

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 June 30, 2006

or

o

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

Commission file number 1-368-2

Chevron 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)

94583-2324

(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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Act. (Check one):

Large accelerated filer ☒

Accelerated filer o

Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ☒

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 June 30, 2006
Common stock, \$.75 par value	2,197,987,726

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**CAUTIONARY STATEMENT 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 Chevron Corporation contains forward-looking statements relating to Chevron’s operations that are based on management’s current expectations, estimates and projections about the petroleum, chemicals and other energy-related industries. Words such as “anticipates,” “expects,” “intends,” “plans,” “targets,” “projects,” “believes,” “seeks,” “schedules,” “estimates” 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, Chevron undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are crude oil and natural gas prices; refining 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; 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 statutes, regulations and litigation; potential liability resulting from pending or future litigation; the company’s acquisition or disposition of assets; government-mandated sales, divestitures, recapitalizations or restrictions on scope of company operations; the effects of changed accounting standards under generally accepted accounting principles promulgated by rule-setting bodies; and the factors set forth under the heading “Risk Factors” on pages 31 and 32 of the company’s 2005 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.

PART I.
FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars, except per-share amounts)			
Revenues and Other Income				
Sales and other operating revenues(1)(2)	\$ 52,153	\$ 47,265	\$ 105,677	\$ 87,755
Income from equity affiliates	1,113	861	2,096	1,750
Other income	270	217	387	445
Total Revenues and Other Income	53,536	48,343	108,160	89,950
Costs and Other Deductions				
Purchased crude oil and products(2)	32,747	31,130	68,417	57,621
Operating expenses	3,835	2,713	6,882	5,182
Selling, general and administrative expenses	1,207	1,152	2,462	2,151
Exploration expenses	265	139	533	292
Depreciation, depletion and amortization	1,807	1,320	3,595	2,654
Taxes other than on income(1)	5,153	5,311	9,947	10,437
Interest and debt expense	121	104	255	211
Minority interests	22	18	48	39
Total Costs and Other Deductions	45,157	41,887	92,139	78,587
Income Before Income Tax Expense	8,379	6,456	16,021	11,363
Income Tax Expense	4,026	2,772	7,672	5,002
Net Income	\$ 4,353	\$ 3,684	\$ 8,349	\$ 6,361
Per Share of Common Stock:				
Net Income				
— Basic	\$ 1.98	\$ 1.77	\$ 3.79	\$ 3.05
— Diluted	\$ 1.97	\$ 1.76	\$ 3.77	\$ 3.04
Dividends	\$ 0.52	\$ 0.45	\$ 0.97	\$ 0.85
Weighted Average Number of Shares Outstanding (000s)				
— Basic	2,196,134	2,077,743	2,205,008	2,084,141
— Diluted	2,206,009	2,085,763	2,214,877	2,092,792
(1) Includes excise, value-added and other similar taxes:	\$ 2,416	\$ 2,162	\$ 4,531	\$ 4,278
(2) Includes amounts in revenues for buy/sell contracts; associated costs are in "Purchased crude oil and products." Refer to Note 15 on page 20:	\$ —	\$ 5,962	\$ 6,725	\$ 11,337

Refer to accompanying notes to consolidated financial statements.

CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Net Income	\$ 4,353	\$ 3,684	\$ 8,349	\$ 6,361
Currency translation adjustment	12	8	40	5
Unrealized holding (loss) gain on securities:				
Net (loss) gain arising during period	(6)	24	2	(9)
Reclassification to net income of net realized gain	(105)	—	(105)	—
Total	(111)	24	(103)	(9)
Net derivatives loss on hedge transactions:				
Before income taxes	(24)	(48)	—	(38)
Income taxes	8	16	3	14
Reclassification to net income of net realized loss:				
Before income taxes	38	—	75	—
Income taxes	(12)	—	(26)	—
Total	10	(32)	52	(24)
Minimum pension liability adjustment	—	—	(1)	1
Other Comprehensive Loss, net of tax	(89)	—	(12)	(27)
Comprehensive Income	\$ 4,264	\$ 3,684	\$ 8,337	\$ 6,334

Refer to accompanying notes to consolidated financial statements.

CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	At June 30 2006	At December 31 2005
	(Millions of dollars, except per-share amounts)	
ASSETS		
Cash and cash equivalents	\$ 10,080	\$ 10,043
Marketable securities	1,053	1,101
Accounts and notes receivable, net	18,370	17,184
Inventories:		
Crude oil and petroleum products	3,806	3,182
Chemicals	258	245
Materials, supplies and other	768	694
Total inventories	4,832	4,121
Prepaid expenses and other current assets	2,219	1,887
Total Current Assets	36,554	34,336
Long-term receivables, net	2,318	1,686
Investments and advances	17,493	17,057
Properties, plant and equipment, at cost	132,098	127,446
Less: accumulated depreciation, depletion and amortization	66,498	63,756
Properties, plant and equipment, net	65,600	63,690
Deferred charges and other assets	4,518	4,428
Goodwill	4,700	4,636
Total Assets	\$ 131,183	\$ 125,833
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt	\$ 49	\$ 739
Accounts payable	17,068	16,074
Accrued liabilities	3,858	3,690
Federal and other taxes on income	4,404	3,127
Other taxes payable	1,433	1,381
Total Current Liabilities	26,812	25,011
Long-term debt	10,002	11,807
Capital lease obligations	298	324
Deferred credits and other noncurrent obligations	10,843	10,507
Noncurrent deferred income taxes	12,171	11,262
Reserves for employee benefit plans	3,920	4,046
Minority interests	231	200
Total Liabilities	64,277	63,157
Preferred stock (authorized 100,000,000 shares, \$1.00 par value, none issued)	—	—
Common stock (authorized 4,000,000,000 shares, \$.75 par value, 2,442,676,580 shares issued at June 30, 2006, and December 31, 2005)	1,832	1,832
Capital in excess of par value	14,056	13,894
Retained earnings	61,931	55,738
Notes receivable — key employees	(2)	(3)
Accumulated other comprehensive loss	(441)	(429)
Deferred compensation and benefit plan trust	(474)	(486)
Treasury stock, at cost (244,688,854 and 209,989,910 shares at June 30, 2006, and December 31, 2005, respectively)	(9,996)	(7,870)
Total Stockholders' Equity	66,906	62,676
Total Liabilities and Stockholders' Equity	\$ 131,183	\$ 125,833

Refer to accompanying notes to consolidated financial statements.

CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30	
	2006	2005
	(Millions of dollars)	
Operating Activities		
Net income	\$ 8,349	\$ 6,361
Adjustments		
Depreciation, depletion and amortization	3,595	2,654
Dry hole expense	201	81
Distributions less than income from equity affiliates	(475)	(529)
Net before-tax gains on asset retirements and sales	(3)	(110)
Net foreign currency effects	175	(20)
Deferred income tax provision	416	514
Net decrease (increase) in operating working capital	531	(610)
Minority interest in net income	48	39
Increase in long-term receivables	(621)	(25)
Decrease in other deferred charges	164	191
Cash contributions to employee pension plans	(183)	(93)
Other	(344)	161
Net Cash Provided by Operating Activities	11,853	8,614
Investing Activities		
Capital expenditures	(6,226)	(3,132)
Proceeds from asset sales	471	593
Net sales of marketable securities	34	286
Repayment of loans by equity affiliates	53	47
Redemption of securities by equity affiliates	400	—
Net Cash Used for Investing Activities	(5,268)	(2,206)
Financing Activities		
Net (payments) borrowings of short-term obligations	(523)	103
Repayments of long-term debt and other financing obligations	(1,860)	(110)
Cash dividends	(2,140)	(1,770)
Dividends paid to minority interests	(16)	(28)
Net purchases of treasury shares	(2,115)	(1,375)
Redemption of preferred stock of subsidiary	—	(140)
Proceeds from issuance of long-term debt	—	20
Net Cash Used For Financing Activities	(6,654)	(3,300)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	106	(82)
Net Change in Cash and Cash Equivalents	37	3,026
Cash and Cash Equivalents at January 1	10,043	9,291
Cash and Cash Equivalents at June 30	\$ 10,080	\$ 12,317

Refer to accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Interim Financial Statements

The accompanying consolidated financial statements of Chevron 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 items 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 2005 Annual Report on Form 10-K.

The results for the three- and six-month periods ended June 30, 2006, are not necessarily indicative of future financial results.

Note 2. Acquisition of Unocal Corporation

On August 10, 2005, the company acquired Unocal Corporation, an independent oil and gas exploration and production company. Unocal's principal upstream operations were in North America and Asia, including the Caspian region. Also located in Asia were Unocal's geothermal energy and electrical power businesses. Other activities included ownership interests in proprietary and common carrier pipelines, natural gas storage facilities and mining operations.

The aggregate purchase price of Unocal was \$17.3 billion. A third-party appraisal firm was engaged to assist the company in the process of determining the fair values of Unocal's tangible and intangible assets. This valuation process has been completed. The final allocation of the purchase price to other assets and liabilities acquired has also been completed.

The acquisition was accounted for under the rules of Financial Accounting Standards Board (FASB) Statement No. 141, "*Business Combinations*." The following table summarizes the final allocation of the purchase price to Unocal's assets and liabilities:

	Millions of dollars
Current assets	\$ 3,573
Investments and long-term receivables	1,695
Properties	17,285
Goodwill	4,820
Other assets	2,174
Total assets acquired	<u>29,547</u>
Current liabilities	(2,364)
Long-term debt and capital leases	(2,392)
Deferred income taxes	(4,009)
Other liabilities	(3,494)
Total liabilities assumed	<u>(12,259)</u>
Net assets acquired	<u>\$ 17,288</u>

The \$4.8 billion of goodwill, which represents benefits of the acquisition that are additional to the fair values of the other net assets acquired, is assigned to the upstream segment. The goodwill is not deductible for tax purposes. The goodwill balance as of June 30, 2006, was reviewed for possible impairment according to the requirements of FASB Statement No. 142, "*Goodwill and Other Intangible Assets*," and was determined not to be impaired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 3. Information Relating to the Statement of Cash Flows

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

	Six Months Ended June 30	
	2006	2005
	(Millions of dollars)	
Increase in accounts and notes receivable	\$ (1,037)	\$ (2,476)
Increase in inventories	(712)	(370)
Decrease (increase) in prepaid expenses and other current assets	41	(52)
Increase in accounts payable and accrued liabilities	1,017	1,251
Increase in income and other taxes payable	1,222	1,037
Net decrease (increase) in operating working capital	<u>\$ 531</u>	<u>\$ (610)</u>

In accordance with the cash-flow classification requirements of FAS 123R, “*Share-Based Payment*,” the “Net decrease (increase) in operating working capital” includes a reduction of \$32 million for excess income tax benefits associated with stock options exercised during the first-half 2006, which is offset by an equal amount in “Net purchases of treasury shares.” Refer to Note 9 beginning on page 14 for additional information related to the company’s adoption of FAS 123R, “*Share-Based Payment*.”

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

	Six Months Ended June 30	
	2006	2005
	(Millions of dollars)	
Interest on debt (net of capitalized interest)	\$ 277	\$ 210
Income taxes	6,183	3,533

The “Net sales of marketable securities” consisted of the following gross amounts:

	Six Months Ended June 30	
	2006	2005
	(Millions of dollars)	
Marketable securities purchased	\$ (482)	\$ (503)
Marketable securities sold	516	789
Net sales of marketable securities	<u>\$ 34</u>	<u>\$ 286</u>

The “Net purchases of treasury shares” represents the cost of common shares acquired in the open market less the cost of shares issued for share-based compensation plans. Open-market purchases totaled \$2.3 billion and \$1.5 billion in the 2006 and 2005 periods, respectively. Purchases in the first half of 2006 were under the company’s stock repurchase program initiated in December 2005. The 2005 purchases related to a program that began in April 2004 and was completed in November 2005.

In May 2006, the company’s investment in Dynegy Series C preferred stock was redeemed at its face value of \$400 million. Upon redemption of the preferred stock, the company recorded a gain of \$130 million, of which \$105 million was reclassified from “Other Comprehensive Income.” The \$130 million gain is included in the Consolidated Statement of Income as “Income from equity affiliates.”

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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:

	Six Months Ended June 30	
	2006	2005
	(Millions of dollars)	
Additions to properties, plant and equipment	\$ 5,561	\$ 2,926
Additions to investments	638	189
Current year dry hole expenditures	103	60
Payments for other liabilities and assets, net	(76)	(43)
Capital expenditures	6,226	3,132
Other exploration expenditures	332	211
Assets acquired through capital lease obligations	18	142
Capital and exploratory expenditures, excluding equity affiliates	6,576	3,485
Share of expenditures by equity affiliates	783	695
Capital and exploratory expenditures, including equity affiliates	<u>\$ 7,359</u>	<u>\$ 4,180</u>

Note 4. Operating Segments and Geographic Data

Although each subsidiary of Chevron is responsible for its own affairs, Chevron Corporation manages its investments in these subsidiaries and their affiliates. For this purpose, the investments are grouped as follows: upstream, downstream, 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 that in turn reports to the Board of Directors of Chevron 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, which makes decisions about resources to be allocated to the segments and to assess their 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 for the monitoring of the segment’s operating activities and financial performance. The CODM approves annual capital and exploratory budgets at the reportable segment level, as well as reviews capital and exploratory funding for major projects and approves major changes to the annual capital and exploratory budgets. 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), mining operations of coal and other minerals, 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 by operating segment for the three- and six-month periods ended June 30, 2006 and 2005, is presented in the following table:

Segment Income

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Upstream				
United States	\$ 901	\$ 972	\$ 2,115	\$ 1,739
International	2,371	1,800	4,615	3,412
Total Upstream	<u>3,272</u>	<u>2,772</u>	<u>6,730</u>	<u>5,151</u>
Downstream				
United States	554	398	764	456
International	444	578	814	929
Total Downstream	<u>998</u>	<u>976</u>	<u>1,578</u>	<u>1,385</u>
Chemicals				
United States	70	63	204	192
International	24	21	43	29
Total Chemicals	<u>94</u>	<u>84</u>	<u>247</u>	<u>221</u>
Total Segment Income	<u>4,364</u>	<u>3,832</u>	<u>8,555</u>	<u>6,757</u>
All Other				
Interest Expense	(83)	(73)	(176)	(148)
Interest Income	91	60	173	114
Other	(19)	(135)	(203)	(362)
Net Income	<u>\$ 4,353</u>	<u>\$ 3,684</u>	<u>\$ 8,349</u>	<u>\$ 6,361</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, mining operations of coal and other minerals, power generation businesses, technology companies and assets of the corporate administrative functions. Segment assets at June 30, 2006, and December 31, 2005 follow:

Segment Assets

	At June 30 2006	At December 31 2005
	(Millions of dollars)	
Upstream		
United States	\$ 19,495	\$ 19,006
International	49,107	46,501
Goodwill	4,700	4,636
Total Upstream	73,302	70,143
Downstream		
United States	14,141	12,273
International	23,515	22,294
Total Downstream	37,656	34,567
Chemicals		
United States	2,517	2,452
International	754	727
Total Chemicals	3,271	3,179
Total Segment Assets	114,229	107,889
All Other		
United States	7,853	9,234
International	9,101	8,710
Total All Other	16,954	17,944
Total Assets — United States	44,006	42,965
Total Assets — International	82,477	78,232
Goodwill	4,700	4,636
Total Assets	\$ 131,183	\$ 125,833

Segment Sales and Other Operating Revenues Upstream segment revenues are derived primarily from the production and sale 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 fuels. “All Other” activities include revenues from mining operations of coal and other minerals, power generation businesses, insurance operations, real estate activities and technology companies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Operating-segment sales and other operating revenues, including internal transfers, for the three- and six-month periods ended June 30, 2006 and 2005, 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 June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Upstream				
United States	\$ 6,793	\$ 5,237	\$ 14,213	\$ 9,564
International	8,436	5,399	15,886	10,128
Sub-total	15,229	10,636	30,099	19,692
Intersegment Elimination — United States	(2,539)	(2,052)	(4,864)	(3,868)
Intersegment Elimination — International	(4,312)	(3,051)	(8,245)	(5,911)
Total Upstream	8,378	5,533	16,990	9,913
Downstream				
United States	19,433	19,573	40,146	36,181
International	23,972	21,739	47,865	40,882
Sub-total	43,405	41,312	88,011	77,063
Intersegment Elimination — United States	(127)	(48)	(260)	(92)
Intersegment Elimination — International	(9)	—	(16)	(9)
Total Downstream	43,269	41,264	87,735	76,962
Chemicals				
United States	163	157	308	300
International	297	233	544	450
Sub-total	460	390	852	750
Intersegment Elimination — United States	(61)	(61)	(116)	(113)
Intersegment Elimination — International	(44)	(32)	(82)	(64)
Total Chemicals	355	297	654	573
All Other				
United States	313	283	571	496
International	19	21	32	41
Sub-total	332	304	603	537
Intersegment Elimination — United States	(173)	(127)	(293)	(221)
Intersegment Elimination — International	(8)	(6)	(12)	(9)
Total All Other	151	171	298	307
Sales and Other Operating Revenues				
United States	26,702	25,250	55,238	46,541
International	32,724	27,392	64,327	51,501
Sub-total	59,426	52,642	119,565	98,042
Intersegment Elimination — United States	(2,900)	(2,288)	(5,533)	(4,294)
Intersegment Elimination — International	(4,373)	(3,089)	(8,355)	(5,993)
Total Sales and Other Operating Revenues*	\$ 52,153	\$ 47,265	\$ 105,677	\$ 87,755

* Includes amounts in revenues for buy/sell contracts:

\$ — \$ 5,962 \$ 6,725 \$ 11,337

Substantially all of the amounts in each period related to the downstream segment. Refer to Note 15 on page 20 for a discussion on the company's adoption of EITF 04-13, "Accounting for Purchases and Sales of Inventory with the Same Counterparty."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 5. Restructuring and Reorganization

In connection with the Unocal acquisition, the company implemented a restructuring and reorganization program as part of the effort to capture the synergies of the combined companies. The program is expected to be substantially completed by the end of 2006 and is aimed at eliminating redundant operations, consolidating offices and facilities and sharing common services and functions.

As part of the restructuring and reorganization, approximately 600 employees were eligible for severance payments. Most of the associated positions were in the United States and related primarily to corporate and upstream executive and administrative functions. By the end of the second quarter 2006, approximately 500 of these employees had been terminated.

In connection with this restructuring and reorganization, an accrual of \$106 million was established as part of the purchase accounting for the Unocal acquisition. Activity through first half of 2006 for this accrual is shown in the table below. The balance at June 30, 2006, was classified as a current liability on the Consolidated Balance Sheet.

	<u>Amounts before tax</u> <u>(Millions of dollars)</u>	
Balance at January 1, 2006	\$ 44	
Adjustments	(3)	
Payments	(12)	
Balance at June 30, 2006	<u>\$ 29</u>	

Shown in the table below is the activity during the first six months of 2006 for the company's liability related to various other reorganizations and restructurings across several businesses and corporate departments. The balance at June 30, 2006, was categorized as a current accrued liability on the Consolidated Balance Sheet.

	<u>Amounts before tax</u> <u>(Millions of dollars)</u>	
Balance at January 1, 2006	\$ 47	
Adjustments	(5)	
Payments	(17)	
Balance at June 30, 2006	<u>\$ 25</u>	

Note 6. Summarized Financial Data — Chevron U.S.A. Inc.

Chevron U.S.A. Inc. (CUSA) is a major subsidiary of Chevron Corporation. CUSA and its subsidiaries manage and operate most of Chevron'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 Chevron. CUSA also holds Chevron's investments in the Chevron Phillips Chemical Company LLC (CPChem) joint venture and Dynegy, which are accounted for using the equity method.

	<u>Six Months Ended</u> <u>June 30</u>	
	<u>2006</u>	<u>2005</u>
	<u>(Millions of dollars)</u>	
Sales and other operating revenues	\$ 76,188	\$ 63,280
Costs and other deductions	72,582	60,710
Net income	2,430	1,855

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	At June 30 2006	At December 31 2005
	(Millions of dollars)	
Current assets	\$ 28,750	\$ 27,878
Other assets	21,618	20,611
Current liabilities	22,141	20,286
Other liabilities	10,561	12,897
Net equity	\$ 17,666	\$ 15,306
Memo: Total debt	\$ 6,022	\$ 8,353

Note 7. Summarized Financial Data — Chevron Transport Corporation

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

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Sales and other operating revenues	\$ 151	\$ 143	\$ 330	\$ 332
Costs and other deductions	147	124	296	228
Net income	9	15	33	90

	At June 30 2006	At December 31 2005
	(Millions of dollars)	
Current assets	\$ 330	\$ 358
Other assets	335	283
Current liabilities	97	119
Other liabilities	252	243
Net equity	\$ 316	\$ 279

There were no restrictions on CTC's ability to pay dividends or make loans or advances at June 30, 2006.

Note 8. Income Taxes

Taxes on income for the second quarter and first half of 2006 were \$4 billion and \$7.7 billion, respectively, compared with \$2.8 billion and \$5.0 billion for the comparable periods in 2005. The associated effective tax rates for the second quarters of 2006 and 2005 were 48 percent and 43 percent, respectively. The primary reason for the higher tax rates in 2006 was that proportionally more income was earned in 2006 than in 2005 in countries with high tax rates.

Note 9. Stock Options and Other Share-Based Compensation

Effective July 1, 2005, the company adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 123R, "Share-Based Payment," (FAS 123R) for its share-based compensation plans. The company previously accounted for these plans under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," (APB 25)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

and related interpretations and disclosure requirements established by FAS 123, “Accounting for Stock-Based Compensation.”

The company adopted FAS 123R using the modified prospective method and accordingly, results for prior periods were not restated. 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 FAS 123 to stock options, stock appreciation rights, performance units and restricted stock units for periods prior to adoption of FAS 123R.

	Three Months Ended June 30 2005	Six Months Ended June 30 2005
	(Millions of dollars, except per-share amounts)	
Net income, as reported	\$ 3,684	\$ 6,361
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	4	10
Deduct: Total stock-based employee compensation expense determined under fair-value-based method for awards, net of related tax effects	(16)	(32)
Pro forma net income	<u>\$ 3,672</u>	<u>\$ 6,339</u>
Net income per share:		
Basic — as reported	\$ 1.77	\$ 3.05
Basic — pro forma	\$ 1.77	\$ 3.04
Diluted — as reported	\$ 1.76	\$ 3.04
Diluted — pro forma	\$ 1.76	\$ 3.03

During the second quarter of 2006, the company implemented the transition method of FASB Staff Position FAS 123R-3 (FSP FAS 123R-3), “*Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*,” for calculating the beginning balance of the pool of excess tax benefits related to employee compensation and determining the subsequent impact on the pool of employee awards that were fully vested and outstanding upon the adoption of FAS 123R. The company’s reported tax expense for the periods subsequent to the implementation of FAS 123R was not affected by this election.

Note 10. Employee Benefits

The company has defined benefit pension plans for many employees. The company typically pre-funds defined benefit plans as required by local regulations or in certain situations where pre-funding provides economic advantages. 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 funding requirements under laws and regulations 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 also sponsors other postretirement plans that provide medical and dental benefits, as well as life insurance for some active and qualifying retired employees. The plans are unfunded, and the company and the retirees share the costs. For retiree medical coverage in the company’s main U.S. plan, the increase to the company contributions is limited to no more than 4 percent each year, effective at retirement. Certain life insurance benefits are paid by the company and annual contributions are based on actual plan experience.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The components of net periodic benefit costs for 2006 and 2005 were:

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
(Millions of dollars)				
Pension Benefits				
United States				
Service cost	\$ 56	\$ 46	\$ 114	\$ 91
Interest cost	113	92	226	183
Expected return on plan assets	(140)	(105)	(276)	(208)
Amortization of prior-service costs	11	11	23	22
Recognized actuarial losses	33	39	79	79
Settlement losses	4	29	21	52
Total United States	77	112	187	219
International				
Service cost	24	19	49	42
Interest cost	50	44	103	98
Expected return on plan assets	(50)	(48)	(103)	(104)
Amortization of transitional liabilities	—	1	—	1
Amortization of prior-service costs	3	4	6	8
Recognized actuarial losses	17	11	33	25
Total International	44	31	88	70
Net Periodic Pension Benefit Costs	\$ 121	\$ 143	\$ 275	\$ 289
Other Benefits*				
Service cost	\$ 10	\$ 7	\$ 20	\$ 14
Interest cost	43	39	87	78
Amortization of prior-service costs	(23)	(23)	(46)	(45)
Recognized actuarial losses	28	23	55	46
Net Periodic Other Benefit Costs	\$ 58	\$ 46	\$ 116	\$ 93

* 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 2005, the company estimated it would contribute \$300 million and \$200 million to its U.S. and international pension plans, respectively, during 2006. Through June 30, 2006, a total of \$183 million was contributed, including \$92 million to the U.S. plans. Estimated contributions for the full year continue to be \$500 million, but 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 half of 2006, the company contributed \$104 million to its other postretirement benefit plans. The company anticipates contributing an additional \$116 million during the remainder of 2006.

In June 2006, the company announced changes to several of its U.S. pension and other postretirement benefit plans, primarily merging benefits under several Unocal plans into related Chevron plans. Under the pension plan combinations, former-Unocal employees who retire effective on or after July 1, 2006, will receive

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

retirement benefits under the applicable Chevron plan provisions, giving recognition to the employees' Unocal pay and service history. Pension benefits under the Chevron plan will not be less than employees would have received under the Unocal retirement plan provisions. For the postretirement benefit plans, former Unocal employees who retire effective on or after July 1, 2006, will receive benefits under the company's primary U.S. postretirement benefit plan. Unocal employees who retired prior to July 1, 2006, and are participating in the Unocal postretirement medical plan will be merged into the Chevron primary U.S. plan effective January 1, 2007. In addition, the company's contributions for Medicare-eligible Unocal retirees under the Chevron plan will be increased in 2007 in conjunction with the merger of former-Unocal participants into the Chevron plan.

Chevron's U.S. plan obligations were remeasured using updated demographic data and assumptions as of July 1, 2006, to reflect the changes discussed above. This remeasurement reduced the accumulated postretirement benefit obligation by \$105 million and had an insignificant impact on the pension projected benefit obligation as of July 1, 2006. The estimated impact on net periodic pension and other postretirement benefit costs for the remainder of 2006 was likewise insignificant.

Note 11. Accounting for Suspended Exploratory Wells

The company accounts for the cost of exploratory wells in accordance with FASB Staff Position FAS 19-1, "*Accounting for Suspended Well Costs*," which provides that an exploratory well continues to be capitalized after the completion of drilling if certain criteria are met. The company's capitalized cost of suspended wells at June 30, 2006, was approximately \$1.3 billion, an increase of about \$180 million from year-end 2005 due mainly to drilling activity in the United States. For the category of exploratory well costs at year-end 2005 that were suspended more than one year, a total of \$70 million was expensed in the first half of 2006.

Note 12. Asset Retirement Obligations

As of June 30, 2006, the company's liability for asset retirement obligations calculated in accordance with FASB Statement No. 143, "*Accounting for Asset Retirement Obligations*," was approximately \$5.4 billion, compared with \$4.3 billion at year-end 2005. The \$1.1 billion increase included approximately \$800 million associated with estimated costs to dismantle and abandon wells and facilities damaged by last year's hurricanes in the Gulf of Mexico. The offset to the \$800 million increase in the abandonment liability was recorded to operating expense, net of approximately \$400 million recoverable under the company's insurance policies. A reasonable estimate of the abandonment costs could be made in the second quarter 2006 after engineering and underwater site-survey studies were substantially completed. The total amount was significantly higher than abandonment costs previously recorded due to the extensive damage to the assets and the additional work that would be necessary for their proper dismantlement and abandonment.

Note 13. Litigation

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**Note 14. Other Contingencies and Commitments**

Income Taxes The U.S. federal income tax liabilities have been settled through 1996 for Chevron Corporation (formerly ChevronTexaco Corporation) and 1997 for Chevron Global Energy Inc. (formerly Caltex Corporation), Unocal Corporation (Unocal), and Texaco Inc. (Texaco). California franchise tax liabilities have been settled through 1991 for Chevron, 1998 for Unocal and through 1987 for Texaco.

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

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.

Off-Balance-Sheet Obligations The company and its subsidiaries have certain other contingent liabilities relating to long-term unconditional purchase obligations and commitments, throughput agreements, and take-or-pay agreements, some of which relate to suppliers' financing arrangements. The agreements typically provide goods and services, such as pipeline and storage capacity, utilities, and petroleum products, to be used or sold in the ordinary course of the company's business.

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 company would be required to perform if the indemnified liabilities become actual losses. Were that to occur, the company could be required to make maximum future payments up to \$300 million. Through June 30, 2006, the company paid \$48 million under these indemnities and continues to be obligated for possible additional 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 period 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 these 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 posts 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.

In the acquisition of Unocal, the company assumed certain indemnities relating to contingent environmental liabilities associated with assets of Unocal's 76 Products Company business that existed prior to its sale in 1997. Under the terms of these indemnities, there is no maximum limit on the amount of potential future payments by the company; however, the purchaser shares certain costs under this indemnity up to an aggregate cap of \$200 million. Claims relating to these indemnities must be asserted by April 2022. Through June 30, 2006, about \$123 million had been applied to the cap. In addition, payments totaling \$83 million have been made by either Unocal or Chevron that are not subject to the cap.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Minority Interests The company has commitments of \$231 million related to minority interests in subsidiary companies.

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, land development areas, and mining operations, 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 chemical companies.

Global Operations Chevron and its affiliates conduct business activities in approximately 180 countries. Areas in which the company and its affiliates have significant operations or ownership interests include the United States, Canada, Australia, the United Kingdom, Norway, Denmark, France, the Netherlands, the Partitioned Neutral Zone between Kuwait and Saudi Arabia, Republic of the Congo, Angola, Nigeria, Chad, South Africa, Democratic Republic of the Congo, Indonesia, Bangladesh, the Philippines, Myanmar, Singapore, China, Thailand, Vietnam, Cambodia, Azerbaijan, Kazakhstan, 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 (TCO) affiliate operates in Kazakhstan. Through an affiliate, the company participates in the operation of the Baku-Tbilisi-Ceyhan (BTC) pipeline through Azerbaijan, Georgia and Turkey. Also through an affiliate, the company has an interest in the Chad/Cameroon pipeline. The company's Petrolera Ameriven affiliate operates the Hamaca project in Venezuela. 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 Chevron'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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

net settlement amount for the four zones. Chevron 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 Chevron is estimated at about \$50 million. The timing of the settlement and the exact amount within this range of estimates are uncertain.

Other Contingencies Chevron 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 15. New Accounting Standards

EITF Issue No. 04-13, "Accounting for Purchases and Sales of Inventory with the Same Counterparty" (Issue 04-13). The company adopted the accounting prescribed by Issue 04-13 on a prospective basis from April 1, 2006. Issue 04-13 requires that two or more legally separate exchange transactions with the same counterparty, including buy/sell transactions, be combined and considered as a single arrangement for purposes of applying the provisions of Accounting Principles Board Opinion No. 29, *"Accounting for Nonmonetary Transactions,"* when the transactions are entered into "in contemplation" of one another. In prior periods, the company accounted for buy/sell transactions in the Consolidated Statement of Income the same as a monetary transaction — purchases were reported as "Purchased crude oil and products"; sales were reported as "Sales and other operating revenues."

With the company's adoption of Issue 04-13, buy/sell transactions beginning in the second quarter 2006 are netted against each other on the Consolidated Statement of Income, with no effect on net income. Amounts associated with buy/sell transactions in periods prior to the second quarter 2006 are shown as a footnote to the Consolidated Statement of Income on page 3.

EITF Issue No. 06-3, "How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)" (Issue 06-3). In June 2006, the FASB ratified the earlier EITF consensus on Issue 06-3, which will become effective for the company on January 1, 2007. The new accounting standard requires that a company disclose its policy for recording taxes assessed by a governmental authority on a revenue-producing transaction between a seller and a customer. In addition, for any such taxes that are reported on a gross basis, a company is required to disclose the amounts of those taxes. The company's policy in relation to Issue 06-3 is to present the relevant taxes on a gross basis. The associated amounts are shown as a footnote to the Consolidated Statement of Income on page 3.

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109" (FIN 48). In July 2006, the FASB issued FIN 48, which will become effective for the company on January 1, 2007. This standard clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. A company can only recognize the tax position in the financial statements if the position is more-likely-than-not to be upheld on audit based only on the technical merits of the tax position. This accounting standard also provides guidance on thresholds, measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial-statement comparability among different companies. The company does not expect implementation of the standard will have a material effect on its results of operations or financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 16. Subsequent Event

In July 2006, the United Kingdom enacted an increase in the corporation tax on oil and gas companies in the U.K. North Sea, which effectively increased the tax rate from 40 percent to 50 percent. The changes are effective from January 1, 2006. The company will record a one-time charge of approximately \$200 million in the third quarter 2006 to adjust deferred tax balances as of the effective date and to recognize the effect of the incremental tax for the first half of 2006. The effect of the incremental tax rate on earnings in the second half of 2006 is estimated at \$80 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
**Second Quarter 2006 Compared with Second Quarter 2005
and First-Half 2006 Compared with First-Half 2005**
Key Financial Results
Income by Business Segments

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
(Millions of dollars)				
Income by Business Segment				
Upstream — Exploration and Production				
United States	\$ 901	\$ 972	\$ 2,115	\$ 1,739
International	2,371	1,800	4,615	3,412
Total Upstream	3,272	2,772	6,730	5,151
Downstream — Refining, Marketing and Transportation				
United States	554	398	764	456
International	444	578	814	929
Total Downstream	998	976	1,578	1,385
Chemicals	94	84	247	221
Total Segment Income	4,364	3,832	8,555	6,757
All Other	(11)	(148)	(206)	(396)
Net Income*	\$ 4,353	\$ 3,684	\$ 8,349	\$ 6,361
* Includes foreign currency effects	\$ (56)	\$ 54	\$ (164)	\$ 33

Net income for the 2006 second quarter was \$4.4 billion (\$1.97 per share — diluted), compared with \$3.7 billion (\$1.76 per share — diluted) in the 2005 second quarter. Net income for the first six months of 2006 was \$8.3 billion (\$3.77 per share — diluted), vs. \$6.4 billion (\$3.04 per share — diluted) in the 2005 first half. In the following discussion, the term “earnings” is defined as segment income.

Upstream earnings in the second quarter 2006 were \$3.3 billion, compared with \$2.8 billion in the year-ago period. Earnings for the first half of 2006 were \$6.7 billion, vs. \$5.2 billion a year earlier. Results for the quarterly and six-month periods benefited mainly from higher average prices for crude oil. Also contributing to the earnings improvement for the quarter and six months was a 10 percent increase in net oil-equivalent production from the comparative periods in 2005. The production increase was due to the acquisition of Unocal Corporation in August 2005. (Refer to Note 2 on page 7 for a discussion of the Unocal acquisition.)

Downstream earnings were \$1 billion in the second quarter 2006, up 2 percent from a year earlier. Six-month 2006 earnings were \$1.6 billion, vs. \$1.4 billion in the corresponding 2005 period. In both comparative periods, profits increased in the United States, but non-U.S. earnings were lower.

Chemicals segment income was up 12 percent from the 2005 second quarter to \$94 million. Earnings for the first half of 2006 were \$247 million, up from \$221 million a year earlier.

Refer to pages 26 - 29 for additional discussion of earnings by business segment for the second quarter and first-half 2006.

Business Environment and Outlook

Chevron's current and future earnings depend largely on the profitability of its upstream (exploration and production) and downstream (refining, marketing and transportation) business segments. The single biggest factor that affects the results of operations for both segments is movement in the price of crude oil. In the downstream business, crude oil is the largest cost component of refined products. The overall trend in earnings is typically less affected by results from the company's chemical business and other activities and investments. Earnings for the company in any period may also be influenced by events or transactions that are infrequent and/or unusual in nature. Chevron and the oil and gas industry at large are currently experiencing an increase in certain costs that exceeds the general trend of inflation in many areas of the world. This increase in cost also is affecting the level of the company's capital expenditures, particularly in the upstream business.

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 investment projects depends on many factors, including obtaining rights to explore for crude oil and natural gas, developing and producing hydrocarbons in promising areas, drilling successfully, bringing long-lead-time capital-intensive projects to completion on budget and on schedule, and operating mature upstream properties efficiently and profitably.

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

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

Upstream Earnings for the upstream segment are closely aligned 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.

During 2005, industry price levels for West Texas Intermediate (WTI), a benchmark crude oil, averaged \$57 per barrel. Prices trended upward in the first half of 2006, with WTI averaging over \$70 per barrel for the second quarter and \$67 for the six months. The average price during July 2006 was \$74 per barrel. The rise in crude oil prices reflects, among other things, a heightened level of geopolitical uncertainty in some areas of the world, strong worldwide demand, and supply concerns in key producing regions.

During 2005 and the first-half 2006, a wide differential in price existed between high quality, light-sweet crude oils (such as the U.S. benchmark WTI) and heavier types of crude. The price for heavier crudes has been dampened because of ample supply and lower relative demand due to the limited number of refineries that are able to process this lower-quality feedstock into light products (i.e., motor gasoline, jet fuel, aviation gasoline and diesel fuel). The price for the higher-quality light oil, on the other hand, has remained high, as the demand for light products, which can be manufactured by any refinery from light oil, has been strong worldwide. Chevron produces heavy crude oil in California, Chad, Indonesia, the Partitioned Neutral Zone (between Saudi Arabia and Kuwait), Venezuela and in certain fields in Angola, China and the United Kingdom North Sea. (Refer to page 32 for the company's average U.S. and international crude oil prices.)

U.S. benchmark prices for Henry Hub natural gas averaged \$6.90 per thousand cubic feet (MCF) in the first half of 2006, compared with about \$6.70 for the corresponding 2005 period. Fluctuations in the price for natural gas in the United States are closely associated with the volumes produced in North America and the

inventory in underground storage relative to customer demand. Natural gas prices in the United States are also typically higher during the winter period, when demand for heating is greatest.

In contrast to the United States, certain other regions of the world in which the company operates have different supply, demand and regulatory circumstances for natural gas, typically resulting in significantly lower average sales prices for the company's production. (Refer to page 32 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, Chevron is planning increased investments in long-term projects in areas of excess supply to install infrastructure to produce and liquefy natural gas for transport by tanker, along with investments and commitments 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 can be transported in existing natural gas pipeline networks (as in the United States).

Besides the impact of the fluctuation in price for crude oil and natural gas, the longer-term trend in earnings for the upstream segment is also a function of other factors, including changes in the company's crude oil and natural gas production levels, changes in tax rates, the cost of goods and services, and the company's ability to find or acquire and efficiently produce crude oil and natural gas reserves.

With regard to the company's level of net oil-equivalent production, approximately 25 percent of the company's production in the first half of 2006, including volumes from oil sands in Canada and production under an operating service agreement in Venezuela, 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 six months of 2006 was not constrained in these areas by OPEC quotas, future production could be affected by OPEC-imposed limitations.

In 2005, the Venezuelan government stipulated that Chevron's Boscan and LL-652 operating service agreements be converted to Empresas Mixtas (i.e., joint stock contractual structures), with Petróleos de Venezuela, S.A. (PDVSA) as majority shareholder. Chevron signed definitive agreements for the contract conversions in July 2006 and expects the two Empresa Mixta companies will be formed during the third quarter after several additional administrative activities are completed. Upon formation of the Empresa Mixta companies, Chevron will report its equity share of the Boscan and LL-652 production, which will be approximately 90,000 barrels per day less than what the company previously reported under the operating service agreements. The financial implications of the Empresa Mixta structure are not expected to have a material effect on the company's results of operations, consolidated financial position or liquidity.

In certain onshore areas of Nigeria, approximately 30,000 barrels per day of the company's net production capacity remains shut in because of civil unrest and damages to facilities that occurred in 2003. The company has adopted a phased plan to restore this capacity as conditions permit.

In the first-half 2006, the company's worldwide oil-equivalent production averaged 2.66 million barrels per day, including the volumes produced from oil sands in Canada and the production associated with the operating service agreements in Venezuela. In the second half of 2006, the company expects daily production will average approximately 2.60 million barrels per day. This estimate for the last six months of the year includes the 90,000-barrel-per-day effect of the Empresa Mixta conversions in Venezuela, partially offset by production increases elsewhere in the portfolio. The estimate also includes the impact on production volumes associated with cost-recovery and variable-royalty provisions of certain contracts.

Any estimate of future production is subject to many uncertainties, including quotas that may be imposed by OPEC, the price effect on production volumes calculated under cost-recovery and variable-royalty provisions of certain contracts, and production disruptions that could be caused by severe weather, local civil unrest and changing geopolitics. Future production levels also are affected by the size and number of

economic investment opportunities and, for new large-scale projects, the time lag between initial exploration and the beginning of production. Most of Chevron's upstream investment is currently being made 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.

Refer also to the Results of Operations on pages 26 - 27 for additional discussion of U.S. and international production trends.

Downstream Earnings for the downstream segment are closely tied to global and regional supply and 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. Earnings improved during the first half of 2006, mainly as the result of higher average margins for refined products and improved operations at the company's refineries. Industry margins in the future may be volatile, due primarily to changes in the price of crude oil used for refinery feedstock, disruptions at refineries resulting from maintenance programs and mishaps, and levels of inventory and demand for refined products.

Other influences on 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 or severe weather, refinery upgrade projects and operating incidents. The level of operating expenses for the downstream segment 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 and product tankers. Other factors affecting the company's downstream profitability that are beyond the company's control include the general level of inflation and energy costs to operate the refinery network.

Refer also to the Results of Operations on pages 27 - 28 for additional discussion of downstream earnings.

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

Refer also to the Results of Operations on page 28 for additional discussion of chemical earnings.

Operating Developments

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

- *Angola* — Production of first crude oil from the offshore Lobito Field. The Benguela, Belize, Lobito and Tomboco fields form the 31 percent-owned and operated BBLT Development. As additional fields and wells are added over the next two years, BBLT's maximum production is expected to reach approximately 200,000 barrels of oil per day.
- *United Kingdom* — Production of first crude oil from the 85 percent-owned and operated Area C Project in the Captain Field. Eventual maximum production for the project is estimated at 15,000 barrels per day.
- *Azerbaijan* — Participation in the first shipment of crude oil through the 8.9 percent-owned Baku-Tbilisi-Ceyhan (BTC) pipeline. The initial crude is being supplied by the Azerbaijan International Oil Company, in which Chevron has a 10.3 percent interest.
- *Brazil* — Commitment to develop the 52 percent-owned and operated offshore Frade Field. Initial production is targeted by early 2009, with a maximum annual rate for the project estimated at 85,000 oil-equivalent barrels per day.
- *Nigeria* — Discovery of crude oil in the 20 percent-owned offshore Oil Prospecting License 214.
- *Australia* — Discovery of natural gas at the Chandon-1 exploration well offshore northwest Australia in the Greater Gorgon development area. Chevron's interest in the property will be 50 percent.

- **Biofuels** — Acquisition completed of a 22 percent interest in Galveston Bay Biodiesel L.P., which is building one of the first large-scale biodiesel plants in the United States. Chevron also entered into a partnership with the Georgia Institute of Technology to pursue advanced technology aimed at making cellulosic biofuels and hydrogen into viable transportation fuels.

Results of Operations

Business Segments The following section presents the results of operations for the company's business segments — upstream, downstream and chemicals — as well as for “all other” — the departments and companies managed at the corporate level. (Refer to Note 4 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.”)

Upstream

U.S. Upstream Income

Three Months Ended June 30		Six Months Ended June 30	
2006	2005	2006	2005
(Millions of dollars)			
\$901	\$972	\$2,115	\$1,739

U.S. upstream income of \$901 million decreased \$71 million from the second quarter 2005. The decline was due mainly to about \$300 million of charges in the 2006 period for additional uninsured costs associated with the dismantlement or repair of wells and facilities damaged by last year's hurricanes in the Gulf of Mexico. Other operating expenses were also higher between periods. Second quarter 2006 earnings benefited approximately \$370 million from higher prices for crude oil. A 4 percent increase in net oil-equivalent production also contributed to earnings in the period.

Six-month earnings were \$2.1 billion, compared with \$1.7 billion a year earlier. Higher average prices for crude oil and natural gas increased earnings about \$800 million between periods. Also benefiting earnings for the first-half 2006 was a 4 percent increase in oil-equivalent production. Partially offsetting these benefits were higher operating expenses, including hurricane-related charges.

The average liquids realization in the second quarter was \$60.07 per barrel, up from \$44.07. For the comparable six-month periods, the average realization of \$56.82 was up 37 percent from \$41.44. The average natural gas realization for the second quarter 2006 was \$5.89 per thousand cubic feet, compared with \$6.31 in the 2005 quarter. Year-to-date, the average realization was \$6.66 compared with \$6.04 in 2005.

Net oil-equivalent production was 768,000 barrels per day in the second quarter 2006 and 759,000 in the first half. Both periods were 4 percent higher than in 2005 due to volumes added from the former Unocal operations. This production increase was partially offset by the effects of normal field declines and production that was offline due to the hurricane damages. The net liquids component of oil-equivalent production was down 2 percent to 463,000 barrels per day for the quarter and relatively flat at 458,000 for the first half. Net natural gas production for the second quarter and first-half 2006 averaged 1.8 billion cubic feet per day, up 13 percent and 12 percent, respectively, from the year-ago periods.

International Upstream Income*

Three Months Ended June 30		Six Months Ended June 30	
2006	2005	2006	2005
(Millions of dollars)			
\$2,371	\$1,800	\$4,615	\$3,412
\$(96)	\$57	\$(219)	\$39

* Includes foreign currency effects

International upstream income of about \$2.4 billion in the second quarter 2006 increased \$571 million from the 2005 period. Higher prices for crude oil and natural gas benefited earnings approximately \$740 million. Also contributing to the earnings improvement was a 13 percent increase in oil-equivalent

production. Partially offsetting these effects were higher operating expenses. Foreign currency effects decreased earnings by \$96 million in the second quarter 2006, compared with a benefit to earnings of \$57 million in the year-ago period. This change between periods was primarily due to the strengthening of the currencies of the United Kingdom and Thailand against the U.S. dollar.

For the six-month period, income was \$4.6 billion, up \$1.2 billion from the 2005 first half. An approximate benefit of \$1.3 billion in the 2006 period was associated with higher prices for crude oil and natural gas. An increase in oil-equivalent production of 12 percent also contributed to earnings. Partially offsetting these benefits were charges in the first quarter for a settlement of a tax claim in Venezuela and write-offs associated with the Hebron project offshore eastern Canada. Operating expenses were also higher in the first-half 2006. Foreign currency effects reduced earnings \$219 million in the 2006 period, vs. a \$39 million benefit to earnings in 2005. This change between periods was again due to strengthening of the U.K. and Thailand currencies.

The average liquids realization for the second quarter 2006 was \$62.24 per barrel, an increase of 38 percent from \$45.19 in the 2005 period. For the first half of 2006, the average realization was \$58.60 compared with \$42.81 for the six months of 2005. The average natural gas realization in the 2006 second quarter was \$3.82 per thousand cubic feet, up from \$3.01 in the second quarter last year. Between six-month periods, the average natural gas realization increased 27 percent to \$3.80.

Net oil-equivalent production, including volumes from oil sands in Canada and an operating service agreement in Venezuela, for both the second quarter and first-half 2006 was 1.9 million barrels per day, up 13 and 12 percent, respectively, from the corresponding periods in 2005 due to volumes associated with the Unocal acquisition. The second-quarter production increase was net of the effects of maintenance activities at the Athabasca oil sands project in Canada and the Captain Field in the United Kingdom and lower cost-oil recovery volumes in Indonesia. The six-month production increase was also offset by reduced output due to equipment repairs at facilities in Kazakhstan. The net liquids component of oil-equivalent production for both the quarter and first-half 2006 was 1.4 million barrels per day, an increase of 3 percent in both periods. Net natural gas production was 3.2 billion cubic feet per day for the 2006 quarter and six months, up 50 percent and 49 percent from the year-ago periods, respectively.

Downstream

U.S. Downstream Income

Three Months Ended June 30		Six Months Ended June 30	
2006	2005	2006	2005
(Millions of dollars)			
\$554	\$398	\$764	\$456

U.S. downstream earnings of \$554 million increased \$156 million from the 2005 second quarter. For the first-half 2006, earnings were \$764 million, compared with \$456 million in the corresponding 2005 period. Earnings for both comparative periods increased primarily as a result of higher refined-product margins and improved refinery utilization.

Crude oil inputs of 935,000 barrels per day to the company's refineries were up about 3 percent in the 2006 second quarter. Crude oil inputs of 937,000 barrels per day in the first half increased about 6 percent from the corresponding period last year. Refined-product sales decreased 3 percent to 1,468,000 barrels per day in the 2006 second quarter due to a prospective accounting change effective April 1 related to certain purchase and sale contracts with the same counterparty. (Refer to the discussion of "New Accounting Standards" on page 37.) Previously, transactions for these contracts were reported as both a purchase and a sale. The new accounting requires the transactions to be netted. Excluding the impact of this new accounting standard, sales of refined products were about 2 percent higher in the 2006 quarter. On the same adjusted

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basis for the six-month periods, sales were approximately 3 percent higher in 2006. Branded gasoline sales increased 5 percent and 3 percent from last year's second quarter and six-month periods, respectively.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
International Downstream Income*	\$ 444	\$ 578	\$ 814	\$ 929
* Includes foreign currency effects	\$ 14	\$ 12	\$ 23	\$ 24

International downstream income of \$444 million decreased \$134 million from the second quarter 2005. Earnings for the six months of 2006 were \$814 million, down \$115 million from the 2005 first half. The decrease in both periods resulted from higher average income tax rates and increased operating expenses, which more than offset the benefit of higher refined-product margins and improved refinery utilization.

The company's share of refinery crude-oil inputs were 1,063,000 barrels per day for the second quarter 2006 and 1,073,000 for the six-month period. Volumes in each period were up about 6 percent from a year earlier. Total refined-product sales volumes were 2,100,000 barrels per day in the 2006 second quarter. After adjusting for the effect of the new accounting standard, refined product sales were approximately 4 percent lower in the 2006 quarter and lower by about 1 percent for the year-to-date period compared with the prior-year periods. The decrease in sales for the second quarter was primarily due to lower gasoline sales in Asia-Pacific and Europe and lower fuel oil sales.

Chemicals

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Income*	\$ 94	\$ 84	\$ 247	\$ 221
* Includes foreign currency effects	\$ (5)	\$ (1)	\$ (11)	\$ (2)

Chemical operations earned \$94 million in the second quarter 2006, compared with \$84 million in the 2005 period. For the six months, earnings increased \$26 million to \$247 million. The earnings improvement in both periods was the result of higher margins for commodity chemicals at the 50 percent-owned Chevron Phillips Chemical Company LLC affiliate and improved margins also for additives sold by the company's Oronite subsidiary for use in fuels and lubricating oils. Partially offsetting these benefits were higher average income tax rates between periods.

All Other

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Net Charges*	\$ (11)	\$ (148)	\$ (206)	\$ (396)
* Includes foreign currency effects	\$ 31	\$ (14)	\$ 43	\$ (28)

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

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Net charges were \$11 million in the second quarter 2006, compared with \$148 million in the corresponding 2005 period. Net charges for the six months of 2006 were \$206 million, vs. \$396 million in 2005. The decrease in net charges in the second quarter and year-to-date periods was partly associated with improved Dynegy-related results, which included a gain on the redemption of the company's investment in Dynegy preferred stock. The company also recorded a gain on the retirement of \$1.5 billion of Unocal debt. Foreign currency effects also contributed to the reduction in net charges for both comparative periods.

Consolidated Statement of Income

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

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Sales and other operating revenues*	\$ 52,153	\$ 47,265	\$ 105,677	\$ 87,755
* Includes amount for buy/sell contracts	\$ —	\$ 5,962	\$ 6,725	\$ 11,337

Sales and other operating revenues in both periods increased mainly on higher prices for crude oil, and refined products, as well as the inclusion of revenues related to former-Unocal operations. Partially offsetting these effects in the 2006 second quarter was the impact of the accounting-standard change beginning April 1 for certain purchase and sale contracts with the same counterparty.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Income from equity affiliates	\$1,113	\$861	\$2,096	\$1,750

The increase in income from equity affiliates in both periods reflected improved results for the company's Tengizchevroil (Kazakhstan), Dynegy, CPCChem, Hamaca (Venezuela), and Escravos gas-to-liquids (Nigeria) affiliates, which were partially offset by lower earnings from the company's downstream affiliates in the Asia-Pacific area.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Other income	\$270	\$217	\$387	\$445

Other income increased in the second quarter 2006 primarily due to a gain on the early retirement of Unocal debt and asset sales, partially offset by foreign currency effects. For the six-month period, other income decreased due to foreign currency effects and the absence of a net gain from the sale of a Canadian upstream equity investment in 2005, which were partially offset by higher interest income and the net gain on the early retirement of the Unocal debt.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Purchased crude oil and products	\$32,747	\$31,130	\$68,417	\$57,621

The increase in crude oil and product purchases in the 2006 periods was primarily the result of higher prices for crude oil and refined products. Partially offsetting these effects in the 2006 second quarter was the

impact of the accounting-standard change beginning April 1 for certain purchase and sale contracts with the same counterparty.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Operating, selling, general and administrative expenses	\$5,042	\$3,865	\$9,344	\$7,333

Operating, selling, general and administrative expenses in the second quarter and first-half 2006 increased 30 percent and 27 percent, respectively, from the year-ago periods. Higher amounts in 2006 included former-Unocal operations, and, for heritage-Chevron operations, higher uninsured costs associated with the storms in the Gulf of Mexico last year and increased costs for labor, transportation and fuel.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Exploration expenses	\$265	\$139	\$533	\$292

Exploration expenses in the 2006 periods increased mainly due to the inclusion of expenses for the former Unocal operations and higher amounts for well write-offs associated with heritage-Chevron properties.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Depreciation, depletion and amortization	\$1,807	\$1,320	\$3,595	\$2,654

The increase in depreciation, depletion and amortization in both comparative periods was mainly attributable to the inclusion of Unocal-related amounts.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Taxes other than on income	\$5,153	\$5,311	\$9,947	\$10,437

Taxes other than on income decreased in 2006 mainly due to lower sales volumes subject to duties in the company's European downstream operations.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Interest and debt expense	\$121	\$104	\$255	\$211

Interest and debt expense in 2006 increased primarily due to higher average interest rates for variable-rate debt and the interest on debt assumed with the Unocal acquisition.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(Millions of dollars)			
Income tax expense	\$ 4,026	\$ 2,772	\$ 7,672	\$ 5,002

Effective income tax rates for the second quarters of 2006 and 2005 were 48 percent and 43 percent, respectively. For the year-to-date periods, the effective tax rates were 48 percent and 44 percent, respectively.

The primary reason for the higher tax rates in 2006 was that proportionally more income was earned in 2006 than in 2005 in countries with high tax rates.

Information Relating to the Company's Investment in Dynegy

At June 30, 2006, Chevron owned an approximate 20 percent equity interest in the common stock of Dynegy Inc. (Dynegy), a provider of electricity to markets and customers throughout the United States.

Investment in Dynegy Common Stock At June 30, 2006, the carrying value of the company's investment in Dynegy common stock was \$263 million. This amount was about \$170 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 had been assigned to the extent practicable to specific Dynegy assets and liabilities, based upon the company's analysis of the various factors associated with 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 June 30, 2006, was \$530 million.

Investment in Dynegy Preferred Stock In May 2006, the company's investment in Dynegy Series C preferred stock was redeemed at its face value of \$400 million. Upon redemption of the preferred stock, the company recorded a gain of \$130 million, of which \$105 million was reclassified from "Other Comprehensive Income."

Selected Operating Data

The following table presents a comparison of selected operating data:

Selected Operating Data(1)(2)

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
U.S. Upstream				
Net Crude Oil and Natural Gas Liquids Production (MBPD)	463	470	458	461
Net Natural Gas Production (MMCFPD)(3)(4)	1,832	1,621	1,807	1,611
Net Oil-Equivalent Production (MBOEPD)	768	740	759	729
Sales of Natural Gas (MMCFPD)	6,839	5,697	6,899	5,281
Sales of Natural Gas Liquids (MBPD)(4)	128	170	118	170
Revenue from Net Production				
Liquids (\$/Bbl.)	\$ 60.07	\$ 44.07	\$ 56.82	\$ 41.44
Natural Gas (\$/MCF)	\$ 5.89	\$ 6.31	\$ 6.66	\$ 6.04
International Upstream				
Net Crude Oil and Natural Gas Liquids Production (MBPD)	1,239	1,179	1,234	1,187
Net Natural Gas Production (MMCFPD)(3)(4)	3,234	2,151	3,199	2,153
Net Oil-Equivalent Production (MBOEPD)(5)	1,901	1,681	1,897	1,687
Sales of Natural Gas (MMCFPD)(4)	3,865	1,990	3,481	2,012
Sales of Natural Gas Liquids (MBPD)(4)	89	114	99	111
Revenue from Liftings				
Liquids (\$/Bbl.)	\$ 62.24	\$ 45.19	\$ 58.60	\$ 42.81
Natural Gas (\$/MCF)	\$ 3.82	\$ 3.01	\$ 3.80	\$ 2.98
U.S. and International Upstream				
Total Net Oil-Equivalent Production, including Other Produced Volumes (MBOEPD)(3)(5)	2,669	2,421	2,656	2,416
U.S. Downstream				
Gasoline Sales (MBPD)(6)	700	714	717	706
Other Refined Products Sales (MBPD)	768	796	784	780
Total(7)	1,468	1,510	1,501	1,486
Refinery Input (MBPD)	935	912	937	884
International Downstream				
Gasoline Sales (MBPD)(6)	466	566	499	557
Other Refined Products Sales (MBPD)	1,104	1,255	1,176	1,239
Share of Affiliate Sales (MBPD)	530	506	540	533
Total(7)	2,100	2,327	2,215	2,329
Refinery Input (MBPD)	1,063	1,007	1,073	1,010

(1) Includes company share of equity 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 per day.

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

United States	58	58	44	55
International	411	325	383	317

(4) 2005 conformed to 2006 presentation.

(5) Includes other produced volumes (MBPD):

Athabasca oil sands — net	16	32	20	29
Boscan Operating Service Agreement	107	111	110	111
Total	123	143	130	140

(6) Includes branded and unbranded gasoline.

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

United States	—	78	53	81
International	—	137	49	137

Liquidity and Capital Resources

Cash and cash equivalents and marketable securities totaled \$11.1 billion at June 30, 2006, unchanged from year-end 2005. Cash provided by operating activities was \$11.9 billion in the first six months of 2006. Operating activities in the first half of 2006 generated funds for the company's capital and exploratory program, payment of dividends to stockholders, repayment of debt and repurchase of common stock.

Dividends The company paid dividends of \$2.1 billion to common stockholders during the first six months of 2006.

Debt and Capital Lease and Minority Interest Obligations Chevron's total debt and capital lease obligations were \$10.3 billion at June 30, 2006, vs. \$12.9 billion at December 31, 2005. The company also had minority interest obligations of \$231 million at June 30, 2006. In the second quarter of 2006, the company redeemed approximately \$1.7 billion of Unocal debt and recognized a \$92 million before-tax gain. In the first quarter of 2006, \$185 million of Union Oil of California bonds were retired at maturity.

The company's debt and capital lease obligations due within one year, consisting primarily of commercial paper and the current portion of long-term debt, totaled \$4.9 billion at June 30, 2006, down from \$5.6 billion at December 31, 2005. Of these amounts, \$4.9 billion was reclassified to long-term at both June 30, 2006, and December 31, 2005. At June 30, 2006, settlement of these obligations was not expected to require the use of working capital within one year, as the company had 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 it believes appropriate and economic.

At June 30, 2006, the company had \$4.9 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 London Interbank Offered Rate 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 June 30, 2006. In addition, the company has three existing effective "shelf" registrations on file with the Securities and Exchange Commission that together would permit additional registered debt offerings up to an aggregate \$3.8 billion of debt securities.

Chevron's senior debt is rated AA by Standard and Poor's Corporation and Aa2 by Moody's Investors Service. The senior debt of Texaco Capital Inc. is rated Aa2, and the Union Oil of California bonds are rated A1 by Moody's. These companies are wholly owned subsidiaries of Chevron. The company's U.S. commercial paper is rated A-1+ by Standard and Poor's and P-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 June 30, 2006, 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.

Common Stock Repurchase Program In December 2005, the company authorized the acquisition of up to \$5 billion of its common shares 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 is for a period of up to three years and may be discontinued at any time. During the second quarter 2006, 21.8 million shares were purchased in the open market at a cost of \$1.3 billion. From the inception of the program in December 2005

through July 2006, the company had purchased 44.1 million shares for \$2.6 billion. The company expects to complete the \$5 billion stock buyback program by the end of 2006.

Current Ratio — current assets divided by current liabilities. The current ratio was 1.4 at June 30, 2006, unchanged from December 31, 2005. The current ratio is adversely affected by the valuation of Chevron's inventories on a LIFO basis. At year-end 2005, the book value of inventory was lower than replacement costs, based on average acquisition costs during the year, by approximately \$4.8 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 13 percent at June 30, 2006, compared with 17 percent at year-end 2005.

Pension Obligations At the end of 2005, the company estimated it would contribute \$300 million and \$200 million to its U.S. and international pension plans, respectively, during 2006. Through June 30, 2006, a total \$183 million was contributed, including approximately \$90 million to the U.S. plans. Estimated contributions for the full year continue to be \$500 million, but 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 \$7.4 billion in the first six months of 2006, compared with \$4.2 billion in the corresponding 2005 period. The amounts included the company's share of equity-affiliate expenditures of about \$800 million and \$700 million in the 2006 and 2005 periods, respectively. Expenditures for upstream projects in 2006 were about \$5.7 billion, representing 77 percent of the companywide total.

Capital and Exploratory Expenditures by Major Operating Area

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
United States				
Upstream	\$ 1,151	\$ 538	\$ 1,971	\$ 924
Downstream	252	122	444	233
Chemicals	24	24	41	43
All Other	108	61	154	138
Total United States	1,535	745	2,610	1,338
International				
Upstream	1,998	1,388	3,691	2,329
Downstream	767	333	1,039	481
Chemicals	11	8	17	15
All Other	—	16	2	17
Total International	2,776	1,745	4,749	2,842
Worldwide	\$ 4,311	\$ 2,490	\$ 7,359	\$ 4,180

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

Income Taxes The U.S. federal income tax liabilities have been settled through 1996 for Chevron Corporation (formerly ChevronTexaco Corporation) and 1997 for Chevron Global Energy Inc. (formerly Caltex Corporation), Unocal Corporation (Unocal), and Texaco Inc. (Texaco). California franchise tax liabilities have been settled through 1991 for Chevron, 1998 for Unocal and through 1987 for Texaco.

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

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.

Off-Balance-Sheet Obligations The company and its subsidiaries have certain other contingent liabilities relating to long-term unconditional purchase obligations and commitments, throughput agreements, and take-or-pay agreements, some of which relate to suppliers' financing arrangements. The agreements typically provide goods and services, such as pipeline and storage capacity, utilities, and petroleum products, to be used or sold in the ordinary course of the company's business.

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 company would be required to perform if the indemnified liabilities become actual losses. Were that to occur, the company could be required to make maximum future payments up to \$300 million. Through June 30, 2006, the company paid \$48 million under these indemnities and continues to be obligated for possible additional 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 period 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 these 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 posts 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.

In the acquisition of Unocal, the company assumed certain indemnities relating to contingent environmental liabilities associated with assets of Unocal's 76 Products Company business that existed prior to its sale in 1997. Under the terms of these indemnities, there is no maximum limit on the amount of potential future payments by the company; however, the purchaser shares certain costs under this indemnity up to an aggregate cap of \$200 million. Claims relating to these indemnities must be asserted by April 2022. Through June 30, 2006, about \$123 million had been applied to the cap. In addition, payments totaling \$83 million have been made by either Unocal or Chevron that are not subject to the cap.

Minority Interests The company has commitments of \$231 million related to minority interests in subsidiary companies.

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, land development areas, and mining operations, 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 chemical 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 their business activities involving the use of derivative instruments.

Global Operations Chevron and its affiliates conduct business activities in approximately 180 countries. Areas in which the company and its affiliates have significant operations or ownership interests include the United States, Canada, Australia, the United Kingdom, Norway, Denmark, France, the Netherlands, the Partitioned Neutral Zone between Kuwait and Saudi Arabia, Republic of the Congo, Angola, Nigeria, Chad, South Africa, Democratic Republic of the Congo, Indonesia, Bangladesh, the Philippines, Myanmar, Singapore, China, Thailand, Vietnam, Cambodia, Azerbaijan, Kazakhstan, 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 (TCO) affiliate operates in Kazakhstan. Through an affiliate, the company participates in the operation of the Baku-Tbilisi-Ceyhan (BTC) pipeline through Azerbaijan, Georgia and Turkey. Also through an affiliate, the company has an interest in the Chad/ Cameroon pipeline. The company's Petrolera Ameriven affiliate operates the Hamaca project in Venezuela. 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 Chevron'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. Chevron 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 Chevron is estimated at about \$50 million. The timing of the settlement and the exact amount within this range of estimates are uncertain.

Other Contingencies Chevron 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.

New Accounting Standards

EITF Issue No. 04-13, "Accounting for Purchases and Sales of Inventory with the Same Counterparty" (Issue 04-13). The company adopted the accounting prescribed by Issue 04-13 on a prospective basis from April 1, 2006. Issue 04-13 requires that two or more legally separate exchange transactions with the same counterparty, including buy/sell transactions, be combined and considered as a single arrangement for purposes of applying the provisions of Accounting Principles Board Opinion No. 29, *"Accounting for Nonmonetary Transactions,"* when the transactions are entered into "in contemplation" of one another. In prior periods, the company accounted for buy/sell transactions in the Consolidated Statement of Income the same as a monetary transaction — purchases were reported as "Purchased crude oil and products"; sales were reported as "Sales and other operating revenues."

With the company's adoption of Issue 04-13, buy/sell transactions beginning in the second quarter 2006 are netted against each other on the Consolidated Statement of Income, with no effect on net income. Amounts associated with buy/sell transactions in periods prior to the second quarter 2006 are shown as a footnote to the Consolidated Statement of Income on page 3.

EITF Issue No. 06-3, "How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)" (Issue 06-3). In June 2006, the FASB ratified the earlier EITF consensus on Issue 06-3, which will become effective for the company on January 1, 2007. The new standard requires that a company disclose its policy for recording taxes assessed by a governmental authority on a revenue-producing transaction between a seller and a customer. In addition, for any such taxes that are reported on a gross basis, a company is required to disclose the amounts of those taxes. The company's policy in relation to Issue 06-3 is to present the relevant taxes on a gross basis. The associated amounts are shown as a footnote to the Consolidated Statement of Income on page 3.

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109" (FIN 48). In July 2006, the FASB issued FIN 48, which will become effective for the company on January 1, 2007. This standard clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. A company can only recognize the tax position in the financial statements if the position is more-likely-than-not to be upheld on audit based only on the technical merits of the tax position. This accounting standard also provides guidance on thresholds, measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial-statement comparability among different companies. The company does not expect implementation of the standard will have a material effect on its results of operations or financial position.

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

Information about market risks for the three months ended June 30, 2006, does not differ materially from that discussed under Item 7A of Chevron's Annual Report on Form 10-K for 2005.

Item 4. *Controls and Procedures*

(a) Evaluation of disclosure controls and procedures

Chevron 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 June 30, 2006, have concluded that as of June 30, 2006, 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 June 30, 2006, 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.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Chevron is a major fully integrated petroleum company with a diversified business portfolio, strong balance sheet, and history of generating sufficient cash to fund capital and exploratory expenditures and to pay dividends. Nevertheless, some inherent risks could materially impact the company's financial results of operations or financial condition.

Information about risk factors for the six months ended June 30, 2006, does not differ materially from that set forth in Part I, Item 1A, of Chevron's Annual Report on Form 10-K for 2005.

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

CHEVRON 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
April 1-30, 2006	3,237,045	59.23	2,945,000	—
May 1-31, 2006	10,178,160	60.63	9,515,000	—
June 1-30, 2006	9,682,765	59.11	9,312,600	—
Total	23,097,970	59.80	21,772,600	(2)

- (1) Includes 168,858 common shares repurchased during the three-month period ended June 30, 2006, from company employees for required personal income tax withholdings on the exercise of the stock options issued to management and employees under the company's long-term incentive plans. Also includes 1,156,512 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 June 30, 2006.
- (2) In December 2005, the company authorized common stock repurchases of up to \$5 billion that may 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 June 30, 2006, \$2.4 billion had been expended to repurchase 40,925,600 shares since the common stock repurchase program began.

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

The following matters were submitted to a vote of stockholders at the Annual Meeting on April 26, 2006.

	Number of Shares		
	Voted For	Withheld	
1. Concerning Election of Directors			
Samuel H. Armacost	1,862,115,542	57,867,411	
Linnet F. Deily	1,884,899,577	35,083,376	
Robert E. Denham	1,879,034,104	40,948,850	
Robert J. Eaton	1,883,976,564	36,006,389	
Sam Ginn	1,869,718,825	50,264,128	
Franklyn G. Jenifer	1,869,795,547	50,187,406	
Sam Nunn	1,859,577,062	60,405,891	
David J. O’Reilly	1,863,485,131	56,497,823	
Donald B. Rice	1,878,602,075	41,380,878	
Peter J. Robertson	1,868,457,354	51,525,599	
Charles R. Shoemate	1,885,021,202	34,961,751	
Ronald D. Sugar	1,884,482,215	35,500,739	
Carl Ware	1,885,071,895	34,911,058	
	Number of Shares		
	Voted For	Voted Against	Abstain
	Represent Broker Non-Votes		
2. Concerning Ratification of Independent Registered Public Accounting Firm			
	1,871,845,904	31,777,756	16,355,345
	N/A		
3. Concerning Stockholder Proposal to Amend Company By-Laws to Include Proponent Reimbursement			
	477,830,886	977,567,062	88,095,825
	376,489,180		
4. Concerning Stockholder Proposal to Report on Oil & Gas Drilling in Protected Areas			
	118,980,363	1,254,534,619	170,008,557
	376,459,414		
5. Concerning Stockholder Proposal to Report on Political Contributions			
	183,871,806	1,205,670,603	153,963,398
	376,477,146		
6. Concerning a Stockholder Proposal to Adopt an Animal Welfare Policy			
	87,969,616	1,291,558,398	164,002,938
	376,452,001		
7. Concerning Stockholder Proposal to Report on Human Rights			
	327,939,905	1,042,698,673	172,888,544
	376,455,831		
8. Concerning Stockholder Proposal to Report on Ecuador			
	114,908,332	1,257,736,443	170,879,795
	376,458,383		

Item 5. Other Information
Disclosure Regarding Nominating Committee Functions and Communications Between Security Holders and Board of Directors

No change.

Rule 10b5-1 Plan Elections

No rule 10b5-1 plans were adopted by executive officers or directors for the period that ended on June 30, 2006.

Item 6. Exhibits

Exhibit Number	Description
(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
(10.18)	Chevron Corporation Retirement Restoration Plan
(10.19)	Chevron Corporation ESIP Restoration Plan
(10.20)	Form of Restricted Stock Unit Grant Agreement under the Chevron Corporation Long-Term Incentive Plan
(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.

CHEVRON CORPORATION
(Registrant)

/s/ M.A. HUMPHREY

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

Date: August 3, 2006

EXHIBIT INDEX

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(10.18)*	Chevron Corporation Retirement Restoration Plan
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(32.1)*	Section 1350 Certification by the company's Chief Executive Officer
(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, Chevron Corporation, 6001 Bollinger Canyon Road, San Ramon, California 94583-2324.

**CHEVRON CORPORATION
RETIREMENT RESTORATION PLAN**

(Amended and Restated as of July 1, 2006)

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CHEVRON CORPORATION
RETIREMENT RESTORATION PLAN
(Amended and Restated as of July 1, 2006)

SECTION 1. INTRODUCTION.

The Chevron Corporation Retirement Restoration Plan (the “RRP”) was established effective July 1, 2002 to provide additional retirement benefits due to the limitations of sections 401(a)(17) and 415 of the Code, and to deferred compensation not counting as benefits bearing compensation under the qualified Chevron Retirement Plan. The RRP was formed from a spin-out on July 1, 2002 of the defined benefit portion of the liabilities of the Chevron Corporation Excess Benefit Plan (the “Excess Plan”) which had been originally established effective January 1, 1976, and from the later December 10, 2003 spin-out of the defined benefit portions of the liabilities of the then active former Texaco and Caltex employees participating in the Supplemental Pension Plan of Texaco Inc. and the Excess-Benefit Plan for Employees of ChevronTexaco Global Energy Inc.

The Chevron Corporation Supplemental Retirement Plan (the “SRP”) was established effective July 1, 2002 to provide additional retirement benefits due to Unrestricted MIP Awards, and on December 10, 2003 was expanded to include additional retirement benefits due to similar executive bonus program awards for former Texaco and Caltex employees. The SRP was formed from a spin-out on July 1, 2002 of the bonus portion of the liabilities of the Excess Plan, and from the later December 10, 2003 spin-out of the liabilities of the then active former Texaco and Caltex employees participating in the Supplemental Bonus Retirement Plan of Texaco Inc. and the Pension Supplementation Plan of ChevronTexaco Global Energy Inc.

On August 10, 2005 the Corporation acquired Unocal Corporation ("Unocal") and later became the sponsor of Unocal Nonqualified Retirement Plan A1, Unocal Nonqualified Retirement Plan B1 and Unocal Nonqualified Retirement Plan C1 (the "Unocal Nonqualified Retirement Plans"). The Unocal Nonqualified Retirement Plans covered eligible employees who were active employees of Unocal or its affiliates on or after January 1, 2005, and provided additional retirement benefits that were not provided under the qualified Unocal Retirement Plan due to the limitations of sections 401(a)(17) and 415 of the Code, to deferred compensation not counting as benefits bearing compensation, and to the calculation of retirement benefits using the high three annual Unocal incentive pay awards, whether or not consecutive.

Effective as of July 1, 2006, the SRP and the Unocal Nonqualified Retirement Plans were merged into this RRP. However, the benefit calculation and benefit distribution rules that apply to eligible employees who incurred a Separation from Service prior to July 1, 2006 continue to be those described in the RRP, the SRP and the Unocal Nonqualified Retirement Plans as in effect as of the time such employees incurred a Separation from Service (as amended to comply with section 409A of the Code).

SECTION 2. ELIGIBILITY AND PARTICIPATION.

Participation in the RRP on and after July 1, 2006 shall be limited to:

- (a) Legacy Chevron Active Employee Participants. Members of the Retirement Plan who are Employees on or after July 1, 2006, and whose Retirement Plan benefits are limited due to the requirements of sections 401(a)(17) or 415 of the Code, or on account of salary deferrals under the Deferred Compensation Plan or Unrestricted MIP Awards not being recognized as Regular Earnings under the Retirement Plan.

- (b) Legacy Texaco and Caltex Active Employee Participants. Members of the Retirement Plan who are Employees on or after July 1, 2006, who were participants in one of the Prior Qualified Plans, and whose Retirement Plan benefits are limited due to the requirements of sections 401(a)(17) or 415 of the Code or on account of salary deferrals or Unrestricted MIP Awards (or the equivalent Texaco or Caltex executive bonus program awards) not being recognized as Regular Earnings under the Retirement Plan.
- (c) Legacy Unocal Active Employee Participants. Members of the Retirement Plan who are Employees on or after July 1, 2006, who were participants in the Unocal Retirement Plan, and whose Retirement Plan benefits are limited due to the requirements of sections 401(a)(17) or 415 of the Code, on account of salary deferrals or Unrestricted MIP Awards not being recognized as Regular Earnings under the Retirement Plan, or on account of only consecutive Unocal qualifying incentive plan awards being recognized as final average monthly pay under Supplement UU of the Retirement Plan.
- (d) Terminated Employee Participants. Any terminated former Employee who had an undistributed benefit under the RRP, the SRP or one or more of the Unocal Nonqualified Retirement Plans as of June 30, 2006.

An individual described in (a) above who becomes an Employee on or after July 1, 2006 shall first be eligible to participate in the RRP on the earliest of (i) the first day of the fourth month after the date of his or her first Unrestricted MIP Award, (ii) the date the Committee determines that the Employee's compensation first exceeded the limitation of section 401(a)(17)

of the Code, (iii) the date the Committee determines that the benefit payable to or on behalf of the Employee under the Retirement Plan is limited by section 415 of the Code, or (iv) the day before the date the Employees incurs a Separation from Service.

SECTION 3. PLAN BENEFITS.

This Section 3 applies only to Participants who are Employees on or after July 1, 2006.

- (a) Restoration Benefit. The Restoration Benefit of a Participant who is an Employee on or after July 1, 2006 shall be the lump sum value of the difference between:
- (i) the amount of the Participant's single life annuity under the Retirement Plan commencing as of the first day of the month following Separation from Service (A) without regard to the limitations required to comply with sections 401(a)(17) or 415 of the Code, (B) including as Regular Earnings salary deferrals under the Deferred Compensation Plan (and under the deferred compensation plans applicable to former Texaco, Caltex and Unocal employees) and (C) adding to Highest Average Earnings the result of dividing the sum of the high three Unrestricted MIP Awards (or the equivalent Texaco or Caltex executive bonus program awards, or Unocal qualifying incentive plan awards), whether or not consecutive, paid (or deferred) in the last 10 years of employment, or all such awards if less than three, by three; and
 - (ii) the amount of the Participant's single life annuity under the Retirement Plan commencing as of the first day of the month following Separation from Service.

- (b) Legacy Unocal Active Employee Participants. The amount described in (a)(i) above for a Participant who was a participant in the Unocal Nonqualified Retirement Plans on June 30, 2006, shall not be less than the amount calculated under the Unocal Nonqualified Retirement Plans (before offset for the Unocal Retirement Plan benefit) if the Unocal Nonqualified Retirement Plans had continued in effect after June 30, 2006 and the benefit under such Plans was calculated as of the first day of the month following the Participant's Separation from Service.
- (c) Gulf Retirement Bonus. A Participant who was eligible to receive a Gulf Retirement Bonus under the Supplemental Pension Plan of Gulf Oil Corporation shall be entitled to receive such benefit under the RRP as a part of his or her Restoration Benefit.
- (d) Calculation of Lump Sum Value of Single Life Annuity. The single life annuity and lump sum values described above shall be determined using the applicable formulae and actuarial assumptions in effect under the Retirement Plan as of the first day of the month following the Participant's Separation from Service.
- (e) Interest. Interest shall accrue on the unpaid portion, if any, of a Participant's Restoration Benefit, commencing on the first day of the month following the Participant's Separation from Service. Interest shall be credited and compounded daily such that the interest rate for the Quarter will be equal to the average market yield for the preceding Quarter on constant maturity U.S. Government 10-year bonds. Notwithstanding the foregoing, no interest shall accrue on the unpaid

portion of a Participant's Restoration Benefit that is being paid in the form of an annuity.

SECTION 4. DISTRIBUTION OF PLAN BENEFITS.

This Section 4 applies only to Participants who are Employees on or after July 1, 2006. Such a Participant's Plan Benefit shall be distributed in cash and at such time (or times) as the described in this Section 4, but no earlier than the first Quarter that is at least 12 months following the date the Participant incurs a Separation from Service.

- (a) Default Distribution Form. Unless the Participant makes a valid election with the Committee as described in this Section 4, the Participant's Plan Benefit shall be distributed in a lump sum in the first Quarter that is at least 12 months following the date the Participant incurs a Separation from Service.
- (b) Time and Form of Distribution. By filing the prescribed forms with the Committee by the later of December 31, 2006 or 30 days after the Participant is first eligible to participate in the RRP, the Participant may elect a distribution in a lump sum, or in 10 or fewer approximately equal annual installments, payable or commencing in the first Quarter or in the first January that is one or more whole years (as elected by the Participant) following the date the Participant incurs a Separation from Service, but not later than the later of the first January after the date the Participant attains age 70-1/2 or the Quarter that is at least 12 months following the date the Participant incurs a Separation from Service. All installments after the first shall be paid in January.

- (c) Determination of Installment Payment Amount. The amount of any installment payment shall be determined by dividing the unpaid balance of the Participant's Plan Benefit, including credited interest, as of the beginning of the Quarter that includes the distribution date, by the number of annual payments remaining to be made.
- (d) Change of Time or Form of Distribution. The Participant may elect to change the time or manner of payment of his or her Plan Benefit by filing the prescribed forms with the Committee at least 12 months prior to the date such payment otherwise would be made or commence. The new election can be a lump sum or installments payable as described in (b) above. If the new election is made prior to 2007, the new payment date must be at least 12 months after the new election is filed. If the new election is made after 2006, the new payment date must be at least 5 years after the original payment date. For this purpose, "payment date" means the date a lump sum is payable or the date the first of a series of installments is payable.
- (e) Unforeseeable Emergency. A Participant who has incurred a Separation from Service, or a Beneficiary of a deceased Participant, who has an unforeseeable emergency (as defined in section 409A of the Code and the regulations thereunder) may request an immediate lump sum payment of all or any portion of the Participant's or Beneficiary's Plan Benefit, provided that such requested amount is reasonably necessary to satisfy such emergency need (as determined by

the Committee in accordance with section 409A of the Code and the regulations thereunder).

- (f) Mandatory Cashout Limit. Notwithstanding any other provision of this Section 4, if a Participant's Plan Benefit is less than \$50,000 on the first business day of the first Quarter that is at least 12 months following the date the Participant incurs a Separation from Service, such Plan Benefit shall be distributed in a lump sum in such Quarter.
- (g) Unocal Retirement Plan Payments Commence in 2006. If a Participant commences his or her Unocal Retirement Plan benefits on or before December 31, 2006, then the rules described in Sections 4(a), 4(b), and 4(f) above shall not apply to such Participant. Instead, the rules relating to the default distribution form, to the time and form of distributions, and to mandatory cashouts described in the Unocal Nonqualified Retirement Plans as in effect on June 30, 2006 shall apply to the portion of such Participant's Restoration Benefit equal to (i) the amount calculated under the Unocal Nonqualified Retirement Plans (before offset for the Unocal Retirement Plan benefits) if the Unocal Nonqualified Retirement Plans had continued in effect after June 30, 2006 and the benefit under such Plans was calculated as of the first day of the month following the Participant's Separation from Service, minus (ii) the amount described in Section 3(a)(ii). Any additional Restoration Benefit shall be paid in a lump sum in February 2007. Notwithstanding the foregoing provisions of this Section 4(g), no Restoration Benefit shall be paid to a Specified Employee earlier than six months following

the date the Participant incurs a Separation from Service. "Specified Employee" means a specified employee of the Affiliated Group within the meaning of section 409A of the Code.

SECTION 5. DEATH BENEFITS.

- (a) Amount of Death Benefit. If a Participant dies, the unpaid portion of the Participant's Plan Benefit shall be distributed to the Participant's Beneficiary in accordance with Section 5(c) at the same time and in the same form such Plan Benefit would have been distributed to the Participant in accordance with Section 4, except that a Beneficiary may request a distribution on account of an unforeseeable emergency as described in Section 4(e).
- (b) Beneficiaries. A Participant may designate, in the manner and on the form prescribed by the Committee, one or more Beneficiaries to receive payment of any Plan Benefit hereunder that becomes distributable after the Participant's death. A Participant may change such designation at any time by filing the prescribed form in the manner established by the Committee. No Beneficiary designation shall be effective until it is filed in accordance with the procedures established by the Committee. If a Beneficiary has not been designated or if no designated Beneficiary survives the Participant, distribution will be made to the Participant's surviving spouse as Beneficiary if such spouse is then living or, if not, in equal shares to the then living children of the Participant as Beneficiaries or, if none, to the Participant's estate as Beneficiary.

- (c) Time and Form of Distribution. If a Participant who has made a valid election as to the time and form of distribution of his or her Plan Benefit dies, then the Beneficiary shall receive the payment(s) at the same time and in the same form as the Participant would have received such payment(s), except that the Beneficiary may request a distribution on account of an unforeseeable emergency as described in Section 4(e). If the Participant has not made a valid election as to the time and form of his distribution, then payment shall be made in a lump sum as soon as practicable following the Participant's death.

SECTION 6. MISCELLANEOUS.

- (a) Forfeitures. Plan Benefits shall vest in accordance with the applicable provisions of the Retirement Plan. Notwithstanding such vesting, however, if the Participant engages in Misconduct, the Committee may determine that unpaid Plan Benefits shall be forfeited and/or that Plan Benefits that have been paid to the Participant should be repaid to the Corporation. In addition, if the Participant is indebted to any member of the Affiliated Group, the Committee may determine that the Participant's unpaid Plan Benefits shall be forfeited to the extent of such indebtedness, and such debt shall be extinguished to the extent of such forfeiture.
- (b) Funding. The RRP shall be unfunded, and all Plan Benefits shall be paid only from the general assets of the Corporation.
- (c) Tax Withholding. All distributions shall be net of any applicable payroll deductions including, but not limited to, any federal, state or local tax

withholding. In addition, any withholding amount required under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act with respect to a Participant's Plan Benefit prior to the date a distribution is made from the RRP, if any, and the additional income taxes attributable to such withholding, shall be debited from the Participant's Plan Benefit.

- (d) No Employment Rights. Nothing in the RRP shall be deemed to give any individual a right to remain in the employ of any member of the Affiliated Group nor affect the right of a member of the Affiliated Group to terminate any individual's employment at any time and for any reason, which right is hereby reserved.
- (e) No Assignment of Property Rights. Except as provided in Section 6(a)(iii) with respect to a Participant's indebtedness to any member of the Affiliated Group, or as may be required by applicable law, or as is described below relating to domestic relations orders, no Plan Benefit or property interest in this RRP may be assigned (either at law or in equity), alienated, anticipated or subject to attachment, bankruptcy, garnishment, levy, execution or other legal or equitable process. Any act in violation of this Section 6(e) shall be void. Notwithstanding the foregoing, the creation, assignment or recognition of a right to all or any portion of a Participant's Plan Benefit hereunder pursuant to an order that would otherwise qualify as a "qualified domestic relations order" (within the meaning of section 414(p) of the Code) if this RRP were a qualified plan under section 401(a) of the Code, shall not constitute a violation of this Section 6(e).

- (f) Administration. The RRP shall be administered by the Committee. No member of the Committee shall become a Participant in the RRP. The Committee shall make such rules, interpretations and computations as it may deem appropriate. The Committee shall have sole discretion to interpret the terms of the RRP, make any factual findings, and make any decision with respect to the RRP, including (without limitation) any determination of eligibility to participate in the RRP, eligibility for a Plan Benefit, and the amount of such Plan Benefit. The Committee's determinations shall be conclusive and binding on all persons.
- (g) Amendment and Termination. The Corporation expects to continue the RRP indefinitely. Future conditions, however, cannot be foreseen. Subject to Section 7, the Corporation shall have the authority to amend or to terminate the RRP at any time and for any reason, by action of its board of directors or by action of a committee or individual(s) acting pursuant to a valid delegation of authority. In the event of an amendment or termination of the RRP, a Participant's Plan Benefit shall not be less than the Plan Benefit to which the Participant would have been entitled if he or she had incurred a Separation from Service immediately prior to such amendment or termination, except to the extent:
- (i) The RRP was amended or terminated to comply with changes in the Code;
 - (ii) Some or all of the amount calculated under the RRP's terms that existed immediately prior to such amendment or termination is subsequently provided from another plan.

- (h) Effect of Reemployment. If any Participant who has incurred a Separation from Service is reemployed, such Participant shall continue to receive any amounts attributable to his or her previous employment according to his or her existing distribution schedule under the Excess Plan, the Prior Plans, the Unocal Nonqualified Retirement Plans or this RRP, as applicable. When any reemployed Participant subsequently incurs a Separation from Service, the Participant's Plan Benefit will be determined as follows:
- (i) The Participant's Restoration Benefit (before offset for the Retirement Plan benefit) will be calculated according to Section 3(a)(i) based on the Participant's total periods of employment with the Affiliated Group and without regard to any benefits the Participant may have received, or be entitled to receive, on account of his or her prior period of employment.
 - (ii) The amount determined pursuant to (i) above shall then be reduced by the present value of all payments previously made (or scheduled to be made in the future) under the Retirement Plan, the defined benefit and bonus portions of the Excess Plan, the SRP, the Prior Plans, the Unocal Nonqualified Retirement Plans or this RRP, as applicable, with respect to the prior period of employment, and by the present value of the benefit to be paid under Retirement Plan with respect to the current period of employment. Such present values shall be determined using the interest rates and other actuarial factors in effect under the Retirement Plan as of the date this calculation is made.

- (i) Excess Plan/Top-Hat Plan Status. To the extent that the RRP provides a benefit in excess of the limitations on contributions and benefits imposed by section 415 of the Code, the RRP is intended to be an “excess benefit plan” within the meaning of Section 3(36) of ERISA, that is an unfunded deferred compensation program. Otherwise, the RRP is intended to be an unfunded deferred compensation program that is maintained “for a select group of management or highly compensated employees” as set forth in Title I of ERISA. The RRP shall be implemented, administered and interpreted in a manner consistent with this intention.
- (j) Successors and Assigns. The RRP shall be binding upon the Corporation, its Successors and Assigns. Notwithstanding that the RRP may be binding upon a Successor or Assign by operation of law, the Corporation shall also require any Successor or Assign to expressly assume and agree to be bound by the RRP in the same manner and to the same extent that the Corporation would be if no succession or assignment had taken place.
- (k) 409A Compliance. This RRP is intended to comply with section 409A of the Code and shall be interpreted in a manner consistent with that intent. Notwithstanding the foregoing, in the event there is a failure to comply with section 409A of the Code (or the regulations thereunder), the Committee shall have the discretion to accelerate the time or form of payment of a Participant’s Plan Benefit, but only to the extent of the amount required to be included in income as a result of such failure.

- (l) Choice of Law. The RRP and all rights hereunder shall be interpreted and construed in accordance with ERISA and the Code, and, to the extent that state law is not preempted by ERISA, the law of the State of California.

SECTION 7. CHANGE IN CONTROL.

Notwithstanding any other provisions of the RRP to the contrary, the provisions of this Section 7 shall apply during the Benefit Protection Period.

- (a) Restrictions on Amendments During Benefit Protection Period. Notwithstanding Section 6(g) of the RRP, except to the extent required to comply with applicable law, no amendment of the RRP (other than an amendment to reduce or discontinue future accruals under the RRP after the end of the Benefit Protection Period) that is executed or first becomes effective during the Benefit Protection Period shall:
- (i) Deprive any individual who is a Participant on the Benefit Protection Period Commencement Date or immediately prior to a Change in Control of coverage under the RRP as constituted at the time of such amendment;
 - (ii) Deprive any individual who is a Beneficiary with respect to an individual who is a Participant on the Benefit Protection Period Commencement Date or immediately prior to a Change in Control of any benefit to which he or she is entitled on the Benefit Protection Period Commencement Date or may become entitled during the Benefit Protection Period;

- (iii) Reduce the amount of benefits provided under the RRP below the benefits provided under the RRP on the day prior to the Benefit Protection Period Commencement Date;
 - (iv) Amend Sections 6(g), 7, 8(b), 8(c) or 8(d); or
 - (v) Terminate the RRP.
- (b) Exception to Section 7(a). Section 7(a) shall not apply to the extent that (i) the amendment or termination of the RRP 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. For purposes of this Section 7, approval shall mean written approval (by a person or entity within the Corporation having the authority to do so) of such amendment or termination.
- (c) Restrictions on Certain Actions Prior to or Following, a Change in Control. Notwithstanding any contrary provisions of the RRP and except to the extent required to comply with applicable law, (i) any amendment or termination of the RRP which is executed or would otherwise become effective prior to a Change in Control at the request of a third party who effectuates a Change in Control shall

not be an effective amendment or termination of the RRP during the Benefit Protection Period; and (ii) the RRP shall not be amended at any time if to do so would adversely affect the rights derived under the RRP from this Section 7 of any individual who is a Participant during the Benefit Protection Period or a Beneficiary with respect to a Participant during the Benefit Protection Period. Furthermore, following a Change in Control, no person shall take any action that would directly or indirectly have the same effect as any of the prohibited amendments listed in Section 7(a).

- (d) Effect on other Benefits. In calculating a Participant's Plan Benefit under Section 3, it shall be assumed that the Retirement Plan formulae and actuarial assumptions in effect on the Benefit Protection Period Commencement Date had continued in effect through the date the Participant incurs a Separation from Service.
- (e) Distribution of Plan Benefits. Each Participant's Plan Benefit shall be distributed in a single lump sum cash payment immediately after the later of the date of the Change in Control or the Participant's Separation from Service.
- (f) Establishment of a Trust. Notwithstanding anything contained in the RRP to the contrary, nothing herein shall prevent or prohibit the Corporation from establishing a trust or other arrangement for the purpose of providing for the payment of the benefits payable under the RRP.

- (g) No Forfeitures. A Participant's Plan Benefit shall not be subject to forfeiture under any circumstances, including any of the circumstances provided in Section 6(a).
- (h) Miscellaneous.
 - (i) The provisions of the RRP shall be deemed severable and the validity or enforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.
 - (ii) The Corporation's obligation to make the payments and provide the benefits provided for in the RRP and otherwise to perform its obligation hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Corporation may have against the Participant or others.
 - (iii) No provision of the RRP may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Participant and the Corporation. No waiver by either party hereto at any time of breach by the other party hereto of, or compliance with, any condition or provision of this RRP to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

SECTION 8. DEFINITIONS.

Except as provided below, capitalized terms used in the RRP shall have the same meaning as in the Retirement Plan:

- (a) “Beneficiary” means the person or persons entitled to receive a Participant’s remaining Plan Benefit in the event the Participant dies prior to receiving his or her entire Plan Benefit, as provided in Section 5(b).
- (b) “Benefit Protection Period” means the period commencing on the Benefit Protection Period Commencement Date and terminating two years after the date of a Change in Control.
- (c) “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.
- (d) “Change in Control” means a change in control of the Corporation as defined in Article VI of the Corporation’s By-Laws, as it may be amended from time-to-time. Notwithstanding the foregoing, the distribution provisions set forth in Section 7(e) shall only be triggered to the extent such a change in control also constitutes a “change in control” within the meaning of section 409A of the Code.
- (e) “Code” means the Internal Revenue Code of 1986, as amended.
- (f) “Committee” means the Management Compensation Committee of the Board of Directors of the Corporation.

- (g) “Corporation” means Chevron Corporation, a Delaware corporation.
- (h) “Deferred Compensation Plan” means the Chevron Corporation Deferred Compensation Plan for Management Employees.
- (i) “Employee” means an individual who is paid on the U.S. dollar Payroll of a member of the Affiliated Group, but shall not include an individual for any period in which he or she is:
 - (i) Compensated for services by a person other than a member of the Affiliated Group and who, at any time and for any reason, is deemed to be an Employee;
 - (ii) Not on the Payroll of a member of the Affiliated Group and who, at any time and for any reason, is deemed to be an Employee;
 - (iii) A leased employee within the meaning of section 414(n) of the Code, or would be a leased employee but for the period-of-service requirement of section 414(n)(2)(B) of the Code, and who is providing services to any member of the Affiliated Group;
 - (iv) If, during any period, a member of the Affiliated Group has not treated an individual as an Employee and, for that reason, has not withheld employment taxes with respect to that individual, then that individual shall not be treated as an Employee for that period, even in the event that the individual is determined, retroactively, to have been an Employee during all or any portion of that period.

- (j) “ERISA” means the federal Employee Retirement Income Security Act of 1974, as amended.
- (k) “ESIP-RP” means the Chevron Corporation ESIP Restoration Plan that was originally established effective as of July 1, 2002 through a spin-out of a portion of the liabilities of the Excess Plan, and has been amended from time to time thereafter.
- (l) “Excess Plan” means the Chevron Corporation Excess Benefit Plan as originally established effective January 1, 1976, amended thereafter from time to time, and effective July 1, 2002 reconstituted to form the RRP, the SRP and the ESIP-RP.
- (m) “Misconduct” means that:
 - (i) the Corporation has been required to prepare an accounting restatement due to material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws, and the Committee has determined in its sole discretion that a Participant (A) had knowledge of the material noncompliance or the circumstances that gave rise to such noncompliance and failed to take reasonable steps to bring it to the attention of appropriate individuals within the Corporation or (B) personally and knowingly engaged in practices which materially contributed to the circumstances that enabled a material noncompliance to occur; or

- (ii) a Participant discloses to others, or takes or uses for his or her own purpose or the purpose of others, any trade secrets, confidential information, knowledge, data or know-how or any other proprietary information or intellectual property belonging to a member of the Affiliated Group and obtained by the Participant during the term of his or her employment, whether or not they are the Participant's work product. Examples of such confidential information or trade secrets include, without limitation, customer lists, supplier lists, pricing and cost data, computer programs, delivery routes, advertising plans, wage and salary data, financial information, research and development plans, processes, equipment, product information and all other types and categories of information as to which the Participant knows or has reason to know that a member of the Affiliated Group intends or expects secrecy to be maintained; or
- (iii) a Participant fails to promptly return all documents and other tangible items belonging to a member of the Affiliated Group in the Participant's possession or control, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents or information contained therein, upon Separation from Service, whether pursuant to retirement or otherwise; or
- (iv) a Participant directly or indirectly engages in, becomes employed by, or renders services, advice or assistance to any business in competition with a member of the Affiliated Group at any time during the twelve months

following Separation from Service with the Affiliated Group. As used herein, “business in competition” means any person, organization or enterprise which is engaged in or is about to become engaged in any line of business engaged in by a member of the Affiliated Group at the time of the Participant’s Separation from Service with the Affiliated Group; or

- (v) a Participant fails to inform any new employer, before accepting employment, of the terms of this section and of the Participant’s continuing obligation to maintain the confidentiality of the trade secrets and other confidential information belonging to a member of the Affiliated Group and obtained by the Participant during the term of his or her employment with the Affiliated Group; or
- (vi) a Participant induces or attempts to induce, directly or indirectly, any of the Affiliated Group’s customers, employees, representatives or consultants to terminate, discontinue or cease working with or for a member of the Affiliated Group, or to breach any contract with a member of the Affiliated Group, in order to work with or for, or enter into a contract with, the Participant or any third party; or
- (vii) a Participant engages in conduct which is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of a member of the Affiliated Group; or
- (viii) a Participant committed an act of embezzlement, fraud or theft with respect to the property of a member of the Affiliated Group.

The Committee shall determine in its sole discretion whether the Participant has engaged in any of the acts set forth in (i) through (viii) above, and its determination shall be conclusive and binding on all interested persons. Any provision of this definition of Misconduct which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this definition of Misconduct.

- (n) "Participant" means a person who is eligible to participate in the RRP as provided in Section 2.
- (o) "Plan Benefit" means the benefit described in Section 3.
- (p) "Plan Year" means the calendar year.
- (q) "Prior Plans" means the defined benefit portion of the Supplemental Pension Plan of Texaco Inc., the defined benefit portion of the Excess-Benefit Plan for Employees of ChevronTexaco Global Energy Inc., the Supplemental Bonus Retirement Plan of Texaco Inc., and the Pension Supplementation Plan of ChevronTexaco Global Energy Inc.
- (r) "Prior Qualified Plans" means the Retirement Plan of Texaco Inc. and the Group Pension Plan of Chevron Global Energy Inc.

- (s) “Quarter” means a calendar quarter.
- (t) “Restoration Benefit” means the benefit described in Section 3(a).
- (u) “Retirement Plan” means the qualified Chevron Retirement Plan.
- (v) “RRP” means the Chevron Corporation Retirement Restoration Plan.
- (w) “Separation from Service” means separation from service with the Affiliated Group within the meaning of section 409A of the Code.
- (x) “SRP” means the Chevron Corporation Supplemental Retirement Plan that was originally established effective as of July 1, 2002 through a spin-out of a portion of the liabilities of the Excess Plan, was amended from time to time thereafter, and effective July 1, 2006 was merged into the RRP.
- (y) “Successors and Assigns” means a corporation or other entity acquiring all or substantially all the assets and business of the Corporation (including the RRP) whether by operation of law or otherwise.
- (z) “Unocal” means Unocal Corporation, a Delaware corporation.
- (aa) “Unocal Nonqualified Retirement Plans” means Unocal Nonqualified Retirement Plan A1, Unocal Nonqualified Retirement Plan B1 and Unocal Nonqualified Retirement Plan C1.
- (bb) “Unrestricted MIP Award” means any MIP award that is not subject to forfeiture conditions established by the Committee (other than the forfeiture conditions

expressly described in the MIP text). “Unrestricted MIP Award” also includes such other bonus or incentive awards which the Committee has designated as such for purposes of this RRP, or which were included under the Excess Plan prior to July 1, 2002.

SECTION 9. EXECUTION.

To record the amendment and restatement of the RRP to read as set forth herein effective as of July 1, 2006, the Chair of the Management Compensation Committee of the Board of Directors of Chevron Corporation has executed this document on this 2nd day of August, 2006.

CHEVRON CORPORATION

By /S/ Robert J. Eaton
Chair of Management
Compensation Committee

CHEVRON CORPORATION
ESIP RESTORATION PLAN

(Amended and Restated as of July 1, 2006)

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**CHEVRON CORPORATION
ESIP RESTORATION PLAN**

(Amended and Restated as of July 1, 2006)

SECTION 1. INTRODUCTION.

The ChevronTexaco Corporation ESIP Restoration Plan (the "ESIP-RP") was established effective July 1, 2002 as a spin out of a portion of the liabilities of the Chevron Corporation Excess Benefit Plan (the "Excess Plan"). The ESIP-RP provides additional retirement benefits to those provided under the Chevron Employee Savings Investment Plan (the "ESIP") (prior to April 1, 2002, the ESIP was named the ChevronTexaco Employee Savings Investment Plan). In addition, effective as of January 1, 2006 through the effective date of its merger with the ESIP, the ESIP-RP also provided additional retirement benefits to those provided under the Unocal Savings Plan (the "USP").

This amended and restated ESIP-RP incorporates certain ESIP-RP changes which occurred subsequent to July 1, 2002, and renames the ESIP-RP the Chevron Corporation ESIP Restoration Plan. From July 1, 2002 through December 31, 2005, this ESIP-RP provided additional retirement benefits to those provided under the ESIP because the ESIP's benefits are subject to limitations on contributions imposed by sections 401(a)(17) or 415 of the Code and because the ESIP's definition of Regular Earnings did not include salary deferrals under the Chevron Corporation Deferred Compensation Plan for Management Employees (the "Deferred Compensation Plan"). Prior to January 1, 2006, Participants received credits under this ESIP-RP without regard to whether the Participant deferred any amount to the Deferred Compensation Plan or the ESIP.

On August 10, 2005, the Corporation acquired Unocal Corporation and later became the sponsor of the USP. Effective as of January 1, 2006, the ESIP-RP also provides benefits to certain members of the USP as described below.

Effective as of January 1, 2006, amounts allocated to this ESIP-RP are limited to Participants (including Members of the ESIP and USP) whose compensation exceeds the limitation on compensation that may be taken into account with respect to a qualified retirement plan that is imposed by section 401(a)(17) of the Code (the "Section 401(a)(17) Limitation") and who elect to defer two percent (2%) or more of their Regular Earnings over this limitation to the Deferred Compensation Plan.

In addition, this amended and restated ESIP-RP is intended to incorporate changes necessary to comply with section 409A of the Code, to grandfather the provisions of the ESIP-RP that were in effect as of December 31, 2004, and to adopt certain other transitional rules pursuant to guidance issued with respect to section 409A of the Code. In general, this amended and restated plan document is effective as of July 1, 2006, however, certain other provisions, primarily those designed to comply with section 409A of the Code, have earlier effective dates as set forth herein.

SECTION 2. ELIGIBILITY AND PARTICIPATION.

- (a) Eligibility Requirements on or After January 1, 2006. Effective as of January 1, 2006, participation in the ESIP-RP shall be limited to:
 - (i) ESIP/USP Members. Members of the ESIP and/or USP (A) who are Employees on or after January 1, 2006; and (B) who contribute two percent (2%) or more of their Regular Earnings above the

Section 401(a)(17) Limitation to the Deferred Compensation Plan. A Participant shall first become eligible to participate in this ESIP-RP when he or she first completes a valid salary deferral election under the Deferred Compensation Plan.

- (ii) Pre-January 1, 2006 Participants. Any participant in the ESIP-RP who is not described in Section 2(a)(i) as of January 1, 2006 and who had an undistributed accrued benefit under the terms of the ESIP-RP as of December 31, 2005.
- (b) Pre-January 1, 2006 Participation Requirements. The requirements with respect to participation in the ESIP prior to January 1, 2006 are set forth in Section 2 of Appendix A.

SECTION 3. PLAN BENEFITS.

Plan Benefits under the ESIP-RP consist of the ESIP Restoration Benefit. The ESIP Restoration Benefit is the lump sum value of a Participant's Stock Units which are credited to a Participant's "ESIP Restoration Benefit Account." Stock Units are credited to such Account as described below in Sections 3(a) and (b) and are credited with earnings in accordance with Section 3(c) below.

In addition to the Stock Units credited to a Participant's Account as of July 1, 2002, if any, a Participant shall also receive credits of Stock Units as follows:

- (a) July 1, 2002 through December 31, 2005. With respect to the period from July 1, 2002 to December 31, 2005, each Participant in the ESIP-RP was credited with the number of Stock Units determined in accordance with Section 3 of

Appendix A. This amount was credited with earnings in the same manner as described in Section 3(c) below.

- (b) Post January 1, 2006. Effective January 1, 2006, Participants shall receive an allocation of Stock Units equal to eight percent (8%) of that portion of the Participant's Regular Earnings in excess of his or her Section 401(a)(17) Limitation for any calendar year, provided the Participant contributes two percent (2%) or more to the Deferred Compensation Plan with respect to that portion of the Participant's Regular Earnings in excess of his or her Section 401(a)(17) Limitation for that calendar year.
- (c) Earnings. As of the payment date of a cash dividend paid with respect to shares of Chevron Stock, each Participant's ESIP Restoration Benefit Account shall be credited with the number of Stock Units determined by multiplying the number of Stock Units in such Account on the day prior to the ex-dividend date by the per share amount of such dividend, and by dividing the resulting amount by the average share price obtained in connection with the reinvestment of the dividend in the Chevron stock fund within the ESIP.

SECTION 4. DISTRIBUTION OF PLAN BENEFITS.

With respect to Stock Units credited to a Participant's Account (and earnings thereon) on or after January 1, 2005, his or her Plan Benefit attributable to such amounts shall be distributed in cash in accordance with this Section 4. Distributions shall only be made after a Participant incurs a Separation from Service. Except as specifically provided below, distributions with

respect to a Participant's Grandfathered Amount shall be distributed in accordance with Section 4 of Appendix A.

(a) Post January 1, 2005 Default Distribution Forms.

- (i) With respect to any Participant who incurs a Separation from Service between January 1, 2005 and December 31, 2005, unless a Participant made a valid election to the contrary, payment of his or her Plan Benefit shall commence in the first January, April, July or October that is at least twelve (12) months after the date the Participant incurs a Separation from Service and shall be made in ten (10) approximately equal annual installments in cash. All installments after the first installment payment shall be paid in January.
- (ii) With respect to a Participant who incurs a Separation from Service on or after January 1, 2006, unless the Participant has made a valid election to the contrary, payment of his or her Plan Benefit shall be made in a lump sum cash payment as of the first January, April, July or October that is at least twelve (12) months after the date the Participant incurs a Separation from Service.

(b) Distribution Form Elections.

- (i) A Participant is permitted to make an initial election regarding the timing and form of distribution of his or her Plan Benefit.
The provisions of Section 4(b) of Appendix A shall apply to elections regarding the form or timing of a payment of the Participant's

Grandfathered Amount, except that Section 4(b)(i) shall provide: “[p]rior to the last day of the Quarter in which the Employee incurs a Separation from Service, the Participant may request a cash distribution at the time and in the manner described below by filing the prescribed form with the Committee” instead of the language in Section 4(b)(i) of Appendix A.

With respect to Stock Units credited to a Participant’s Account (and earnings thereon) on or after January 1, 2005, the requirements relating to elections regarding the form and timing of payments are based on when the Participant incurs a Separation from Service as follows:

- (A) If the Participant incurs a Separation from Service between January 1, 2005 and December 31, 2005, the Participant may elect a form of distribution no later than 30 days following his or her termination by filing the prescribed form with the Committee which shall provide for the payment of the portion of his or her Plan Benefit subject to this Section 4(b):
 - (1) In a lump sum in any January, April, July or October that is at least twelve (12) months after the Participant made his or her distribution election; provided, however, such lump sum payment shall not be made later than the first January after the later of the date the Participant attains age 70½ or the date the Participant incurs a Separation from Service; or
 - (2) In fifteen (15) or fewer approximately equal annual installments, commencing in any January, April, July or

October that is at least twelve (12) months after the Participant made his or her distribution election; provided, however, that such installments shall not commence later than the first January after the later of the date the Participant attains age 70½ or the date the Participant incurs a Separation from Service. All installments after the first installment payment shall be paid in January.

- (B) If the Participant incurs a Separation from Service between January 1, 2006 and December 31, 2006, the Participant may elect his or her time and form of distribution no later than the earlier of the last day of the Quarter in which the Participant incurs a Separation from Service and December 31, 2006. Such an election shall be made by filing the prescribed form with the Committee and shall provide for the payment of the portion of his her Plan Benefits that is subject to this Section 4(b):
- (1) In a lump sum in any January, April, July or October that is at least twelve (12) months after the Participant incurs a Separation from Service; provided, however, such lump sum payment shall not be made later than the first January after the later of the date the Participant attains age 70½ or the date the Participant incurs a Separation from Service; or
 - (2) In ten (10) or fewer approximately equal annual installments, commencing in any January, April, July or

October that is at least twelve (12) months after the Participant incurs a Separation from Service; provided, however, that such installments shall not commence later than the first January after the later of the date the Participant attains age 70½ or the date the Participant incurs a Separation from Service. All installments after the first installment payment shall be paid in January.

- (C) If the Participant incurs a Separation from Service on or after January 1, 2007, the Participant may elect his or her time and form of distribution no later than the later of December 31, 2006 and thirty (30) days after the date the Participant first became eligible under this ESIP-RP. Such an election shall be made by filing the prescribed form with the Committee and shall provide for the payment of that portion of the Participant's Plan Benefit subject to this Section 4(b):
- (1) In a lump sum in any January, April, July or October that is at least twelve (12) months after the Participant incurs a Separation from Service; provided, however, such lump sum payment shall not be made later than the first January after the later of the date the Participant attains age 70½ or the date the Participant incurs a Separation from Service; or
 - (2) In ten (10) or fewer approximately equal annual installments, commencing in any January, April, July or

October that is at least twelve (12) months after the Participant incurs a Separation from Service; provided, however, that such installments shall not commence later than the first January after the later of the date the Participant attains age 70½ or the date the Participant incurs a Separation from Service. All installments after the first installment payment shall be paid in January.

- (c) Valuation of Stock Units/Determination of Installment Payments. Notwithstanding anything in Appendix A to the contrary, the valuation of all Stock Units and the determination of the amount of any installment payment shall be governed by the provisions of this Section 4(c) without regard to when such amounts were credited to the Participant's Account.
- (i) Prior to January 1, 2006, the amount of a cash payment pursuant to Section 4(a) or (b) attributable to any Account to which Stock Units are credited shall be determined by dividing the number of such Stock Units credited to the Participant's Account as of the close of the Quarter preceding the distribution date by the number of annual payments remaining to be made, and by converting the resulting number of Stock Units to a cash amount by multiplying such number of Stock Units by the average daily trade price for the leveraged ESOP stock fund within the ESIP as of the last business day of the Quarter preceding the date payment is made under the ESIP-RP.

- (ii) On or after January 1, 2006, the amount of a cash payment pursuant to Section 4(a) or (b) attributable to any Account to which Stock Units are credited shall be determined by dividing the number of such Stock Units credited to the Participant's Account as of the first business day of the Quarter in which the distribution is made by the number of annual payments remaining to be made, and by converting the resulting number of Stock Units to a cash amount by multiplying such number of Stock Units by the average daily trade price for the leveraged ESOP stock fund within the ESIP as of the first business day of the Quarter which includes the date payment is made under the ESIP-RP.
- (d) Change of Distribution Form Election. The form and time of distribution (as determined pursuant to Section 4(a) or (b)) may be changed in accordance with the requirements of this Section 4(d) and such additional procedures as may be prescribed by the Committee in its sole discretion. Any change to the time and form of payment of a Participant's Grandfathered Amount shall be subject to Section 4 of Appendix A. The remaining portion of a Participant's Plan Benefit shall be subject to the following requirements:
 - (i) With respect to any Participant who incurs a Separation from Service between January 1, 2005 and December 31, 2006, such an election shall be valid only if it is made at least twelve (12) months prior to the commencement of his or her original payment date;
 - (ii) With respect to any Participant who incurs a Separation from Service on or after January 1, 2007, such an election shall only be valid if it is made

twelve (12) months prior to the commencement of the original payment date and postpones the commencement of such payment(s) to at least five (5) years after the date the original payment(s) were scheduled to commence. Any such change in a distribution election shall be limited to an election of a lump sum payment or up to ten (10) installments commencing in the first January, April, July or October that complies with the five (5) year rule described above. All installment payments shall be made in cash and, after the first such installment, shall be paid in January; and

- (iii) Effective July 1, 2006, notwithstanding anything in Sections 4(d)(ii) or 5(c) to the contrary, a Participant who has incurred a Separation from Service, or a Beneficiary of a deceased Participant, who has an “unforeseeable emergency” (as defined in section 409A of the Code and the regulations thereunder) may request an immediate lump sum payment of all or any portion of the Participant’s or Beneficiary’s Plan Benefit, provided that such requested amount is reasonably necessary to satisfy such emergency need (as determined by the Committee in accordance with section 409A of the Code and the regulations thereunder). For purposes of determining the number of Stock Units credited to a Participant’s Account, as well as the valuation of these Stock Units with respect to any distribution subject to this Section 4(d)(iii), Section 4(c)(ii) shall apply except that the date the Committee approves the request for such a distribution shall be used instead of the first day of the Quarter.

For purposes of this ESIP-RP, "payment date" means the date a lump sum is payable or the date the first of a series of installments is payable.

- (e) Cashout Limit. Notwithstanding any other provision of this Section 4, if a Participant's Plan Benefit (determined separately with respect to the Participant's Grandfathered Amount and that portion credited to his or her Account on or after January 1, 2005 (and earnings thereon)) is less than \$50,000, then such Plan Benefit shall be distributed in accordance with this Section 4(e). For purposes of determining whether a Participant's Plan Benefit is less than \$50,000 and the distribution of that Plan Benefit, the following rules shall apply:
- (i) With respect to that portion of a Participant's Plan Benefit consisting of his or her Grandfathered Amount, the time and form of benefit rules set forth in Section 4(e) of Appendix A shall govern; and
 - (ii) With respect to the remaining portion of a Participant's Plan Benefit:
 - (A) If the Participant incurs a Separation from Service between January 1, 2005 and December 31, 2005, and the Participant's Plan Benefit attributable to Stock Units credited to his or her Account on or after January 1, 2005 (and earnings thereon) is less than \$50,000 as of the end of the Quarter following the Quarter in which the Participant incurs a Separation from Service, then this portion of the Participant's Plan Benefit shall be distributed in a single sum during the Quarter following the Quarter in which the determination is made that the Plan Benefit is less than \$50,000.

- (B) If the Participant incurs a Separation from Service on or after January 1, 2006, and the Participant's Plan Benefit attributable to Stock Units credited to his or her Account on or after January 1, 2005 (and earnings thereon) is less than \$50,000 as of the first day of the Quarter which is at least twelve (12) months after the date the Participant incurs a Separation from Service, then this portion of the Participant's Plan Benefit shall be distributed in a single sum during such Quarter.
- (f) Specified Employees. Notwithstanding anything in this Plan to the contrary, if a Participant is a "specified employee" (within the meaning of section 409A of the Code), then the commencement of any payments to such Participant which relate to amounts credited to the Participant's Account on or after January 1, 2005 (and earnings thereon) shall be delayed until the later of (i) six months following the Participant's Separation from Service; and (ii) the original start date of his or her payments.

SECTION 5. DEATH BENEFITS.

- (a) Amount of Death Benefit. If a Participant dies, the unpaid portion of the Participant's Grandfathered Amount shall be distributed to the Participant's Beneficiary in accordance with Section 5 of Appendix A. That portion of a Participant's Plan Benefit credited to his or her Account on or after January 1, 2005 (and earnings thereon) shall be distributed to the Participant's Beneficiary in accordance with Section 5(c) below.

- (b) Beneficiaries. A Participant may designate, in the manner and on the form prescribed by the Committee, one or more Beneficiaries to receive payment of any Plan Benefit hereunder that becomes distributable after the Participant's death. A Participant may change such designation at any time by filing the prescribed form in the manner established by the Committee. No Beneficiary designation shall be effective until it is filed in accordance with the procedures established by the Committee. If a Beneficiary has not been designated or if no designated Beneficiary survives the Participant, distribution will be made to the Participant's surviving spouse as Beneficiary if such spouse is then living or, if not, in equal shares to the then living children of the Participant as Beneficiaries or, if none, to the Participant's estate as Beneficiary.
- (c) Deaths Occurring on or After January 1, 2005. If a Participant who has made a valid election as to the form and timing of the payment of his or her Plan Benefit attributable to amounts credited to the Participant's Account on or after January 1, 2005 dies, then the Beneficiary shall receive the payment(s) on the date(s) elected by the Participant and at the same time and in the same form as the Participant would have received such payment(s), except that the Beneficiary may request a distribution on account of an unforeseeable emergency as described in Section 4(e)(iii). If such a Participant has not made a valid election as to the time and form of his distribution, then payment shall be made in a lump sum as soon as practicable following the Participant's death.

SECTION 6. MISCELLANEOUS.

- (a) Forfeitures. Plan Benefits shall be fully vested at all times. Notwithstanding such vesting, however, unpaid Plan Benefits attributable to Stock Units credited to a Participants' Account on or before December 31, 2004 (and earnings thereon) shall be subject to Section 6(a) of Appendix A. With respect to Plan Benefits attributable to Stock Units credited to a Participant's Account on or after January 1, 2005 (and earnings thereon), if the Participant engages in Misconduct the Committee may determine that such unpaid Plan Benefits shall be forfeited and/or that any such Plan Benefits that have been paid to the Participant should be repaid to the Corporation. In addition, if the Participant is indebted to any member of the Affiliated Group, the Committee may determine that the Participant's unpaid Plan Benefits shall be forfeited to the extent of such indebtedness, and such debt shall be extinguished to the extent of such forfeiture.
- (b) Funding. The ESIP-RP shall be unfunded, and all Plan Benefits shall be paid only from the general assets of the Corporation.
- (c) Tax Withholding. All distributions shall be net of any applicable payroll deductions including, but not limited to, any federal, state or local income tax withholding. In addition, any withholding amount required under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act with respect to a Participant's Plan Benefit prior to the date a distribution shall be paid through withholding from the Participant's salary or other income from the Affiliated Group; provided, however, that if such amounts are not withheld in this manner, then these withholdings shall be debited from the Participant's Plan Benefit.

- (d) No Employment Rights. Nothing in the ESIP-RP shall be deemed to give any individual a right to remain in the employ of any member of the Affiliated Group nor affect the right of a member of the Affiliated Group to terminate any individual's employment at any time and for any reason, which right is hereby reserved.
- (e) No Assignment of Property Rights. Except as provided in Section 6(a) with respect to a Participant's indebtedness to any member of the Affiliated Group, or as may be required by applicable law, or as is described below relating to domestic relations orders, no Plan Benefit or property interest in this ESIP-RP may be assigned (either at law or in equity), alienated, anticipated or subject to attachment, bankruptcy, garnishment, levy, execution or other legal or equitable process. Any act in violation of this Section 6(e) shall be void. Notwithstanding the foregoing, the creation, assignment or recognition of a right to all or any portion of a Participant's Plan Benefit hereunder pursuant to an order that would otherwise qualify as a "qualified domestic relations order" (within the meaning of section 414(p) of the Code) if this ESIP-RP were a qualified plan under section 401(a) of the Code, shall not constitute a violation of this Section 6(e).
- (f) Effect of Change in Capitalization on Participant's Accounts. In the event of a stock split, stock dividend or other change in capitalization affecting Chevron Stock, an appropriate number of Stock Units shall be substituted for, or added to, each Stock Unit then credited on behalf of each Participant's Account, and such substituted or added Stock Unit shall be subject to the same terms and conditions as the original Stock Unit.

- (g) Administration. The ESIP-RP shall be administered by the Committee. No member of the Committee shall become a Participant in the ESIP-RP. The Committee shall make such rules, interpretations and computations as it may deem appropriate. The Committee shall have sole discretion to interpret the terms of the ESIP-RP, make any factual findings, and make any decision with respect to the ESIP-RP, including (without limitation) any determination of eligibility to participate in the ESIP-RP, eligibility for a Plan Benefit, and the amount of such Plan Benefit. The Committee's determinations shall be conclusive and binding on all persons.
- (h) Amendment and Termination. The Corporation expects to continue the ESIP-RP indefinitely. Future conditions, however, cannot be foreseen. Subject to Section 7, the Corporation shall have the authority to amend or to terminate the ESIP-RP at any time and for any reason, by action of its board of directors or by action of a committee or individual(s) acting pursuant to a valid delegation of authority. In the event of an amendment or termination of the ESIP-RP, the number of Stock Units credited to a Participant's ESIP Restoration Account shall not be less than the number of Stock Units to which he or she would have been entitled to as of the date of such amendment or termination, as adjusted for subsequent cash dividends as described in Section 3(c).
- (i) Effect of Reemployment. If any Participant who has incurred a Separation from Service is reemployed, such Participant shall continue to receive any amounts attributable to his or her previous employment according to his or her existing distribution schedule under the Excess Plan or this ESIP-RP, as applicable. When

any reemployed Participant subsequently incurred a Separation from Service, the Participant's Plan Benefit attributable to such additional service shall be determined and distributed in accordance with this ESIP-RP.

- (j) Excess Plan/Top-Hat Plan Status. To the extent that the ESIP-RP provides a benefit in excess of the limitations on contributions and benefits imposed by section 415 of the Code, the ESIP-RP is intended to be an "excess benefit plan" within the meaning of Section 3(36) of ERISA, that is an unfunded deferred compensation program. Otherwise, the ESIP-RP is intended to be an unfunded deferred compensation program that is maintained "for a select group of management or highly compensated employees" as set forth in Title I of ERISA. The ESIP-RP shall be implemented, administered and interpreted in a manner consistent with this intention.
- (k) Successors and Assigns. The ESIP-RP shall be binding upon the Corporation, its Successors and Assigns. Notwithstanding that the ESIP-RP may be binding upon a Successor or Assign by operation of law, the Corporation shall also require any Successor or Assign to expressly assume and agree to be bound by the ESIP-RP in the same manner and to the same extent that the Corporation would be if no succession or assignment had taken place.
- (l) 409A Compliance. This ESIP-RP is intended to comply with section 409A of the Code and shall be interpreted in a manner consistent with that intent. Notwithstanding the foregoing, in the event there is a failure to comply with section 409A of the Code (or the regulations thereunder), the Committee shall have the discretion to accelerate the time or form of payment of a Participant's

Plan Benefit, but only to the extent of the amount required to be included in income as a result of such failure.

- (m) Applicable Law. The ESIP-RP and all rights hereunder shall be interpreted and construed in accordance with ERISA and the Code and, to the extent that state law is not preempted by ERISA, the law of the State of California.

SECTION 7. CHANGE IN CONTROL.

Notwithstanding any other provisions of the ESIP-RP to the contrary, the provisions of this Section 7 shall apply during the Benefit Protection Period.

- (a) Restrictions on Amendments During Benefit Protection Period. Notwithstanding Section 6(h), except to the extent required to comply with applicable law, no amendment of the ESIP-RP (other than an amendment to reduce or discontinue future allocations under the ESIP-RP after the end of the Benefit Protection Period) that is executed or first becomes effective during the Benefit Protection Period shall:
- (i) Deprive any individual who is a Participant on the Benefit Protection Period Commencement Date or immediately prior to a Change in Control of coverage under the ESIP-RP as constituted at the time of such amendment;
 - (ii) Deprive any individual who is a Beneficiary with respect to an individual who is a Participant on the Benefit Protection Period Commencement Date or immediately prior to a Change in Control of any benefit to which he or

she is entitled on the Benefit Protection Period Commencement Date or may become entitled during the Benefit Protection Period;

- (iii) Reduce the amount of benefits provided under the ESIP-RP below the benefits provided under the ESIP-RP on the day prior to the Benefit Protection Period Commencement Date;
 - (iv) Amend Sections 6(k), 7, 8(c), 8(d), 8(e), or 8(bb) of the ESIP-RP; or
 - (v) Terminate the ESIP-RP.
- (b) Exception to Section 7(a). Section 7(a) shall not apply to the extent that (i) the amendment or termination of the ESIP-RP 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. For purposes of this Section 7, approval shall mean written approval (by a person or entity within the Corporation having the authority to do so) of such amendment or termination.
- (c) Restrictions on Certain Actions Prior to or Following, a Change in Control. Notwithstanding any contrary provisions of the ESIP-RP and except to the extent required to comply with applicable law, (i) any amendment or termination of the

ESIP-RP which is executed or would otherwise become effective prior to a Change in Control at the request of a third party who effectuates a Change in Control shall not be an effective amendment or termination of the ESIP-RP during the Benefit Protection Period; and (ii) the ESIP-RP shall not be amended at any time if to do so would adversely affect the rights derived under the ESIP-RP from this Section 7 of any individual who is a Participant during the Benefit Protection Period or a Beneficiary with respect to a Participant during the Benefit Protection Period. Furthermore, following a Change in Control, no person shall take any action that would directly or indirectly have the same effect as any of the prohibited amendments listed in Section 7(a).

- (d) ESIP Restoration Benefit. Each of a Participant's Stock Units shall be converted to a dollar amount immediately after a Change in Control in an amount equal to the greater of (i) the highest price per share of Chevron Stock (the "Shares") paid to holders of the Shares in any transaction (or series of transactions) constituting or resulting in a Change in Control or (ii) the highest closing price of a Share as reported on the New York Stock Exchange, Inc. composite transaction report during the ninety-day period ending on the date of a Change in Control. Thereafter deemed earnings shall be added to the unpaid portion of the total dollar amount of the Participant's Plan Benefit as if such amounts were invested in the Vanguard Prime Money Market Fund. If for any reason such fund ceases to exist, earnings shall be determined based upon the earnings rate associated with the successor to such fund.

- (e) Distribution of Plan Benefits. Each Participant's Plan Benefits shall be distributed in a single lump sum cash payment immediately after the later of the date of the Change in Control or the date the Participant's incurs a Separation from Service.
- (f) Establishment of a Trust. Notwithstanding anything contained in the ESIP-RP to the contrary, nothing herein shall prevent or prohibit the Corporation from establishing a trust or other arrangement for the purpose of providing for the payment of the benefits payable under the ESIP-RP.
- (g) No Forfeitures. A Participant's Plan Benefit shall not be subject to forfeiture under any circumstances, including any of the circumstances provided in Section 6(a).
- (h) Miscellaneous.
 - (i) The provisions of the ESIP-RP shall be deemed severable and the validity or enforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.
 - (ii) The Corporation's obligation to make the payments and provide the benefits provided for in the ESIP-RP and otherwise to perform its obligation hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Corporation may have against the Participant or others.

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

SECTION 8. DEFINITIONS.

Except as provided below, capitalized terms used in the ESIP-RP shall have the same meaning as in the ESIP.

- (a) “Account” or “Accounts” means as to any Participant the separate account maintained in order to reflect his or her interest in the ESIP-RP.
- (b) “Beneficiary” means the person or persons entitled to receive a Participant’s remaining Plan Benefit in the event the Participant dies prior to receiving his or her entire Plan Benefit, as provided in Section 5(b).
- (c) “Benefit Protection Period” means the period commencing on the Benefit Protection Period Commencement Date and terminating two years after the date of a Change in Control.
- (d) “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.

- (e) “Change in Control” means a change in control of the Corporation as defined in Article VI of the Corporation’s By-Laws, as it may be amended from time-to-time. Notwithstanding the foregoing, the distribution provisions set forth in Section 7(e) shall only be triggered to the extent such a change in control also constitutes a “change in control” within the meaning of section 409A of the Code.
- (f) “Chevron Stock” means the common stock of the Corporation.
- (g) “Code” means the Internal Revenue Code of 1986, as amended.
- (h) “Committee” means the Management Compensation Committee of the Board of Directors of the Corporation.
- (i) “Composite Transaction Report” means the New York Stock Exchange, Inc. Composite Transaction Report, or such other stock report as the Committee from time to time may designate.
- (j) “Corporation” means Chevron Corporation, a Delaware corporation.
- (k) “Deferred Compensation Plan” means the Chevron Corporation Deferred Compensation Plan for Management Employees.
- (l) “Employee” means an individual who is paid on the U.S. dollar Payroll of a member of the Affiliated Group, but shall not include an individual for any period in which he or she is:
 - (i) Compensated for services by a person other than a member of the Affiliated Group and who, at any time and for any reason, is deemed to be an Employee;

- (ii) Not on the Payroll of a member of the Affiliated Group and who, at any time and for any reason, is deemed to be an Employee;
 - (iii) A leased employee within the meaning of section 414(n) of the Code, or would be a leased employee but for the period-of-service requirement of section 414(n)(2)(B) of the Code, and who is providing services to any member of the Affiliated Group;
 - (iv) If, during any period, a member of the Affiliated Group has not treated an individual as an Employee and, for that reason, has not withheld employment taxes with respect to that individual, then that individual shall not be treated as an Employee for that period, even in the event that the individual is determined, retroactively, to have been an Employee during all or any portion of that period.
- (m) “ERISA” means the federal Employee Retirement Income Security Act of 1974, as amended.
 - (n) “Excess Plan” means the Chevron Corporation Excess Benefit Plan as originally established effective January 1, 1976, amended thereafter from time to time, and effective July 1, 2002 reconstituted to form the Chevron Corporation Retirement Restoration Plan, the Chevron Corporation Supplemental Retirement Plan, and the ESIP-RP.
 - (o) “ESIP” means the Chevron Corporation Employee Savings Investment Plan.
 - (p) “ESIP-RP” means the Chevron Corporation ESIP Restoration Plan.
 - (q) “ESIP Restoration Benefit” means the benefit described in Section 3.

- (r) “ESIP Restoration Benefit Account” means the account described in Section 3.
- (s) “Grandfathered Amount” means that portion, if any, of a Participant’s Plan Benefit which was credited to his or her Account as of December 31, 2004 (and earnings thereon).
- (t) “Misconduct” means with respect to the period prior to March 1, 2005:
 - (i) The Participant is dismissed for cause (as determined by the Committee) or otherwise incurs a Separation from Service when a basis for such dismissal exists; or
 - (ii) Before or after the Participant incurs a Separation from Service, the Participant engages in any activity which, in the opinion of the Committee, is prejudiced to the interests of any member of the Affiliated Group.

With respect to periods commencing on or after March 1, 2005, “Misconduct” means:

- (i) the Corporation has been required to prepare an accounting restatement due to material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws, and the Committee has determined in its sole discretion that a Participant (A) had knowledge of the material noncompliance or the circumstances that gave rise to such noncompliance and failed to take reasonable steps to bring it to the attention of appropriate individuals within the Corporation or (B) personally and knowingly engaged in practices which materially

contributed to the circumstances that enabled a material noncompliance to occur; or

- (ii) a Participant discloses to others, or takes or uses for his or her own purpose or the purpose of others, any trade secrets, confidential information, knowledge, data or know-how or any other proprietary information or intellectual property belonging to a member of the Affiliated Group and obtained by the Participant during the term of his or her employment, whether or not they are the Participant's work product. Examples of such confidential information or trade secrets include, without limitation, customer lists, supplier lists, pricing and cost data, computer programs, delivery routes, advertising plans, wage and salary data, financial information, research and development plans, processes, equipment, product information and all other types and categories of information as to which the Participant knows or has reason to know that a member of the Affiliated Group intends or expects secrecy to be maintained; or
- (iii) a Participant fails to promptly return all documents and other tangible items belonging to a member of the Affiliated Group in the Participant's possession or control, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents or information contained therein, upon the Participant's Separation from Service, whether pursuant to retirement or otherwise; or

- (iv) a Participant directly or indirectly engages in, becomes employed by, or renders services, advice or assistance to any business in competition with a member of the Affiliated Group at any time during the twelve (12) months following Separation from Service with the Affiliated Group. As used herein, "business in competition" means any person, organization or enterprise which is engaged in or is about to become engaged in any line of business engaged in by a member of the Affiliated Group at the time of the Participant's Separation from Service with the Affiliated Group; or
- (v) a Participant fails to inform any new employer, before accepting employment, of the terms of this section and of the Participant's continuing obligation to maintain the confidentiality of the trade secrets and other confidential information belonging to a member of the Affiliated Group and obtained by the Participant during the term of his or her employment with the Affiliated Group; or
- (vi) a Participant induces or attempts to induce, directly or indirectly, any of the Affiliated Group's customers, employees, representatives or consultants to terminate, discontinue or cease working with or for a member of the Affiliated Group, or to breach any contract with a member of the Affiliated Group, in order to work with or for, or enter into a contract with, the Participant or any third party; or
- (vii) a Participant engages in conduct which is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of a member of the Affiliated Group; or

(viii) a Participant committed an act of embezzlement, fraud or theft with respect to the property of a member of the Affiliated Group.

The Committee shall determine in its sole discretion whether the Participant has engaged in any of the acts set forth above, and its determination shall be conclusive and binding on all interested persons. Any provision of this Section 8(t) which is determined by a court of competent jurisdiction to be invalid or unenforceable shall be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section 8(t).

- (u) "Participant" means a person who is eligible to participate in the ESIP-RP as provided in Section 2.
- (v) "Plan Benefit" means the benefit described in Section 3.
- (w) "Plan Year" means the calendar year.
- (x) "Quarter" means a calendar quarter.
- (y) "Section 401(a)(17) Limitation" means the limitation on the amount of annual compensation that may be taken into account pursuant to section 401(a)(17) of the Code.
- (z) "Separation from Service" means "separation from service" with the Affiliated Group within the meaning of section 409A of the Code.
- (aa) "Stock Units" means the Chevron stock equivalents credited to a Participant's Account in accordance with Section 3.

- (bb) “Successors and Assigns” means a corporation or other entity acquiring all or substantially all the assets and business of the Corporation (including the ESIP-RP) whether by operation of law or otherwise.
- (cc) “USP” means the Unocal Savings Plan.

SECTION 9. GRANDFATHERED PROVISIONS.

Except as otherwise set forth in this ESIP-RP, the provisions of the ESIP-RP which were in effect on July 1, 2002 are intended to govern a Participant’s Grandfathered Amount. The provisions of this grandfathered portion of the ESIP-RP are set forth in Appendix A.

SECTION 10. EXECUTION

To record the amendment and restatement of the ESIP-RP to read as set forth herein effective as of July 1, 2006, the Chair of the Management Compensation Committee of the Board of Directors of Chevron Corporation has executed this document on this 2nd day of August, 2006.

CHEVRON CORPORATION

By _____ /S/ Robert J. Eaton
Chair of Management
Compensation Committee

APPENDIX A
to the
CHEVRON CORPORATION ESIP RESTORATION PLAN
(As Amended and Restated as of July 1, 2006)

CHEVRONTEXACO CORPORATION
ESIP RESTORATION PLAN

(Effective July 1, 2002)

CHEVRONTEXACO CORPORATION
ESIP RESTORATION PLAN

(Effective July 1, 2002)

SECTION 1. INTRODUCTION.

The Chevron Corporation Excess Benefit Plan (the “Excess Plan”) was originally established effective January 1, 1976, was amended from time to time thereafter, and was last amended and restated effective as of April 1, 2002, at which time the Excess Plan was renamed the ChevronTexaco Corporation Excess Benefit Plan. A portion of the Excess Plan provided additional retirement benefits to the extent that such benefits were not provided under the Chevron Corporation Profit Sharing/Savings Plan (“PS/SP”) because of limitations on contributions that could be made under the PS/SP due to the requirements of sections 401(a)(17) or 415 of the Code, or because the PS/SP’s definition of Regular Earnings did not include salary deferrals under the Chevron Corporation Deferred Compensation Plan for Management Employees, which, effective as of April 1, 2002, was renamed the ChevronTexaco Corporation Deferred Compensation Plan for Management Employees, (the “Deferred Compensation Plan”). Effective as of April 1, 2002, the PS/SP was renamed the ChevronTexaco Employee Savings Investment Plan (the “ESIP”).

Effective July 1, 2002, the Excess Plan is amended so that the portion of the Excess Plan that provided the additional retirement benefits not payable out of the ESIP as a result of such Code limitations and such salary deferrals to the Deferred Compensation Plan shall now be included in this ChevronTexaco Corporation ESIP Restoration Plan (“ESIP-RP”).

SECTION 2. ELIGIBILITY AND PARTICIPATION.

Participation in the ESIP-RP shall be limited to:

- (a) ESIP Members. Members of the ESIP who are Employees on or after July 1, 2002 and whose ESIP contributions are reduced due to the requirements of sections 401(a)(17) or 415 of the Code, or on account of salary deferrals under the Deferred Compensation Plan not being recognized as Regular Earnings; and
- (b) Pre-July 1, 2002 Participants. Any participant in the Excess Plan who is not a member of the ESIP as of the date immediately prior to July 1, 2002 who had an undistributed accrued benefit under the terms of the Excess Plan attributable to limitations in the ESIP required by section 401(a)(17) or section 415 of the Code, or on account of the ESIP not recognizing salary deferrals under the Deferred Compensation Plan as Regular Earnings.

SECTION 3. PLAN BENEFITS.

Plan Benefits under the ESIP-RP shall consist of the ESIP Restoration Benefit. The Committee shall establish an "ESIP Restoration Benefit Account" for each Participant whose share of Company Contributions under the ESIP is reduced for any payroll period on account of limitations required by either section 401(a)(17) or section 415 of the Code, or on account of salary deferrals under the Deferred Compensation Plan not being recognized as Regular Earnings. Stock Units shall be credited to such Account as set forth in (a) and (b) below and credited with earnings in accordance with (c) below. A Participant's ESIP Restoration Benefit shall be the lump sum value of a Participant's Stock Units.

- (a) As of July 1, 2002, each Participant shall be credited with the number of Stock Units credited to his or her account under the Excess Plan.
- (b) In addition, as of the close of each payroll period, each Participant's ESIP Restoration Benefit Account shall be credited with additional Stock Units determined by:
 - (i) subtracting the amount of Company Contributions allocated to such Participant's Accounts under the ESIP for such payroll period from the amount of Company Contributions that would have been allocated to such Participant under the ESIP for such payroll period but for the limitations required by sections 401(a)(17) and 415 of the Code, or because the Participant's salary deferrals under the Deferred Compensation Plan were not recognized as Regular Earnings, and
 - (ii) dividing the resulting amount by the per share price used in allocating the Company Contribution under the ESIP for such payroll period.Notwithstanding the foregoing, the Participant's ESIP Restoration Benefit Account shall not be credited with any Stock Units on account of a limitation imposed by section 415 of the Code caused by the termination of the leveraged Employee Stock Ownership Plan ("ESOP") as described in Section 17.5 of the ESIP.
- (c) As of the payment date of a cash dividend paid with respect to shares of ChevronTexaco Stock, each Participant's ESIP Restoration Benefit Account shall be credited with the number of Stock Units determined by multiplying the number

of Stock Units in such Account on the day prior to the ex-dividend date by the per share amount of such dividend, and by dividing the resulting amount by the average share price obtained in connection with the reinvestment of the dividend in the ChevronTexaco stock fund within the ESIP.

SECTION 4. DISTRIBUTION OF PLAN BENEFITS.

A Participant's Plan Benefit shall be distributed in cash and at such time (or times) as the Committee determines in its sole discretion, but no earlier than the date the Participant ceases to be an Employee. In this regard, the Committee has established the following distribution guidelines:

- (a) Default Distribution Form. Unless the Committee approves a Participant's distribution request pursuant to Section 4(b) or (e), distribution of the Participant's Plan Benefit shall commence in the first January, April, July or October that is at least 12 months after the date the Participant ceases to be an Employee and shall be made in ten approximately equal annual installments in cash. All installments after the first shall be paid in January.
- (b) Distribution Form Election.
 - (i) No later than 30 days after the date the Employee ceases to be an Employee, the Participant may request a cash distribution at the time and in the manner described below by filing the prescribed form with the Committee:
 - (A) In a lump sum in any January, April, July or October after the date the Participant ceases to be an Employee; provided, however, such

lump sum payment shall not be made later than the first January after the later of the date the Participant attains age 70^{1/2} or the date the Participant ceases to be an Employee; or

- (B) In fifteen (15) or fewer approximately equal annual installments, commencing in any January, April, July or October; provided, however, that such installments shall not commence later than the first January after the later of the date the Participant attains age 70^{1/2} or the date the Participant ceases to be an Employee. All installments after the first shall be paid in January.
- (ii) The Participant's Plan Benefit shall be distributed in accordance with such request unless the Committee in its sole discretion disapproves the Participant's request or determines that the distribution shall be made at some other time; provided, however, that:
 - (A) No distribution may be made pursuant to such request to the extent it would be made within 12 months after the request is filed with the Committee, and
 - (B) Any distribution scheduled to be made pursuant to Section 4(a) within the 12-month period after the request is filed with the Committee shall be made notwithstanding such request.
- (c) Valuation of Stock Units/Determination of Installment Payments. The amount of a cash payment pursuant to Section 4(a) or (b) attributable to any Account to which Stock Units are credited shall be determined by dividing the number of

such Stock Units credited to the Participant's Account as of the close of the Quarter preceding the distribution date by the number of annual payments remaining to be made, and by converting the resulting number of Stock Units to a cash amount by multiplying such number of Stock Units by the average daily trade price for the leveraged ESOP stock fund within the ESIP as of the last business day of the Quarter preceding the date payment is made under the ESIP-RP.

- (d) Change of Distribution Form Election. The time of distribution (as determined pursuant to Section 4(a) or (b)) may only be changed by the Committee in its sole discretion. A Participant may request such a change by describing to the Committee in writing the Participant's reason for such request. The Committee shall approve such change in its sole discretion only upon a showing of hardship or significantly changed circumstances based on substantial evidence.
- (e) Cashout Limit. Notwithstanding any other provision of this Section 4, if a Participant's Plan Benefit is less than \$50,000 as of the end of the Quarter following the Quarter in which the Participant ceases to be an Employee, such Plan Benefit shall be distributed in a lump sum as soon as reasonably practicable following the last day of such Quarter. This Section 4(e) shall not apply to a Participant who ceased to be an Employee before July 1, 2002.
- (f) Employees Ceasing Employment Prior to July 1, 2002. If a Participant ceased to be an Employee prior to July 1, 2002, such Participant's Plan Benefit shall be distributed in accordance with the terms of the Excess Plan as in effect on the date

the Participant ceased to be an Employee, except that all of the installment payments after the first installment payment shall be paid in January.

- (g) Acceleration of Payments. Notwithstanding the foregoing, the Committee may, in its sole discretion, accelerate the distribution of any Plan Benefit if it determines that a change in any applicable law may cause the benefit to become currently taxable to any or all Participants.

SECTION 5. DEATH BENEFITS.

- (a) Amount of Death Benefit. If a Participant dies, the unpaid portion of the Participant's Plan Benefit shall be distributed to the Participant's Beneficiary in accordance with Section 5(b).
- (b) Beneficiaries. A Participant may designate, in the manner and on the form prescribed by the Committee, one or more Beneficiaries to receive payment of any Plan Benefit hereunder that becomes distributable after the Participant's death. A Participant may change such designation at any time by filing the prescribed form in the manner established by the Committee. No Beneficiary designation shall be effective until it is filed in accordance with the procedures established by the Committee. If a Beneficiary has not been designated or if no designated Beneficiary survives the Participant, distribution will be made to the Participant's surviving spouse as Beneficiary if such spouse is then living or, if not, in equal shares to the then living children of the Participant as Beneficiaries or, if none, to the Participant's estate as Beneficiary. Distributions under this Section 5 will be made in such manner and at such times as the Committee shall

determine in its sole discretion. Unless the Committee directs otherwise, the elections provided in Section 4 may be made by the Beneficiary following the Participant's death.

SECTION 6. MISCELLANEOUS.

- (a) Forfeitures. Plan Benefits shall be fully vested at all times. Notwithstanding such vesting, however, unpaid Plan Benefits shall be forfeited upon the occurrence of any of the following circumstances:
 - (i) The Participant is dismissed for cause (as determined by the Committee) or otherwise ceases to be an Employee when a basis for such dismissal exists;
 - (ii) Before or after the Participant ceases to be an Employee, the Participant engages in any activity which, in the opinion of the Committee, is prejudicial to the interests of any member of the Affiliated Group; or
 - (iii) The Participant is indebted to any member of the Affiliated Group. In such case, the Plan Benefit shall be forfeited to the extent of such indebtedness and such debt shall be extinguished to the extent of such forfeiture. The Committee in its sole discretion shall determine how and why such forfeiture shall be effected, including the valuation of any Stock Units credited to the Participant's Account.
- (b) Funding. The ESIP-RP shall be unfunded, and all Plan Benefits shall be paid only from the general assets of the Corporation.

- (c) Tax Withholding. All distributions shall be net of any applicable payroll deductions including, but not limited to, any federal, state or local income tax withholding. In addition, any withholding amount required under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act with respect to a Participant's Plan Benefit prior to the date a distribution shall be paid through withholding from the Participant's salary or other income from the Affiliated Group; provided, however, that if such amounts are not withheld in this manner, then these withholdings shall be debited from the Participant's Plan Benefit.
- (d) No Employment Rights. Nothing in the ESIP-RP shall be deemed to give any individual a right to remain in the employ of any member of the Affiliated Group nor affect the right of a member of the Affiliated Group to terminate any individual's employment at any time and for any reason, which right is hereby reserved.
- (e) No Assignment of Property Rights. Except as provided in Section 6(a)(iii) with respect to a Participant's indebtedness to any member of the Affiliated Group, or as may be required by applicable law, or is described below relating to domestic relations orders, no Plan Benefit or property interest in this ESIP-RP may be assigned (either at law or in equity), alienated, anticipated or subject to attachment, bankruptcy, garnishment, levy, execution or other legal or equitable process. Any act in violation of this Section 6(e) shall be void. Notwithstanding the foregoing, the creation, assignment or recognition of a right to all or any portion of a Participant's Plan Benefit hereunder pursuant to an order that would otherwise qualify as a "qualified domestic relations order," (within the meaning of

section 414(p) of the Code) if this ESIP-RP were a qualified plan under section 401(a) of the Code, shall not constitute a violation of this Section 6(e).

- (f) Effect of Change in Capitalization on Participant's Accounts. In the event of a stock split, stock dividend or other change in capitalization affecting ChevronTexaco Stock, an appropriate number of Stock Units shall be substituted for, or added to, each Stock Unit then credited on behalf of each Participant's Account, and such substituted or added Stock Unit shall be subject to the same terms and conditions as the original Stock Unit.
- (g) Administration. The ESIP-RP shall be administered by the Committee. No member of the Committee shall become a Participant in the ESIP-RP. The Committee shall make such rules, interpretations and computations as it may deem appropriate. The Committee shall have sole discretion to interpret the terms of the ESIP-RP, make any factual findings, and make any decision with respect to the ESIP-RP, including (without limitation) any determination of eligibility to participate in the ESIP-RP, eligibility for a Plan Benefit, and the amount of such Plan Benefit. The Committee's determinations shall be conclusive and binding on all persons.
- (h) Amendment and Termination. The Corporation expects to continue the ESIP-RP indefinitely. Future conditions, however, cannot be foreseen. Subject to Section 7, the Corporation shall have the authority to amend or to terminate the ESIP-RP at any time and for any reason, by action of its board of directors or by action of a committee or individual(s) acting pursuant to a valid delegation of authority. In the event of an amendment or termination of the ESIP-RP, the number of Stock

Units credited to a Participant's ESIP Restoration Account shall not be less than the number of Stock Units to which he or she would have been entitled to as of the date of such amendment or termination, as adjusted for subsequent cash dividends as described in Section 3(c).

- (i) Effect of Reemployment. If any Participant who has ceased to be an Employee is reemployed, such Participant shall continue to receive any amounts attributable to his or her previous employment according to his or her existing distribution schedule under the Excess Plan or this ESIP-RP, as applicable. When any such reemployed Participant subsequently ceases to be an Employee, the Participant's Plan Benefit attributable to such additional service shall be determined and distributed in accordance with this ESIP-RP.
- (j) Excess Plan/Top-Hat Plan Status. To the extent that the ESIP-RP provides a benefit in excess of the limitations on contributions and benefits imposed by section 415 of the Code, the ESIP-RP is intended to be an "excess benefit plan" within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is an unfunded deferred compensation program. Otherwise, the ESIP-RP is intended to be an unfunded deferred compensation program that is maintained "for a select group of management or highly compensated employees" as set forth in Title I of ERISA. The ESIP-RP shall be implemented, administered and interpreted in a manner consistent with this intention.
- (k) Successors and Assigns. The ESIP-RP shall be binding upon the Corporation, its Successors and Assigns. Notwithstanding that the ESIP-RP may be binding upon

a Successor or Assign by operation of law, the Corporation shall also require any Successor or Assign to expressly assume and agree to be bound by the ESIP-RP in the same manner and to the same extent that the Corporation would be if no succession or assignment had taken place.

SECTION 7. CHANGE IN CONTROL.

Notwithstanding any other provisions of the ESIP-RP to the contrary, the provisions of this Section 7 shall apply during the Benefit Protection Period.

- (a) Restrictions on Amendments During Benefit Protection Period. Notwithstanding Section 6(h), except to the extent required to comply with applicable law, no amendment of the ESIP-RP (other than an amendment to reduce or discontinue future allocations under the ESIP-RP after the end of the Benefit Protection Period) that is executed or first becomes effective during the Benefit Protection Period shall:
 - (i) Deprive any individual who is a Participant on the Benefit Protection Period Commencement Date or immediately prior to a Change in Control of coverage under the ESIP-RP as constituted at the time of such amendment;
 - (ii) Deprive any individual who is a Beneficiary with respect to an individual who is a Participant on the Benefit Protection Period Commencement Date or immediately prior to a Change in Control of any benefit to which he or she is entitled on the Benefit Protection Period Commencement Date or may become entitled during the Benefit Protection Period;

- (iii) Reduce the amount of benefits provided under the ESIP-RP below the benefits provided under the ESIP-RP on the day prior to the Benefit Protection Period Commencement Date;
 - (iv) Amend Sections 6(k), 7, 8(c), 8(d), 8(e), or 8(x) of the ESIP-RP; or
 - (v) Terminate the ESIP-RP.
- (b) Exception to Section 7(a). Section 7(a) shall not apply to the extent that (i) the amendment or termination of the ESIP-RP 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. For purposes of this Section 7(b), approval shall mean written approval (by a person or entity within the Corporation having the authority to do so) of such amendment or termination.
- (c) Restrictions on Certain Actions Prior to or Following, a Change in Control. Notwithstanding any contrary provisions of the ESIP-RP and except to the extent required to comply with applicable law, (i) any amendment or termination of the ESIP-RP which is executed or would otherwise become effective prior to a Change in Control at the request of a third party who effectuates a Change in

Control shall not be an effective amendment or termination of the ESIP-RP during the Benefit Protection Period; and (ii) the ESIP-RP shall not be amended at any time if to do so would adversely affect the rights derived under the ESIP-RP from this Section 7 of any individual who is a Participant during the Benefit Protection Period or a Beneficiary with respect to a Participant during the Benefit Protection Period. Furthermore, following a Change in Control, no person shall take any action that would directly or indirectly have the same effect as any of the prohibited amendments listed in Section 7(a).

- (d) ESIP Restoration Benefit. Each of a Participant's Stock Units shall be converted to a dollar amount immediately after a Change in Control in an amount equal to the greater of (i) the highest price per share of ChevronTexaco Stock (the "Shares") paid to holders of the Shares in any transaction (or series of transactions) constituting or resulting in a Change in Control or (ii) the highest closing price of a Share as reported on the New York Stock Exchange, Inc. composite transaction report during the ninety-day period ending on the date of a Change in Control. Thereafter deemed earnings shall be added to the unpaid portion of the total dollar amount of the Participant's Plan Benefit as if such amounts were invested in the Vanguard Prime Money Market Fund. If for any reason such fund ceases to exist, earnings shall be determined based upon the earnings rate associated with the successor to such fund.
- (e) Distribution of Plan Benefits. Each Participant's Plan Benefits shall be distributed in a single lump sum cash payment immediately after the later of the

date of the Change in Control or the date the Participant's employment with the Affiliated Group terminates.

- (f) Establishment of a Trust. Notwithstanding anything contained in the ESIP-RP to the contrary, nothing herein shall prevent or prohibit the Corporation from establishing a trust or other arrangement for the purpose of providing for the payment of the benefits payable under the ESIP-RP.
- (g) No Forfeitures. A Participant's Plan Benefits shall not be subject to forfeiture under any circumstances, including any of the circumstances provided in Section 6(a).
- (h) Miscellaneous.
 - (i) The provisions of the ESIP-RP shall be deemed severable and the validity or enforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.
 - (ii) The Corporation's obligation to make the payments and provide the benefits provided for in the ESIP-RP and otherwise to perform its obligation hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Corporation may have against the Participant or others.
 - (iii) No provision of the ESIP-RP may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Participant and the Corporation. No waiver by either party

hereto at any time of breach by the other party hereto of, or compliance with, any condition or provision of this ESIP-RP to be performed by such other party, shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

SECTION 8. DEFINITIONS.

Except as provided below, capitalized terms used in the ESIP-RP shall have the same meaning as in the ESIP.

- (a) “Account” or “Accounts” means as to any Participant the separate account maintained in order to reflect his or her interest in the ESIP-RP.
- (b) “Beneficiary” means the person or persons entitled to receive a Participant’s remaining Plan Benefit in the event the Participant dies prior to receiving his or her entire Plan Benefit, as provided in Section 5(b).
- (c) “Benefit Protection Period” means the period commencing on the Benefit Protection Period Commencement Date and terminating two years after the date of a Change in Control.
- (d) “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.
- (e) “Change in Control” means a change in control of the Corporation as defined in Article VI of the Corporation’s By-Laws, as it may be amended from time-to-time.
- (f) “ChevronTexaco Stock” means the common stock of the Corporation.

- (g) “Code” means the Internal Revenue Code of 1986, as amended.
- (h) “Committee” means the Management Compensation Committee of the Board of Directors of the Corporation.
- (i) “Composite Transaction Report” means the New York Stock Exchange, Inc. Composite Transaction Report, or such other stock report as the Committee from time to time may designate.
- (j) “Corporation” means ChevronTexaco Corporation, a Delaware corporation.
- (k) “Deferred Compensation Plan” means the ChevronTexaco Corporation Deferred Compensation Plan for Management Employees.
- (l) “Employee” means an individual who is paid on the U.S. dollar Payroll of a member of the Affiliated Group, but shall not include an individual for any period in which he or she is:
 - (i) Compensated for services by a person other than a member of the Affiliated Group and who, at any time and for any reason, is deemed to be an Employee;
 - (ii) Not on the Payroll of a member of the Affiliated Group and who, at any time and for any reason, is deemed to be an Employee;
 - (iii) A leased employee within the meaning of section 414(n) of the Code, or would be a leased employee but for the period-of-service requirement of section 414(n)(2)(B) of the Code, and who is providing services to any member of the Affiliated Group;

- (iv) If, during any period, a member of the Affiliated Group has not treated an individual as an Employee and, for that reason, has not withheld employment taxes with respect to that individual, then that individual shall not be treated as an Employee for that period, even in the event that the individual is determined, retroactively, to have been an Employee during all or any portion of that period.
- (m) “ERISA” means the federal Employee Retirement Income Security Act of 1974, as amended.
- (n) “Excess Plan” means the Chevron Corporation Excess Benefit Plan as originally established effective January 1, 1976, amended thereafter from time to time, and last amended and restated effective April 1, 2002, at which time it was renamed the ChevronTexaco Corporation Excess Benefit Plan.
- (o) “ESIP” means the ChevronTexaco Corporation Employee Savings Investment Plan.
- (p) “ESIP-RP” means the ChevronTexaco Corporation ESIP Restoration Plan.
- (q) “ESIP Restoration Benefit” means the benefit described in Section 3.
- (r) “ESIP Restoration Benefit Account” means the account described in Section 3.
- (s) “Participant” means a person who is eligible to participate in the ESIP-RP as provided in Section 2.
- (t) “Plan Benefit” means the benefit described in Section 3.
- (u) “Plan Year” means the calendar year.

- (v) “Quarter” means a calendar quarter.
- (w) “Stock Units” means the ChevronTexaco stock equivalents credited to a Participant’s Account in accordance with Section 3.
- (x) “Successors and Assigns” means a corporation or other entity acquiring all or substantially all the assets and business of the Corporation (including the ESIP-RP) whether by operation of law or otherwise.

SECTION 9. EFFECTIVE DATE.

This amended and restated ESIP-RP is effective as of July 1, 2002. The provisions set forth herein reflect those ESIP-RP provisions in effect as of July 1, 2002 and are not intended to amend or materially modify the provisions of the ESIP-RP on or after October 3, 2004.

**Form of
RESTRICTED STOCK UNIT GRANT AGREEMENT**

This Agreement, dated ___, ___, is between CHEVRON CORPORATION ("Company") and [Employee].

The Management Compensation Committee (the "Committee") has selected you to receive a special Restricted Stock Unit award under Section 8 of the Chevron Corporation Long-Term Incentive Plan. Capitalized terms not defined in this Agreement shall have the same meaning as the defined terms in the Chevron Corporation Long-Term Incentive Plan, as amended from time to time (the "Plan"). This award is governed by the Plan and is subject to the following special terms:

1. You have been awarded ___ Restricted Stock Units on ___, ___. (The Restricted Stock Units were subsequently adjusted to reflect the 2 for 1 stock split for shares on record as of August 19, 2004.) The restrictions on the Restricted Stock Units shall lapse and you shall be vested as follows: 50% on the fourth anniversary of the grant date (___, ___) and 50% of the eighth anniversary of the grant date (___, ___). Social Security taxes are due when the grant vests and is payable. Currently, with a valid deferral election, Restricted Stock Units are taxable as ordinary income upon distribution only, not upon vesting.

No certificate for shares of stock shall be issued at the time the grant is made and you shall have no right to or interest in shares of stock of the Company as the result of this grant agreement.

2. In order to receive full payment of this award you must remain in the employ of the Company through ___, ___ (the "Full Vesting Date"); provided, however, that if your employment with the Company terminates at least 180 days following the date of grant but prior to the Full Vesting Date because of your death or disability, you or your beneficiary will be entitled to receive a portion of any unvested award determined by multiplying the total number of Restricted Stock Units (adjusted as provided in paragraph 3 below) by a fraction, the numerator of which is the number of whole months elapsed from ___, ___ up to the date of termination of your employment, and the denominator of which is ninety-six (96). In the event of your death or disability, any vested Restricted Stock Units will be distributed to you or your beneficiary in the next insider trading window following the date of your death or disability. For this purpose, "disability" shall have the meaning set forth in Section 2(g) of the Plan. The vesting provisions of this paragraph 2 will apply to this Restricted Stock Unit agreement only, and will supercede the vesting provisions of the Chevron Long-Term Incentive Plan related to non-qualified stock option and performance share vesting provisions.

3. During the period prior to Distribution of all or part of your award, the Restricted Stock Units will be subject to adjustment as if they represented shares of the Chevron Corporation common stock which were held in the Chevron Stock Fund of the Chevron Deferred Compensation Plan for Management Employees or any successor plan thereto (the "DCP"). Dividend equivalent payments shall be made with respect to the Restricted Stock Units and converted into additional Chevron stock units as of the dividend payment date. Distribution of accumulated dividend equivalents will be in the form of additional shares of Chevron common stock, and paid as described in paragraph 4 below.

4. If you satisfy the vesting requirements set forth in paragraph 1 or 2 above, you will be entitled to receive payment of the Restricted Stock Units (as adjusted pursuant to paragraph 3 above) in the next insider trading window following the date you satisfy the vesting requirements, except as provided in 5 below. Stock equal to the number of the full Restricted Stock Units (after adjustment), net of any taxes, shall be deposited at Mellon Investor Services, Chevron's stock transfer agent and registrar, in book-entry form (uncertificated, electronic registration). Thereafter, you may sell your shares, elect automatic dividend reinvestment, elect to receive a certificate, or transfer the shares to a broker of your choice. The amount representing any fractional Restricted Stock Unit shall be valued based the trading price of the Chevron stock fund in the DCP on the date of vesting, and paid in cash. The payment shall be net of any required tax withholding.

5. The provisions of paragraph 4 above to the contrary notwithstanding, you may elect to defer payment of the vested portion of this award by completing and filing the proper form with the Committee. If no form is filed, you will be deemed to have made no deferral election. If you timely file a deferral election it shall be irrevocable on the date it is filed. The portion of your special Restricted Stock Unit award that is subject to an irrevocable deferral election is governed by the terms and conditions of the DCP. Diversification out of Restricted Stock Units is not allowed.

Any distribution made pursuant to this paragraph 5 will be net of any required tax withholding.

Any election made under this paragraph 5 shall (a) be made no later than the insider window that is at least 12 months prior to payment date, and in no event later than December 31, 2006 and (b) be subject to any special administrative rules imposed by the Committee including rules intended to Comply with Section 409A of the Code and IRS Notice 2005-1, A-19. No election under this paragraph 5 shall change the payment date of any distribution otherwise scheduled to be paid in 2006 or cause a payment to be paid in 2006.

Notwithstanding any other provision of this Agreement to the contrary, no distribution will be made pursuant to this Agreement that would constitute an impermissible acceleration of payment as defined in Section 409A(a)(3) of the Code and the regulations promulgated thereunder.

6. The deferred portion of your award shall be distributed, in accordance with the terms and conditions of the DCP, in the form of a book entry on the books and records of the Company for the number of shares of Chevron Corporation common stock equal to the number of the full Restricted Stock Units (as adjusted) at such time. If a distribution is to be made in installments, the amount of each annual installment (shares of Chevron Corporation common stock) shall be determined by dividing the balance of the deferred portion of your award by the number of annual payments remaining to be made.

7. The Restricted Stock Units representing this award shall be subject to adjustment in the manner provided in Section 10 of the Plan, Recapitalization.

8. The provisions of paragraph 4 above will be further restricted if you have not satisfied the stock ownership guidelines approved by the Committee for your position. Distribution will be limited to no more than 50% of the vested portion of the award, net of any taxes, and the remaining units will be assigned to the DCP and distributed in accordance with the terms and conditions of the DCP upon your Separation from Service (as defined in the DCP).

9. Prior to distribution of your Restricted Stock Units, if you engage in or have engaged in during the course of your employment: fraud, material dishonesty, deleterious conduct in violation of the policy of the Company or its subsidiaries and affiliates, or, at any time, conduct adverse to the best interests of the Company or its subsidiaries and affiliates, the awards shall be canceled unless the Committee, in its sole discretion, elects not to cancel such awards.

10. Notwithstanding any other provision of this Agreement, in the event there is a Change of Control, all awards shall become fully vested. Non-deferred awards shall be immediately distributed, and deferred awards shall be distributed in accordance with the distribution election made under the DCP. The restrictions shall be deemed satisfied as of the day immediately prior to a Change of Control.

11. Awards under this Agreement may not be transferred by you during your lifetime and may not be assigned, pledged or otherwise transferred except by the laws of descent and distribution.

12. This Agreement shall not confer on you the right to continued employment by the Company, nor shall this award interfere in any way with the right of the Company to terminate your employment at any time.

13. For a period of two years following termination of employment from the Company or its subsidiaries and affiliates, outstanding award as a result of this Agreement, whether vested or unvested, shall be cancelled and any financial gain as a result of this Agreement must be repaid to the Company if you engage in or perform any services, whether on a full-time or part-time or on a consulting or advisory basis, for a) any of the 100 largest oil and/or gas companies, ranked by assets, as determined by the annual Oil and Gas Journal listing of the largest oil and gas producing companies for the preceding year, b) any of the 100 leading non-U.S. oil and gas companies ranked by assets, as determined by the annual Oil and Gas Journal listing of the largest oil and gas producing companies for the preceding year, c) any agency, instrumentality or corporation controlled or owned by a foreign government, which agency, instrumentality or corporation is primarily in the business of exploring for, producing, refining, marketing or transporting oil and gas or the primary products thereof, or d) any organization which alone, or in concert with others, is subject to the reporting and disclosure requirements of the Securities Exchange Act of 1934, as amended, as a result of the acquisition of the Company's Common Stock.

14. This Agreement is not subject to any provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

This award is subject to your signing the enclosed copy of this letter and returning it in the envelope provided. By accepting this award, you agree to keep this agreement and all of its provisions confidential and not to disclose any parts thereof to third parties, except that information relating to this agreement may be divulged (i) to the extent required by any court order, (ii) to any public authority such as the IRS, (iii) in connection with any tax filing or (iv) to any financial advisors or tax consultants. Please retain the original of this Agreement with your important papers.

Accepted:

Date:

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

	Six Months Ended June 30, 2006	Year Ended December 31				
		2005	2004	2003	2002	2001
		(Dollars in Millions)				
Income from Continuing Operations	\$ 8,349	\$ 14,099	\$ 13,034	\$ 7,382	\$ 1,102	\$ 3,875
Income Tax Expense	7,672	11,098	7,517	5,294	2,998	4,310
Distributions (Less) Greater Than Equity in Earnings of Affiliates	(475)	(1,304)	(1,422)	(383)	510	(489)
Minority Interest	48	96	85	80	57	121
Previously Capitalized Interest Charged to Earnings During Period	52	93	83	76	70	67
Interest and Debt Expense	255	482	406	474	565	833
Interest Portion of Rentals*	392	688	687	507	407	357
Earnings Before Provision for Taxes And Fixed Charges	\$ 16,293	\$ 25,252	\$ 20,390	\$ 13,430	\$ 5,709	\$ 9,074
Interest and Debt Expense	\$ 255	\$ 482	\$ 406	\$ 474	\$ 565	\$ 833
Interest Portion of Rentals*	392	688	687	507	407	357
Preferred Stock Dividends of Subsidiaries	1	1	1	4	5	48
Capitalized Interest	61	60	44	75	67	122
Total Fixed Charges	\$ 709	\$ 1,231	\$ 1,138	\$ 1,060	\$ 1,044	\$ 1,360
Ratio Of Earnings To Fixed Charges	22.98	20.51	17.92	12.67	5.47	6.67

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

**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 Chevron 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 second 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: August 3, 2006

**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 Chevron 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 second 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: August 3, 2006

**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 Chevron Corporation (the “Company”) on Form 10-Q for the period ended June 30, 2006, 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: August 3, 2006

**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 Chevron Corporation (the “Company”) on Form 10-Q for the period ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen J. Crowe, Vice President 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: August 3, 2006