canyon Road, Bldg. H. CHVPK, Room Number H3501-B7, San Ramon, CA 94583-0967" or such other location as communicated to the Member. A request for review shall set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the claimant deems pertinent. The Review Panel may require the claimant to submit such additional facts, documents or other material as it may deem necessary or appropriate in making its review.

(e) Decision on Review.

The Review Panel shall act on each request for review and notify the claimant within 60 days after receipt thereof unless special circumstances require an extension of time, up to an additional 60 days, for processing the request. If such an extension for review is required, written notice of the extension shall be furnished to the claimant within the initial 60-day period. The Review Panel shall give prompt, written notice of its decision to the claimant and to the Plan Administrator. In the event that the Review Panel confirms the denial of the claim for benefits, in whole or in part, such notice shall set forth, in a manner calculated to be understood by the claimant, the specific reasons for such denial, and specific references to the Plan provisions on which the decision is based. If written notice of the Review Panel's decision is not given to the claimant within the time prescribed in this Section XV(e), the claim will be deemed denied on review.

(f) Rules and Procedures.

The Review Panel shall establish such rules and procedures, consistent with the Plan and with ERISA, as it may deem necessary or appropriate in carrying out its responsibilities under this Section XV. The Review Panel may require a claimant who wishes to submit additional information in connection with an appeal from the denial (or deemed denial) of benefits to do so at the claimant's own expense.

(g) Exhaustion of Remedies.

No legal action for benefits under the Plan shall be brought unless and until the claimant:

(i) has submitted a written claim for benefits in accordance with Section XV(a);

(ii) has been notified by the Plan Administrator that the claim is denied, or the claim is deemed denied;

(iii) has filed a written request for a review of the claim in accordance with Section XV(d); and

(iv) has been notified in writing that the Review Panel has affirmed the denial of the claim, or the claim is deemed denied.

XVI. BASIS OF PAYMENTS TO AND FROM PLAN

All Severance Pay Benefits under the Plan shall be paid by the Company. The Plan shall be unfunded and benefits hereunder shall be paid only from the general assets of the Company.

XVII. OTHER PLAN INFORMATION

(a) Plan Identification Numbers.

The Employer Identification Number (EIN) assigned to the Plan Sponsor (Chevron Corporation) by the Internal Revenue Service is 94-0890210. The Plan Number (PN) assigned to the Plan by the Plan Sponsor pursuant to instructions of the Internal Revenue Service is_______________.

(b) Ending Date of the Plan's Fiscal Year.

The date of the end of the year for the purpose of maintaining the Plan's fiscal records is December 31.

(c) Agent for the Service of Legal Process.

The agent for the service of legal process with respect to the Plan is the Secretary of Chevron Corporation, 575 Market Street, San Francisco, CA 94105. The service of legal process may also be made on the Plan by serving the Plan Administrator.

(d) Plan Sponsor and Administrator.

The "Plan Sponsor" and the "Plan Administrator" of the Plan is Chevron Corporation, 6001 Bollinger Canyon Road, Bldg. H. CHVPK, Room Number H3501-B7, San Ramon, CA 94583-0967; telephone (925) 842-0673 or such other location as communicated to the Member. The Plan Administrator is the named fiduciary charged with responsibility for administering the Plan.

XVIII. STATEMENT OF ERISA RIGHTS

(a) As a participant in this Plan (which is a welfare plan sponsored by the Corporation), you are entitled to the following rights and protection (ERISA):

(b) Examine, without charge, at the Plan Administrator's office and at other specified locations such as work sites, all plan documents, collective bargaining agreements and copies of all documents filed by the plan with the U.S. Department of Labor.

(c) Obtain copies of all plan documents and other plan information upon written request to the Plan Administrator. The Administrator may make a reasonable charge for the copies.

(d) In addition to creating rights for plan participants, ERISA imposes duties upon the people responsible for the operation of the Employee benefit plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries.

(e) No one, including your employer, your union, nor any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a plan benefit or exercising your rights under ERISA. If your claim for a plan benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the claim reviewed and reconsidered.

(f) Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

(g) If you have any questions about your plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest office of the U.S. Labor-Management Services Administration, Department of Labor.

XIX. AVAILABILITY OF PLAN DOCUMENTS FOR EXAMINATION

ERISA requires Chevron Corporation as the Plan Administrator of a benefit plan sponsored by the Corporation to make available for your examination the plan documents under which the plan is established and operated.

The pertinent plan documents include official plan texts and any other documents under which the plan is established or operated, and applicable collective bargaining agreements.

These plan documents are available for your examination at the Plan Administrator's office, 6001 Bollinger Canyon Road, Bldg. T. CHVPK, Room Number T1118, San Ramon, CA 94583-0967, and at certain other locations such as the Company's Human Resources offices.

The following rules have been established by the Corporation for the examination and distribution of plan documents:

RULES

1. When employed within a reasonable distance from a facility of the Company having a Human Resources office:

   a. Plan documents may be examined during regular business hours as specified at each facility.

   b. Plan documents may not be removed from the premises.

2. When not employed within a reasonable distance from a facility of the Corporation having a Human Resources office:

   a. Plan documents may be requested from the Plan Administrator on a 30-day loan basis.

   b. Plan documents not returned within 30 days to the Plan Administrator will result in the Employee being charged under Rule 3. below.

3. Copies of plan documents or sections thereof will be provided by the Plan Administrator at a charge of 10 cents per page. Payments may be made only by check or money order payable to Chevron Corporation.

4. Plan documents covering only those plans for which an Employee is eligible will be made available.

5. All requests for plan documents must be in writing and should include the Employee's name, Social Security number, mailing address, employing Company, department/staff and location, and title of the document desired.

XX. DEFINITIONS

(a) "Affiliate"

means a member of the Affiliated Group other than the "Corporation" and a "Subsidiary"

(b) "Affiliated Group"

means the Corporation, each Subsidiary and each other entity that has been designated in writing as a Member of the Affiliated Group by the Corporation.

(c) "Approved Part-Time Schedule"

means a part-time schedule that is approved by the Company under the Corporation's Part-Time Employee Guidelines, a amended from time to time.

(d) "Beneficiary"

means the person or persons so designated by a Member. A Member may change or revoke a designation of a Beneficiary at any time. To be effective, any designation of a Beneficiary, or any change or revocation thereof, must be made in writing on the prescribed form, must be received by the Corporation (in a form acceptable to the Corporation) before the Member's death . If a Member fails to make a valid designation of a Beneficiary, or if the validly designated Beneficiary is not living when a payment is to be made to a Beneficiary hereunder, the Member's Beneficiary shall be the Member's spouse if then living or, if not, the Member's then living children in equal shares or, if none, the Member's estate.

(e) "Buyer"

means an entity that purchases (or has purchased) some or all of the Affiliated Group's interest applicable to the operation in which the Member is employed, or an entity that is a direct or indirect successor in ownership or management of the operation in which the Member is employed. Notwithstanding the above, Buyer shall not include the entity that effectuates a Change in Control.

(f) "Casual Employee"

means an individual who works a Regular Work Schedule but is hired for a job with the expectation that employment will be terminated within four months. If a Casual Employee's employment is not terminated within such four-month period, status as an Employee will be considered to commence on the first day following the date of completion of such four-month period.

(g) "Change in Control"

means a change in control of the Corporation as defined in Section IV of the Corporation's By-Laws, as it may be amended from time-to-time.

(h) "Chevron Corporation Retirement Plan"

means the Chevron Corporation Retirement Plan, as it may be amended from time to time.

(i) "Chevron Part-Time Employment Guidelines"

means the formal written part-time employment guidelines issued by the Corporation in its sole discretion.

(j) "Company"

means Chevron Corporation, its Subsidiaries, and any of their Successors or Assigns.

(k) "Continuous Service"

means the sum of the following:

(i) Any period of time during which a person qualifies as an Employee or, having once so qualified, is on a leave of absence with pay, a paid vacation or holiday or is receiving benefits under the Corporation's Short-Term Disability Plan; provided however that in the case of a Seasonal Employee, "Continuous Service" shall not include any period of less than 90 consecutive calendar days of employment in a single season; provided, further, that except as provided in (4) below, any period of time during which an individual is on strike shall not constitute Continuous Service;

(ii) Any period of authorized leave of absence without pay that constitutes Continuous Service under the Corporation's Leave of Absence Policy; or

(iii) Any other period that constitutes Continuous Service under written rules or procedures adopted from time to time by the Corporation, subject to such terms and conditions as the Corporation may establish; and any period of time while employed by Corporation's Successor or Assigns that that would have constituted Continuous Service if the service had been with the Company prior to the Change in Control.

An Employee whose Continuous Service is interrupted and who subsequently returns to a status that constitutes Continuous Service shall be disregarded for all purposes of the Plan except under the following circumstances:

(1) In the case of an Employee laid off for lack of work, as defined in the Retirement Plan, if such Employee is reemployed within 365 calendar days after being laid off, all prior Continuous Service and the period of layoff shall be considered Continuous Service;

(2) In such case of an Employee who resigns, if such Employee is reemployed within 31 days following such resignation, all prior Continuous Service and the time period between the date of resignation and reemployment will be considered Continuous Service;

(3) In the case of an Employee on an authorized leave of absence without pay, any portion of which does not constitute Continuous Service under the Corporation's Leave of Absence Policy, if such Employee abides by all the terms and conditions of such leave, which may include a requirement of returning to active employment with the Corporation, all prior Continuous Service will be considered Continuous Service; and

(4) In the case of an individual on strike, the strike period shall count as Continuous Service only if:

(a) the individual returns to work as an Employee at the end of the strike, and

(b) Continuous Service treatment for the period of strike is agreed to pursuant to the collective bargaining process.

(l) "Corporation"

means Chevron Corporation, a publicly held Delaware Corporation, and any Successor or Assigns.

(m) "Demotion"

means a reduction in Salary Grade, a material reduction in authority or responsibility, or a reduction in Overall Compensation.

(n) "Eligible Employee"

means any Employee who meets all the following conditions:

(i) Prior to the Change in Control is in the Company's E-level salary grades; and

(ii) At termination of employment with the Company:

(1) has at least one Year of Continuous Service with the Company;

(2) is not a Temporary, Casual or Seasonal Employee of the Company;

(3) is not on a Leave of Absence without Pay other than the following:

(a) Family Leave;

(b) Reserve or active military duty leave;

(c) Union business leave;

(d) Political activity or public office leave; or

(e) Expatriate employee furlough leave between foreign assignments (Form GO 120-19).

(4) is not included in a collective bargaining unit, unless participation in the Plan for Employees in such unit:

(a) is provided for under an agreement between the Company and the collective bargaining representative; or

(b) is offered to the collective bargaining representative and, after exhaustion of statutory bargaining requirements, is extended by the Corporation to such Employees.

Notwithstanding any other provision of the Plan, in the event a collective bargaining representative becomes recognized or certified for a unit of Employees that includes one or more Employees previously eligible to participate in the Plan, their eligibility shall not be affected by their inclusion in a bargaining until such time as statutory bargaining requirements are completed regarding the participation, if any, of such Employees in the Plan.

An individual's status as an Eligible Employee shall be determined by the Corporation in its sole discretion, and such determination shall be conclusively binding on all persons.

(o) "Eligible Retiree"

means an Eligible Retiree as defined in the Omnibus Health Care Plan of the Chevron Corporation Medical Plan Organization.

(p) "Employee"

means a common law employee of the Company who meets all of the following conditions:

(i) Is employed by the Company prior to the Change in Control;

(ii) Prior to the Change in Control, is assigned to a Regular Work Schedule of:

(1) at least 40 hours per week; or

(2) on or after January 1, 1994, at least 20 hours per week, if such schedule is an Approved Part-Time Schedule pursuant to the Corporation's Part-Time Employment Guidelines.

An individual who is disabled and receiving or entitled to receive benefits under a long-term disability plan, such as the Long-Term Disability Plan of the Chevron Corporation Disability Plan Organization are deemed to be assigned to a Regular Work Schedule.

(iii) Is not on the payroll of a person other than the Company and who for any reason is deemed to be a common law employee of the Company; and

(iv) Is not considered to be an independent contractor by the Company in its sole discretion regardless of whether the individual is in fact a common law employee of the Company.

An individual's status as an Employee shall be determined by the Corporation in its sole discretion, an such determination shall be conclusively binding on all persons.

(q) "Enhanced Regular Earnings"

means the sum of Regular Earnings and MIP Target Bonus. For purposes of determining Enhanced Regular Earnings for a period of less than one year, the MIP Target Bonus for a Year will be allocated pro rata over the entire year.

(r) "ERISA"

means the Employee Retirement Income Security Act of 1974, as amended from time-to-time.

(s) "Extended Benefit Protection Period"

means the period commencing on the Extended Benefit Protection Period Commencement Date and terminating the earlier of the following:

(i) three years after the date of a Change in Control; or

(ii) the date of abandonment of any plans to effectuate a transaction which, if effectuated, would have been a Change in Control and such transaction has not occurred.

(t) "Extended Benefit Protection Period Commencement Date"

means the date six months prior to the public announcement of the proposed transaction which, when effected, is a Change in Control.

(u) "Family Leave"

mean a Leave under the Corporation's Family Leave Policy.

(v) "Leave of Absence without Pay"

means a Leave of Absence without Pay under the Corporation's Leave of Absence Policy.

(w) "Member"

means any Eligible Employee who has commenced participation in the Plan pursuant to Section II and whose participation has not terminated pursuant to Section III.

(x) "MIP Target Bonus"

means an amount equal to the Member's target bonus under the Chevron Corporation Management Incentive Plan for the year prior to his or her termination of employment (or for the last year of the Chevron Corporation Management Incentive Plan if it no longer exists in the year prior to the Member's termination of employment), as determined pursuant to the established procedures of that Plan prior to the Change in Control.

(y) "New Work Location"

means Member's normal work location if he or she should accept a job offer with the Company, a Buyer, or an Outsourcing Supplier. For a rotational job, the normal work location shall be the actual work location and not either the point of demarcation or the Member's residence..

(z) "Off the Job Disability"

means a disability not directly caused by employment with the Company. The classification of a disability shall be determined by the Corporation and such classification shall be conclusive and binding on all persons.

(aa) "Outsourcing Supplier"

means an entity to whom the Company outsources a function performed by Employees where the Company agrees with such entity in the outsourcing agreement that it will offer jobs to current Employees performing that function for the Company.

(bb) "Overall Compensation"

means the sum of Regular Earnings, and the benefit under the Chevron Corporation Long-Term Incentive Program for the benefit period immediately prior to the Change in Control. It shall not include the value of any other employee benefit plan or program.

(cc) "Plan"

means the Chevron Corporation Change in Control Surplus Employee Severance Plan for E-Level Salary Grades.

(dd) "Plan Administrator"

means the Corporation.

(ee) "Present Work Location"

means a Member's current normal work location with the Company without regard to any Special Assignment. For a rotational job, the normal work location shall be the actual work location and not either the point of demarcation or the Member's residence.

(ff) "Regular Earnings"

means straight-time wages or salary paid to a Member by any entity within the Affiliated Group for working a Regular work Schedule or for a leave of absence with pay, and shall include the straight-time portion of amounts paid for regularly scheduled overtime and any amount that is contributed to any employee benefit plan on behalf of the Member by any entity within the Affiliated Group under a salary reduction agreement entered into pursuant to such plan and that is excluded from the Member's gross income under §§ 125, 132(f), or 402(a)(8) of the Internal Revenue Code. Notwithstanding the foregoing, if the Plan is applicable to Members employed by PLEXCO Inc. or by the PLEXCO division of Chevron Chemical Company, "Regular Earnings", shall include PLEXCO-specific incentive compensation. Such Incentive compensation shall be deemed paid in equal monthly installments over the period for which it is awarded.

(gg) "Regular Work Schedule"

means the continually recurring pattern of work established and changed as necessary by the Company for a job in each work week or period of work weeks to meet operating needs.

(hh) "Release"

means a Release determined by the Company in its sole discretion. Pursuant to such Release, the Member shall waive all employment-related claims in connection with his or her employment with the Company other than claims for benefits under the actual terms of an employee benefit plan and worker's compensation. Such Release shall be construed to comply with the requirements of the Older Workers' Benefit Protection Act, 29 U.S.C. § 626(f).

(ii) "Salary Grade"

means the classification of a job under the Company's written salary structure providing a guiding minimum, competitive objective and guiding maximum in compensation for the job.

(jj) "Seasonal Employee"

means an individual who is hired to work a Regular Work Schedule for a portion of each year on a repetitive basis in a job described to cover a seasonal operating need.

(kk) "Special Assignment"

means a job assignment that is expected to be temporary and is designated as a special assignment by the Company in its sole discretion.

(ll) "Subsidiary"

means any Corporation with respect to which the Corporation, one or more Subsidiaries, or the Corporation together with one or more Subsidiaries, own not less than 80% of the total combined voting power of all classes of stock entitled to vote, or not less than 80% of the total value of al shares of all classes of stock.

(mm) "Successors and Assigns"

means a corporation or other entity acquiring all or substantially all the assets and business of the Corporation (including the Plan) whether by operation of law or otherwise.

(nn) "Temporary Employee"

means an Employee classified as a Temporary Employee by the Company in its sole discretion.

(oo) "Transfer"

means a non-temporary reassignment to a job with the Company in a New Work Location that is more than 50 miles from the Employee's Present Work Location. An offer of a position with a Buyer is not a Transfer. Notwithstanding the above, "Transfer" shall not include:

(i) in the case where an Employee's current job is a rotational job, a reassignment to a job with the Company in a New Work location that is no more than 50 miles from the Employee's last work location with the Company that did not involve a rotational job, and

(ii) in the case where an Employee's current job is in a non-U.S. location, a reassignment to a U.S. location at the Employee's request.

(pp) "Year of Continuous Service"

means the number of full months (as defined by the Corporation in written rules adopted by it from time to time) of Continuous Service, divided by 12.

XXI. EXECUTION

Pursuant to the authority granted to us by resolutions adopted by the Board of directors of Chevron Corporation on March 29, 2000, the Corporation has caused its authorized officer(s) to execute the adoption of the foregoing Plan effective as of that date.

CHEVRON CORPORATION
By:
/s/ G. MATIUK
G. Matiuk
Vice-President,
Human Resources and Quality

Exhibit 10.15

CHEVRON CORPORATION
BENEFIT PROTECTION PROGRAM

Section 1. Establishment and Purpose.

This Chevron Corporation Benefit Protection Program was established effective March 29, 2000 by action of the Board of Chevron Corporation. The purpose of the Program is to protect certain benefits provided to employees of the Corporation and its Subsidiaries against elimination or reduction in the event of a Change in Control. In addition, the Program is designed to provide individuals who are eligible to receive awards under the Chevron Corporation Long-Term Incentive Plan compensation to offset any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended.

Section 2. Definitions.

(a) "Accountants" means the independent accountants retained by the Company most recently prior to the Change in Control.

(b) "Benefit Protection Period" means the period commencing six months prior to the public announcement of a proposed transaction which, when effected, is a Change in Control and ending on the date which is two years after the date of a Change in Control.

(c) "Board" means the board of directors of the Corporation.

(d) "Change in Control" shall have the meaning assigned to it in Article VI of the bylaws of the Corporation, as such bylaws may be amended from time to time.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Corporation" means Chevron Corporation, a Delaware corporation, or any successor corporation.

(g) "Equalization Amount" shall have the meaning set forth in Section 4 of the Program.

(h) "Excise Tax" shall have the meaning set forth in Section 4 of the Program.

(i) "Payment" shall have the meaning set forth in Section 4 of the Program.

(j) "Program" means this Chevron Corporation Benefit Protection Program.

(k) "Subsidiary" means any corporation or entity in which the Corporation directly or indirectly controls more than 50% of the total voting power of all classes of its stock having voting powers and which the Board has designated as a Subsidiary for purposes of the Program.

Section 3. Benefit Protection.

(a) Severance Programs. Concurrent with the adoption of the Program, the Board has adopted the Chevron Corporation Change in Control Surplus Employee Severance Program for Salary Grades Below 1AA, the Chevron Corporation Change in Control Surplus Employee Severance Program for Salary Grades 1AA to 1XA and the Chevron Corporation Change in Control Surplus Employee Severance Program for E-Level Salary Grades in order to provide protection to eligible employees of the Corporation or its Subsidiaries in the event of a Change in Control.

(b) Other Chevron Plans.

(i) Retiree Health Care and Life Insurance Coverage. During the Benefit Protection Period, neither the Corporation nor a Subsidiary may take any action which would render ineligible for post-retirement health care or life insurance coverage an individual who as of the date of a Change in Control had satisfied the eligibility requirements for such coverage (as determined under the terms of the applicable plan). This provision shall be applicable to any such individual, whether or not he or she was employed by the Corporation or a Subsidiary on the date of the Change in Control.

(ii) Employer Health Care and Life Insurance Coverage Contribution. During the Benefit Protection Period, neither the Corporation nor a Subsidiary may take any action which would reduce the amount or duration of employer contributions toward the cost of health care coverage or the proportion which employer contributions bears to the total cost of life insurance coverage for any individual who as of the date of a Change in Control was entitled to have the Corporation or a Subsidiary pay for all or a portion of the cost of such coverage (or who becomes so entitled during the Benefit Protection Period). This provision shall be applicable to any such individual, whether or not he or she was employed by the Corporation or a Subsidiary on the date of the Change in Control.

(iii) Retirement Plan Vesting. Upon a Change in Control, all Members in the Chevron Corporation Retirement Plan who were on the active payroll of the Corporation or a Subsidiary on the date of a Change in Control shall become fully vested in their benefits accrued under the Retirement Plan.

(iv) Potential Profit Sharing Savings Plan Vesting. Unless the Board determines, upon the advice of the independent accountants of the

Corporation, that such action would jeopardize the Corporation's ability to use pooling of interests accounting with respect to any transaction for which the Corporation desires to use such accounting treatment, upon a Change in Control the Board shall adopt an amendment to the Profit Sharing Savings Plan providing that the unvested balance in the Plan account of any Member who was on the active payroll of the Corporation or a Subsidiary on the date of a Change in Control shall become 100% vested and nonforfeitable as of the date of the Change in Control.

(c) Change in Control Effected Pursuant to Agreement. The Board shall take such action, if a Change in Control is effected pursuant to an agreement between the Corporation and another party or parties, as is necessary to require that such agreement contain provisions reasonably effective to ensure that (i) the benefits intended to be provided under the foregoing plans to eligible persons as of the date of the Change in Control will be effectively provided following the Change in Control and for at least two years thereafter; and (ii) following a Change in Control if any benefit plan or program previously maintained by the Corporation or any Subsidiary is eliminated or amended to reduce the benefits provided thereunder, the benefits thereafter provided under any comparable plan maintained by the Corporation or any Subsidiary or by the party or parties to the Change in Control shall be no less favorable to the individuals previously eligible to participate in the amended or eliminated plan or program than the benefits provided under comparable plans or programs to similarly situated employees or retirees, as applicable, of the party or parties to the Change in Control.

(d) General Provisions.

(i) No Mitigation of Damages. No employee shall be required to mitigate the amount of any payment or benefit provided for in any plan or program of the corporation or a Subsidiary by seeking other employment or otherwise and, except as otherwise provided in the Chevron Corporation Change in Control Surplus Employee Severance Program for Salary Grades 1AA to 1XA or the Chevron Corporation Change in Control Surplus Employee Severance Program for E-Level Salary Grades, as applicable, no such payment shall be offset or reduced by the amount of any compensation or benefits provided to any employee in any subsequent employment.

(ii) Severability. The provisions of this Program shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

(iii) Successors and Assigns. The Program shall be binding upon and shall inure to the benefit of the Corporation, its successors and assigns and the Corporation shall require any successor or assign to expressly assume and agree to perform the Program in the same manner and to the same extent that the Corporation would be required to perform them if no such succession or assignment had taken place. The term “the Corporation” as used herein shall include such successors and assigns. The term “successors and assigns” as used herein shall mean a corporation or other entity acquiring all or substantially all the assets and business of the corporation (including the Program) whether by operation of law or otherwise.

(iv) No right of Setoff. The Corporation’s obligation to make the payments and provide the benefits included in the Program and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any setoff, counterclaim, recoupment, defense or other rights which the Corporation may have against the affected employee or others.

(v) Waiver. No provision of the Program may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the affected employee and the Corporation. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of the Program to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any prior or subsequent time.

Section 4. Payment of Tax Equalization Benefits.

(a) Eligibility. This Section 4 shall be applicable to any individual who is eligible to receive an award under the Chevron Corporation Long-Term Incentive Plan, as amended from time to time. Such individuals shall be referred to in this Section 4 as “Eligible Employees.”

(b) Tax Equalization Benefits. If any payments, distributions or other benefits payable by or from the Corporation to or for the benefit of an Eligible Employee in connection with or in any way related (or deemed related) to a Change in Control from any source whatsoever (collectively the “Payment”) would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Eligible Employee with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the “Excise Tax”), then the Payment shall be limited to the largest amount which would not cause the Eligible Employee to be subject to the Excise Tax (the “Limited Payment”). The preceding sentence shall not apply, however, if the Payment (prior to such limitation) exceeds the Limited Payment by more than the lesser of ten percent of the Payment or $50,000. Where the Payment is not limited to the Limited Payment, the Eligible Employee shall be entitled to receive from the Corporation or the Subsidiary which employs the Eligible Employee an additional payment (the “Equalization Amount”) in an amount such that after payment by the Eligible Employee of all taxes (including, without limitation, any income and employment taxes and any interest and penalties imposed thereto) and the

Excise Tax imposed on the Equalization Amount, the Eligible Employee retains an amount of the Equalization Payment equal to the Excise Tax imposed upon the Payment. All calculations required pursuant to the Program shall be performed by the Accountants based on information supplied by the Corporation and the Eligible Employee. All fees and expenses of the Accountants shall be paid by the Corporation. In the event that an Eligible Employee's Payment is limited to a Limited Payment, the components of the Payment shall be reduced in the following order, solely to the extent necessary to reduce the Payment to the Limited Payment:

(i) Payments pursuant to a severance program described in Section 3(a);

(ii) Payments pursuant to a performance unit granted under the Chevron Corporation Long-Term Incentive Plan which was accelerated by reason of the Change in Control;

(iii) The right to exercise a stock option granted under the Chevron Corporation Long-Term Incentive Plan the vesting of which was accelerated by reason of the Change in Control; and

(iv) Any other component of the Payment.

Section 5. Administration.

(a) The Committee. The Program shall be administered by the Management Compensation Committee of the Board, or any successor thereto. The Board may at any time replace the Management Compensation Committee with another Committee.

(b) Actions by the Committee. The Committee shall hold meetings at such times and places as it may determine. Acts approved by a majority of the members of the Committee present at a meeting at which a quorum is present, or acts reduced to or approved in writing by a majority of the members of the Committee, shall be the valid acts of the Committee.

(c) Powers of the Committee. The Committee shall have the authority to administer the Program in its sole discretion. To this end, the Committee is authorized to construe and interpret the Program, to promulgate, amend and rescind Rules relating to the implementation of the Program and to make all other determinations necessary or advisable for the administration of the Program. Subject to the requirements of applicable law, the Committee may designate persons other than members of the Committee to carry out its responsibilities and may prescribe such conditions and limitations as it may deem appropriate. Any determination, decision or action of the Committee in connection with the construction, interpretation, administration, or application of the Program shall be final, conclusive and binding upon all persons participating in the Program and any person validly claiming under or through persons participating in the Program.

(d) Liability of Committee Members. No member of the Board or the Committee will be liable for any action or determination made in good faith by the Board or the Committee with respect to the Program.

Section 6. Amendment or Termination of the Program.

The Board may amend, suspend or terminate the Program at any time; provided, however, that no amendment, suspension or termination which was approved by the Board during the Benefit Protection Period shall be valid or effective if such amendment, suspension or termination would alter the provisions of this Section 6, adversely affect an Eligible Employee's right to or amount of an Equalization Amount under the Program, whether or not the Eligible Employee's employment had terminated at the time the amendment, suspension or termination was so approved, or otherwise eliminate or reduce any protection provided by the Program; provided, however, that any such amendment, suspension or termination may be effected, even if so approved after such a public announcement, if (a) the amendment, suspension or revision is approved after any plans have been abandoned to effect the transaction which, if effected, would have constituted a Change in Control and the event which would have constituted the Change in Control has not occurred, and (b) within a period of six months after such approval, no other event constituting a Change in Control shall have occurred, and no public announcement of a proposed event which would constitute a Change in Control shall have been made, unless thereafter any plans to effect the Change in Control have been abandoned and the event which would have constituted the Change in Control has not occurred. Any amendment, suspension or termination of the Program which is approved by the Board prior to a Change in Control at the request of a third party who effectuates a Change in Control shall be deemed to be an amendment, suspension or termination which is approved during the Benefit Protection Period.

Section 7. General.

(a) No Right of Employment. Nothing contained in the Program nor any action of the Committee pursuant to the Program shall give any individual any right to remain in the employ of the Corporation or to impair the Corporation's right to terminate the employment of any individual at any time, with or without cause, which right is hereby reserved.

(b) Costs of the Program. The costs and expenses of administering the Program shall be borne by the Corporation.

(c) No Assignment. The interest and property rights of any individual under the Program shall not be subject to option or be assignable either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any act in violation of this

Section 7(c) shall be void.

(d) Applicable Law. The Program shall be administered, enforced, construed and governed in accordance with the laws of the State of California, without regard to the conflicts of laws principles thereof.

(e) Participant's Rights Unsecured. The Program is not intended and shall not be construed to require the Corporation to fund any of the benefits provided hereunder or to establish a trust for such purpose. The interest under the Program of any individual shall be an unsecured claim against the general assets of the Corporation.

Section 8. Execution.

To record the adoption of the Chevron Corporation Benefit Protection Program to read as set forth herein effective March 29, 2000, Chevron Corporation has caused its authorized officer to affix the corporate name hereto this 29th day of March, 2000.

CHEVRON CORPORATION

By: /s/ LYDIA BEEBE

Exhibit 12.1

CHEVRONTEXACO CORPORATION — TOTAL ENTERPRISE BASIS
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Three Months Ended March 31, 2005	Year Ended December 31				
		2004	2003	2002	2001	2000
		(Dollars in Millions)				
Income from Continuing Operations	$ 2,677	$ 13,034	$ 7,382	$ 1,102	$ 3,875	$ 7,638
Income Tax Expense	2,230	7,517	5,294	2,998	4,310	6,237
Distributions (Less) Greater Than Equity in Earnings of Affiliates	(210)	(1,422)	(383)	510	(489)	(26)
Minority Interest	21	85	80	57	121	111
Previously Capitalized Interest Charged to Earnings During Period	22	83	76	70	67	71
Interest and Debt Expense	107	406	474	565	833	1,110
Interest Portion of Rentals*	173	687	507	407	357	340
Earnings Before Provision for Taxes And Fixed Charges	$ 5,020	$ 20,390	$ 13,430	$ 5,709	$ 9,074	$ 15,481
Interest and Debt Expense	$ 107	$ 406	$ 474	$ 565	$ 833	$ 1,110
Interest Portion of Rentals*	173	687	507	407	357	340
Preferred Stock Dividends of Subsidiaries	—	1	4	5	48	50
Capitalized Interest	2	64	75	67	122	108
Total Fixed Charges	$ 282	$ 1,158	$ 1,060	$ 1,044	$ 1,360	$ 1,608
Ratio Of Earnings To Fixed Charges	**17.80**	**17.61**	**12.67**	**5.47**	**6.67**	**9.63**

* Calculated as one-third of rentals. Considered a reasonable approximation of interest factor.

Exhibit 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David J. O'Reilly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ChevronTexaco Corporation;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID J. O'REILLY

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

Dated: May 4, 2005

Exhibit 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen J. Crowe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ChevronTexaco Corporation;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEPHEN J. CROWE

Stephen J. Crowe
Vice President and
Chief Financial Officer

Dated: May 4, 2005

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of ChevronTexaco Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David J. O’Reilly, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID J. O’REILLY

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

Dated: May 4, 2005

Exhibit 32.2

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of ChevronTexaco Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen J. Crowe, Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STEPHEN J. CROWE

Stephen J. Crowe
Vice President and
Chief Financial Officer

Dated: May 4, 2005