FINAL TRANSCRIPT

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PRESENTATION

Blake Fernandez - *Howard Weil - Analyst*

Welcome to the Chevron lunch. Our lunch speaker today will be Bobby Ryan, Vice President of Global Exploration for Chevron, a position he's held since 2003. In this capacity, Bobby is responsible for Chevron's worldwide exploration portfolio as well as corporate reserves governance and reporting. Bobby happens to be a native of New Orleans, and we're happy to have him back down to his hometown to present at Howard Weil. Bobby, thanks for joining us.

Bobby Ryan - *Chevron - VP - Global Exploration*

Well, good afternoon. It is my hometown. I was born and raised here. I spent a lot of my career here. I went to Tulane, not far away. But the thing about coming back on business to your hometown it means you have to stop by mom's house, so Monday was red beans and rice with mom. I did avoid, though, having to stay in my old bed where my feet stick out at the end of the bed. She did allow me to come downtown and stay at the hotel.

So anyway, thanks for the invitation to be here. It's very nice. I was here a few weeks ago for Mardi Gras; road in one of the parades. I just now have arm function back from throwing beads, so if the clicker doesn't work right it's probably because of my survival of Mardi Gras.

But we're here today to talk about Chevron's exploration. As you heard from Blake, my job is tied to the exploration business at Chevron. We thought we'd step back and show you what we've accomplished the past ten years and then give you a hint of what my boss asks me is what's the next ten years?

So the good thing about it, I also represent hundreds of earth scientists and engineers around the globe, and their total focus is on what's the next ten, 20, 30 years? It's a timeframe for those of you in the room tied to exploration truly understand. In fact, one of our assets in Angola, what they're delivering now, will provide energy the next 40 years plus, so it's an impactful piece of the business.

But before we get started, I wanted you to read this while you eat, just to remind you that I will have some forward-looking statements in here. And I guess the hidden message behind it is stuff happens. So rest assured while anything you see here forward-looking, we fully intend to accomplish it, things could slip, things could change. But as an explorationist, I'm fully aware of that particular item.

So let's get started with safety. Chevron starts every meeting in the Company -- regardless of size, regardless of who's in the room -- with what we call a safety moment. In fact, it's something I've brought along with my kids as they grew up. It could be very simple, the way you point at the exit, does everybody know the way out; when you check into a hotel room, do you know whether you turn left or right from your room to get to the staircase if it was pitch black; or to a complex business safety issue.

And it's all tied to our culture. You see these words here -- do it safely or not at all and there is always a right time to do it. And it might sound a little bit cliche, but it's deeply embedded into our culture. We have some 200,000 people around the world on any given day working on our projects from between contractors and employees.

Stop Work Authority is a key component of our business; it has been. People are recognized if they shut down what they deem to be a hazardous situation. They can be recognized by their teammates, all the way up to the chairman. So we're very proud to -- last year was our safest year on record. We're quite proud of that. We have various other safety measures tied to that. And also, it was a year of great operational and financial success.

To touch on a few components of that, about two weeks ago in New York, George Kirkland, our Vice Chairman and responsible for Upstream, and John Watson and the rest of his team spoke at our security analyst meeting. So if you want to get into some of the details tied to our financials and specifics outside of the exploration setting, feel free to go to our website. All of the presentations are posted there.

Also, on the tables on the side of the room there, we have booklets with copies of today's presentation, so make sure you take a copy as you leave. I do have some seismic lines. I'm an explorationist. They are not in the book; due to our licensing agreements, I couldn't make a copy. But everything else is there.

With that safety moment, just to share with you our success around that and our culture, let's go ahead and start looking at the Upstream business. We have a worldwide portfolio that's quite strong. Take a look at those numbers. Four operating companies make up the Upstream business -- 26 countries, 15 business units.

The numbers you see on those slides essentially are larger than most oil and gas companies tied to the individual operating companies. It's fairly evenly split around the world. And what's most important to me as an explorationist is they produce about 1 billion a year, so it's our charge to replace that. And as you know, it's a long-term proposition. So the leases we're capturing now, the wells we're drilling now are going to feed that production curve ten years plus from now. So we look forward to that challenge.

And we have a whole set of strategies that support it. And the key behind these strategies is execution. I won't go through all of them. The ones that are in the lighter color, the gray there, are some of the different pieces. Of course, they cover the base business, they cover major capital projects, they cover business development opportunities.

In the end, all of the goal of growing profitably in core areas while we build a new legacy position. And remember grow profitably in core areas. I want to touch on a few things as we get later on to show you how you can reinvent yourself in existing businesses, especially through the exploration setting.

So let's zoom in on exploration performance. We reorganized exploration. In 2001, Chevron and Texaco came together, and we got a simple charge from our chairman at the time, Dave O'Reilly. And Dave said, I want the best of a functional exploration organization, which was Texaco, was centralized, applied to an SBU or business unit model. So we had business units, as you saw a moment ago, scattered all over the world.

How did we pull that together? Both of us had exploration track records that we weren't too proud of at the time. And he gave us the old we need to find more with less sort of speech. So we had five simple words that drive why we made the change, and it's somewhat simple. We had nowhere to go but up.

And, in fact, this is a quote, and I'll complete the quote in a moment, but it's Deutsche Bank in 2007 at an energy conference, or actually a follow-up to one of our security analysts meetings. And the quote was nobody fully understands why two relatively poor Gulf of Mexico explorers should come together -- and fortunately, there's a second half to that quote -- and form one absolutely outstanding one.

That was nice. I'll put it on my performance target at the end of the year. But clearly, the combination of Chevron and Texaco has worked to improve prospects and the results to right at the top of the class. And what's behind that quote was the fact that yes, back when our two companies came together, we weren't proud, as I mentioned, of our exploration performance. We found resource, but we didn't find it as efficiently as we'd like. We sub-optimized ourselves, perhaps tied to the way we were organized and things like that.

So what was observed here by Deutsche Bank actually was one of the drivers we had in 2001 to make the change. So what did we do? We put together an exploration strategy. You see four simple bullets here, and there's a lot behind each one of them. But the bottom line is that top-line, disciplined approach.

Those of you in the exploration side of the business know you can't always tie the word discipline with exploration; some say it's an oxymoron. We tended to have a bad reputation for not delivering what we promised. And so our whole approach to this was a calibrated, disciplined approach to how we make decisions, where we enter and where we exit.

First of all, technical excellence. That underpinned the whole thing. The key to it is what is the technical merit of the opportunity? If it didn't make any difference at the moment what the geopolitical setting was, what the oil price was, et cetera, what was the fundamental technical merit of the opportunity? In fact, one of the things we were trying to prevent was the typical swing that all of us were guilty of, that if you had higher prices -- you've all heard it; you've probably even said it yourselves -- high price, let's take more risk.

And we were trying to avoid that type of thing because in the end the higher price does not change the rocks, right? If the prospect is poor from the technical sense at $50, it's poor at $100, it's poor at $150. You haven't fundamentally changed the technical merit of that. So that's the key foundation.

And then from that we said, okay, if we take that, how do we move forward and what do we focus on? And you'll see in the course of the next few minutes that our effort is focused in key areas where we spend the bulk of our money and put the bulk of our people.

It also is a risk-balanced portfolio. We head for things that are high impact; we define that as greater than 100 million barrels per prospect. But at the same time, it's risk-balanced. We've got higher risk prospect, moderate risk, lower risk. We have prospects that are quick to production, but they typically are smaller. They pay the bills, quick to cash, but they're smaller.

At the same time, we have large, legacy-building type prospects around the world. But in the end, we could pat ourselves on the back and be proud that we exceeded our business plan, but if we didn't benchmark it, it's not competitive, we go nowhere but backwards. In fact, it puts us back to where we were in the 1990s.

So these four simple bullets, like I say, there's a lot behind them. They basically are the drivers for what we call the exploration factory. And it sounds kind of mechanical, but it's taking us through the whole process of developing the concept, capturing the leases, maturing the prospects, then drilling the first well.

A lot of the folks at my Company -- the engineers, in particular -- are tied to that first discovery and then taking it all the way to first production. In our world, we try to go from first hunch to first production. How do we reduce the cycle time behind that? But also at the same time, how do we end up making sure each one of those stages of exploration factory has a disciplined component behind it?

You might ask, how do you do that with a business unit model? It's easy if you're centralized and everybody's in one building. And this is a bit of a cartoon, but it basically tells the story. You saw we had some 15 business units around the world. All of them but about one has an exploration component to its business. And this shows how we tie it all together.

And the key, though, to calibrate the prospects is we have something called an exploration review team, and it's about seven people -- two engineers; the rest are scientists. They're whole goal, their performance measures by the end of the year, is based on the predictive accuracy of volume and risk. That's how they're compensated.

How accurate are they in calibrating volume and risk so that all of our prospects are apples? It might be different kinds of apples, but at least -- they used to be apples, oranges, Volkswagen, palm trees, that sort of thing. So this group of people gets together. The guys in the gold chair -- I love this slide because my friend that makes this slide, she always gives me the big chair, right there on the top of the thing, with arm rests.

But the guys in the gold chairs, those are people that take a global view on a daily basis. We basically work this business on a daily basis. The guys in the blue chairs is the leadership in the business units. They generate the opportunities, they execute the opportunities, they bring them to the table.

With that exploration review team where we calibrate everything, it's sort of like a beta to a stock, we can then hopefully make the right decisions on how we build the portfolio. Fortunately, they generate far more opportunity than we would even consider funding, as our system probably couldn't move it anyway. We meet twice a year -- strategic plan, tactical plan. But in the end, these are the folks that drive the business.

So how have they done? The past nine years -- we're in the tenth year since we pulled all of this together -- we've found 9.6 billion barrels. There's a 47% success rate with a 57% success rate last year. We didn't add all of the resource we wanted to last year because some of our key exploration wells in the Gulf of Mexico weren't drilled; we'll take a look at some of those in a few minutes.

But in the end, we did have some nice success in the Congo and Angola off of West Africa. We had five discoveries, continuing to build on top of our successes in Northwest Australia and, in fact, we've had ten discoveries over the past 18 months there. If you notice, nothing in the sense of a red dot in the Gulf of Mexico; we'll get to that in a moment.

I mentioned benchmark and competitiveness. You say, great, you've found 9.6 billion barrels, but is that competitive? And yes, according to Wood Mackenzie, it has been. Number one in resource replacement, not reserve replacement, with our peer group, and pennies away from number one in the cost to get that done.

You can see 57% better than the average in resource we added, 32% cheaper than the competitors with resource on average. So the key driver behind this is finding that resource, but doing it more efficiently, making disciplined decisions. The whole cost component behind this is also one of our big drivers.

So where did it all happen? Let's take a look at 2010. I mentioned focus areas a few minutes ago. Those blue ovals are where we typically spend 60% to 65% of our budget in any given year. This year, 2011, is a big of an anomaly in the sense that the areas outside of those focus areas, because of the significant success in lease capture in 2010, we've got a lot of activity outside of those areas that drove the higher percentage of spend in that category. We call them test areas.

But in the end, focus areas we've got the high expectations for --. Take a look again at the Gulf of Mexico. You don't see any exploration wells there. We'll go ahead and take a peek at that. This slide summarizes the Gulf of Mexico activity. No, it is not a Photoshop. It's four Transocean rigs sitting anchored in shallow water waiting for something to do. They're not all ours, but the point is we're all in this together; it's an industry picture.

So our activity started in the beginning of the year and, of course, when the moratorium was put in place we had to send our drillships up to shallow water and fortunately took the time, they did some work. They've done some injection wells, things like that, but also we used it to take advantage of the time to do maintenance and things like that on the rigs. But the good news is one of them is back to work, and we'll take a look at that in just a moment.

This is what we had planned for 2010. The red stars are the number one wildcats -- that exploration well, new prospects. The red circle is our first appraisal well in the Buckskin discovery in the lower tertiary trend. Oceanographer, the rig, had just arrived on location, literally on the block, when the moratorium was put in place, turned around, and went back to the shallow water.

Moccasin, we'd gotten down to about three-quarters of the way and we had to shut it down; we'll take a look at that. Buckskin, we just set surface pipe and had to move on. And, of course, Coronado was going to be drilled later in the year, so it never had a chance.

The key behind all of this, though, is that prospects aren't gone. They're still there. They're still significant opportunities -- impact opportunities, as I mentioned earlier. And we'll just basically scratch out that 2010 at the top of the slide and put '11, and that's where we're going.

So let's take a look. These are the seismic lines that won't be in your booklet, but you can take a picture here. This is the Moccasin No. well. It's about 7,000 feet of water. The black line that's on that well track, that's the hole that we drill, and we have pipes set all the way to that point.

The permit was approved Thursday, so this is the first permit that was -- a true, No. 1 wildcat, high pressure setting deep well, and the rig arrived on Saturday. So it didn't take too long to get right back to work. As we speak, they're rigging up and we should be drilling soon. So we've got pipes set down to that point. And you can see in the green, that's the lower tertiary objective, so hopefully in the not too distant future we will be able to penetrate that Wilcox. We're pretty excited about it.

I mentioned Buckskin, the first appraisal well, and the discovery well is on the left. We penetrated the lower Wilcox there. We had announced some 300 feet of pay in 2009 and 29,000 feet, if you can't read the depth in the back of the room there.

And we had an appraisal plan for 2010. It's over there to the right. We had just set surface pipe. It doesn't even show up, basically, on this slide, but that's where we're heading now. We should have a permit for that in a couple of months. We're looking forward to getting back to that well.

And the key to this, while I have your attention on this slide, is the image. Take a look at that image for a moment. Because you look at the No. 1 well -- in fact, some of you might say, well, why didn't you drill Number 1 where the Number 2 is? And actually, we didn't even have this quality of an image when we did it.

So when we drill that Number 2 well, we're excited because this is that rare time that an appraisal well may actually add resource to a discovery. Because if you do your expected values right, you pretty much can get it in the first well. The appraisal wells reduce uncertainty, right? So we're pretty excited about that.

But the key to this seismic line is that it's wide-azimuth seismic, the whats or whys as you've all heard about. It's depth migrated and also there's a Chevron proprietary earth model behind all of this. This is how we do all of our work in the Gulf of Mexico, and we can do it on a regional basis, not just postage stamp when it comes to the exploration.

And let's take a look at what it looked like in 2002. This was Buckskin then. So, when I look at that, yes, okay, I might be a 32-year geologist, but I can see the sea floor. I can see the water bottom. I can see the top of salt, a couple of other things, and that's about it.

Fortunately, there's a lot of guys and gals in our Company a lot smarter than me. They saw something here, and of course we're taking a seismic approach to this data set and we were able to fine-tune and locate Buckskin, drill it. Notice, though, it was narrow-azimuth seismic; that was typical at the time. It was time migrated, and you've just tested my limits of geophysical knowledge. But again, it didn't ever have our proprietary earth model.

My question to you, would any of you put any of your 401ks into this prospect based on that seismic line? Probably not. All of you that have been early explorers in the deep water, even on the shelf tied to subsalt, this is the type of image you typically had to enter yourself into these plays early. And then from that, utilizing technologies from both vendor as well as proprietary, we were able to take it to the next step.

So let's look at one of the other focus areas -- Australia. You've probably all read about our Gorgon and Wheatstone opportunities there, giant LNG projects. Gorgon's under construction. Wheatstone, we expect sanctioned later this year. But we continue to explore. The yellow acreage is Chevron.

We've had ten discoveries, as I've mentioned, over that short, 18-month period designated by the stars, and we have a significant portfolio ahead of us. What it's going to allow us to do is continue to add additional trains to these big LNG projects.

In fact, some of the folks that love numbers tell me there's enough natural gas behind this to power New York City for 100 years. So it's a pretty significant opportunity set. And the good news is that there are more prospects to come. So we continue to drill from an exploration sense; we have not slowed down the pace.

But I mentioned a success in 2010 that's a little different than we've typically had in my ten years tied to this whole exploration effort. This is probably one of the best capture years we've had in the sense of new leasehold -- 14 million acres net, in this particular case, added to the portfolio.

What's neat about it, when you take a look, you see the bar and the size and the scope to the right. But you see a map on the left. In your eyes, you see kind of a scattering of dots around the globe. And if you can see it in the back, one color of the blue is conventional plays and the orange, unconventional.

But when I look at the map, I look at a pretty balanced portfolio. I see deep water. I see shallow water. I see arctic setting. I see traditional settings. I see unconventional and conventional. I see high risk. I see low risk. I see carbonate plays. I see sandstone plays. The power behind this particular portfolio is just that -- balance. And that's one of the things we also try to bring to the table as opposed to all of our eggs in one particular basket. So let's zoom in on a couple of them.

Liberia was a new entry to us. You probably heard a good bit about it while you've been here this week, our colleagues at Anadarko have had success on the trend. To the east, it's bounded by the Jubilee discovery. To the west in Sierra Leone and Mercury and Venus and some of the other discoveries Anadarko's had.

We entered these blocks this past year. We have a new 3D. It's almost 2.5 million acres, and the first well will be later this year. Very fast move for a new exploration entry, and we have a high equity of some 70%. If you jump from Liberia to China, over 5 million new acres here. Different risk profile, different geologic play. It tends to be tied to amplitude, sort of this game we play here in the Gulf of Mexico. New 3D -- we've purchased a new 3D; acquired another one. First well later this year.

And you'll remember a few minutes ago I said test area -- our spend in what we call test areas has increased. It's because we're able to move so quickly on these new entries. Most of my career in exploration, it's many years before that first well.

But it's not all new entry and new countries to our Company. Sometimes it's just right in your own backyard. Jim Bob Moffett talked a good bit about this at his session earlier this week, and you've all been familiar with the ultra-deep gas play.

If you look at this map, the red blocks are held by production for Chevron on the shelf. Many of these deep structures that you've heard about, we have them under these deep -- deep under our existing acreage, and we're quite excited about it. No pressure to drill them yet, because we hold it by production.

The yellow blocks are blocks we picked up at last year's lease sale just before the moratorium, but then builds on that position. We're drilling a well up there in the upper left called Bear's Hump. I've heard it quite a few times by our partner's name -- what was it? Lighthouse Bayou, I guess it was. A lot of you even asked me, hey, how's the well going at Lighthouse Bayou? I said, what? It ends up everybody has the wrong prospect name.

The key about that well is we don't have to drill as deep to test this concept. So the Wilcox was an onshore play for 80 years. It's now a deep-water play with about 40 wells in it in the ultra-deep. And the game in-between here is playing that lower tertiary or playing that Wilcox on the shelf.

We only have to drill that Bear's Hump well to about 25,000 feet. So we can test the play, test the concepts of structurally a shallower position, and we're pretty excited about it. And we may be able to drill another well on the play this year.

That takes me to the shale gas side. You saw some new positions in that and we had an existing position in the Haynesville. It's fee acreage. We're not forced to drill it to hold the leases, so we've only drilled a few wells on it. And what we've done is shot a 3D, and we're now essentially building our drilling portfolio to when we want to get back to drilling on that particular play in East Texas.

The Marcellus came to us through the acquisition of Atlas. It closed in February, and we're quite excited about that. It's 486,000 acres. Currently, nine rigs are running and we also have some 70 wells planned for this year. The thing about Atlas that's interesting about it, it's got a very small production profile. What I like about it as an explorationist is a lot of this Marcellus is yet to be drilled in prime acreage in Pennsylvania.

And that takes us down to another North American position in Canada, where we've captured some 200,000 acres in the Duvernay Shale. That's not as mature in the sense of our knowledge as an industry like Haynesville or even Marcellus, but we've got a well planned for later in the year with that.

And then if you hop outside of the country to where we've been very aggressive looking at shale settings around the world, our first two entry points are in Poland and Romania. 100% positions there. You can see 1.1 million acres. This time last year I was in Poland driving that acreage. Do you know what it's like to drive 1 million acres? It took about three days just to cover key parts of it.

But we had drillings teams there to look and understand the logistics. We had seismic teams there to look and understand all of the logistics around the setting. Us management guys even showed up, but we're quite excited about it. And the picture on the right is the seismic effort that's been underway this past winter with a regional 2D program, and we'll have our first well later in the year. Romania is a little more distant. We probably won't start our activity until 2012. But just as excited and on a similar play.

So, I've touched on most of these points for 2011 around the globe here. Two key ones I have not. You see up there on the dot where it says United Kingdom? We're currently drilling a well called Lagavulin, all typically named after nice scotches up in the area. I like it in particular because the promise is if it's a discovery I get some of that nice scotch, so keep your fingers crossed.

But the challenge here, this is a brand new play, North Atlantic margin. We were an early entrant on it. We've got positions in the UK as well as Norwegian waters. We've got a lot of our competitors have got nice lease positions that have been coming in the past couple of years as well. This is one of the first wells.

And I mentioned salt quite a few times earlier today related to the Gulf of Mexico. The challenge here is basalt, the volcanic rock. So we have the same imaging challenges to be able to see the geology below the basalt. Right now as we speak, the well is in the basalt drilling through it, so we're still not at our objective section.

And then the dot on there for Brazil. I didn't zoom in on that, but you've all heard about the pre-salt play there. We've got a well we're excited about, actually, in our Frade Field that's going to drill deep into pre-salt opportunity also later this year.

So, why is all of this important? And I hope you get a sense in these few minutes that we've spent together that Chevron's got activity underway not just in trying to find new frontiers, but also tied to what you might call frontiers in our own backyard.

And let's take an example. We're sitting here, right, on literally on one of the biggest hydrocarbon provinces in the world. Every time we thought this province was gone, every time we were just about ready to write it off --. When I started here in New Orleans almost 32 years ago, we were basically told you could not drill a well in greater than 600 feet of water. It'll never be economic. There's no reservoir. Deep water is not going to happen. Now look at it. So this is one example in just a few years, and I'm going to walk you through. Just pay attention to some of the plays and pay attention to some of the dates. It just continues. And if you take another stab at it, here we are.

I guess my message behind all of this is something I know all of you know, but we have to remind ourselves as explorationists. Yes, the new frontiers, that unexplored basin, it's exciting. It makes the headlines. But we can't let go of the fact that the existing basins, the basins where mother nature has already put the oil and gas, we continuously have to re-explore these.

How many times has the Gulf of Mexico been written off? I don't know. You could probably do a Google search and figure it out. How many times will it reinvent itself? Can this same story be retold in West Africa and Brazil and Australia and all the other places we're playing? Some say it's already being told. The pre-salt play in Brazil didn't exist just hands-full of years ago. We were almost to the conclusion that Brazil was played out.

So I guess my message to all of us here is new technology, creativity, when the geologists that can come up with the concepts, the engineers -- the geophysicists can help us with the seismic image, the engineers that can make it happen through the drilling and eventually production, this new frontier in the sense of exploring right in your own backyard is a key part of our portfolio. And I just wanted to make sure that we leave the room realizing that it's two efforts -- it's new basis, but it's the old basis. So with that, I'll open the floor to questions. I appreciate the time and attention in listening to our activity in the exploration center. Thank you.

QUESTIONS AND ANSWERS

Blake Fernandez - *Howard Weil - Analyst*

Okay. We're going to have a couple of roaming mics, so if you have a question just raise your hand. Bobby, I'll go ahead and kick it off. When you look at the majors -- and Chevron included -- you're seeing an increasing movement towards shale gas, which presumably could be diluted to returns metrics. And I'm just curious if you could talk about the opportunities you see from an exploration standpoint.

Do you feel that you're being squeezed a bit with opportunities abroad and be forced into lower returns markets? Or any other opportunities compared to the existing margins on the barrels that you're producing? How does that compare to the exploration opportunities that you have in your portfolio?

Bobby Ryan - *Chevron - VP - Global Exploration*

In tied to the shale gas piece of it?

Unidentified Participant

Yes.

Bobby Ryan - *Chevron - VP - Global Exploration*

It all ties back to the comment I had earlier about the technical merit of the opportunity. So not only have we gone back and we've prioritized all the shales in North America, because you'd take a North America perspective, of course, as opposed to the United States. We then did that for the entire world -- the brittleness of the shale, the total organic content, its depth, the hydrocarbon generation capabilities, the whole bit; it was purely technical.

And then what we typically do is stack on top of that, of course, the economic component, the value proposition. In the United States, you could argue that some of the value proposition is tarnished by the high cost of entry into a lot of these pieces. So what we try to do is find a place to where that entry cost is also balanced with the total value proposition would be.

Look at Atlas. Atlas has not only brought to the table, that I mentioned, 486,000 acres with a very small production profile -- the rest is this way, the exploration -- they also bring a great skill set. So we have a great new group of employees from the operational side as well as the earth science side that pull into the table to help, in a sense, not only build the Marcellus, but then build our position around the world with shale gas.

So it has to fit into our portfolio. We're not sitting in conference rooms saying, wow, the headlines are big and bold and our bosses are calling, so we have to be in shale gas. It competes with our conventional plays and it competes against itself with other shale gas plays, and then with that then we'll make an entry to it.

Unidentified Audience Member

You're heavily involved in Australia right now in the LNG projects. What are your thoughts on --?

Bobby Ryan - *Chevron - VP - Global Exploration*

Could you raise your hand? I don't see where you are -- oh, there you are.

Unidentified Audience Member

So you're heavily involved in Australia right now in your LNG projects. What are your thoughts on North America ever becoming an export market on the LNG side?

Bobby Ryan - *Chevron - VP - Global Exploration*

You might say I don't have any thoughts on it. As the exploration guy, my job is to find more resource, and I'll leave it to the marketers on how to do it. Is it an interesting point that's been developed a lot lately? You bet, and I've heard it a lot since we've been here. And I look at it as a bit ironic as just -- you remember how many years ago, how many companies, included our own, we're announcing regas terminals all over the United States? And now, questions like yours are in the exact opposite.

So where will the shale gas plays in the US end up to where it can provide enough to export? I don't know. Experts better than me will do that. But our key is to keep bringing those molecules to the table, and I guess let the decision of markets move it from there. Yes, sir?

Unidentified Audience Member

Can you talk about how much more exploration Chevron might have available to do in California, particularly with Occidental talking a lot about their unconventional and their conventional discoveries?

Bobby Ryan - *Chevron - VP - Global Exploration*

Yes, that's a good question. We see the same headlines, and we're linked to some it through the Elk Hills and things like that. But for the most part, we've gone in and done the evaluations, and in the end we just don't have an effort behind it because we just don't have it competing with our other opportunities. So, is there opportunity there and has it been a success? Yes, but it's not something that we're acting on. Yes, there's one over here.

Unidentified Audience Member

Could you talk a little bit about how the economic prospects for your deep shelf gas allows you to drill that well at this point in time given the outlook for gas prices in the US?

Bobby Ryan - *Chevron - VP - Global Exploration*

Yes. The Bear's Hump well and the ultra-deep gas? Yes. First of all, any prospect we bid on -- and you saw a lot of yellow blocks there -- we don't bid on it if we can't see an economic setting. So by definition, when we bid on those in just the spring of 2010, we had an economic setting; we thought that those prospects, assuming they matured to a drillable, technical opportunity, would make it.

Bear's Hump is not near as deep or not near as complicated -- don't let me drill engineers tell -- don't tell them I said that -- but it's not near as an expense or a challenge in the sense of the deep settings like Davy Jones and others have been. We purposely selected a well that's higher up-section -- or up-structure. So as you notice the total depth is 25,000 feet, and we'll see section well above that.

But in the end, all of these leases we picked up, we view them as economically viable. We would have the pace that we'd need to drill the ones that were yellow, that are exploratory leases because we have that five-year clock, as you know. The red blocks that are held by production, we don't have to drill those deeper structures; not forced to an artificial timeline. Here's one up here.

Unidentified Audience Member

(inaudible - microphone inaccessible).

Bobby Ryan - *Chevron - VP - Global Exploration*

We have mics right there -- for the rest of the group. I can hear you.

Unidentified Audience Member

Yes. Could you just comment on how much you think that the seismic has improved over the last ten or 15 years? Is it sort of ten times better or just a little bit better?

Bobby Ryan - *Chevron - VP - Global Exploration*

Oh, it's a fundamental shift. I would have to probably pick that ten time number. I had a few other slides I didn't show you for the sake of time, but you could actually see the progression of just Buckskin in itself, just through different processes from that one you saw. It's quite significant.

Early in my career, top of salt was the end of the section because there was no hint of anything below that salt. In fact, we put a paleontologist on the rig as well as a mudlogger to not only look at the paleo for deep depositional settings but also to peg that salt with the mudlogger because we'd shut it down. Seismic didn't allow us to see it. Our geologic thinking didn't allow us to see it.

So you've seen those images there. In the span of one person's career, as I mentioned earlier, it's a fundamental shift. It's not perfect yet. We still drill dry holes that had we had a better image in the Gulf of Mexico -- we had a few a couple of years ago -- that, to give you an example, free drill, it was 20 degree dip and it looked reasonable. Post-drill, it was 70 degrees, yet the image looked perfect. So that told you you had a problem with the image, so we're not there yet. And I mentioned that the salt in the North Atlantic margin, still a big issue seeing below that, and that's a massive area yet to be explored. So we need another ten time movement. Yes?

Unidentified Audience Member

When you talk with your development guys, what kind of price deck do they tend to use when it comes to evaluating opportunities -- development opportunities in the North American context -- on the gas side especially?

Bobby Ryan - *Chevron - VP - Global Exploration*

Yes. You know -- you know my answer. I'm never going to share what kind of price deck it could be. And you can try different ways, too, to ask it, but you'll never -- from an exploration point, we test it at a low price. We test to see if it's viable. If the business is so --

Now, North America is a little different. Onshore, you can get things on quickly, so you've got a much closer short-term view of it. The rest of the stuff you saw on that chart, it's so long-term that a price doing like this, what do you pick? So where is a level that is viable, and that's where we make the decisions going forward.

But the short-term projects, each one's an individual event and decision. And if it's not viable at a current price and we don't have to drill it -- well, you saw my example at Haynesville. We only drilled a couple of wells. We're not in jeopardy of losing the leases, we're holding back. Where you would have a lease jeopardy problem, which is what you see a lot of the market having to do, you've got to drill.

All right. Well -- Thank you very much. I appreciate your time. And also, for those of you that I visited with and one-on-ones and things at the conference this week, it's been great. I really appreciate your interest in Chevron, and thanks for the invitation to speak at lunch.
