UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

AMENDMENT NO. 1 TO QUARTERLY REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998   Commission file number 1-27

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

Delaware	74-1383447
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2000 Westchester Avenue White Plains, New York	10650
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (914) 253-4000

Texaco Inc. (1) HAS FILED all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) HAS BEEN subject to such filing requirements for the past 90 days.

As of October 30, 1998, there were outstanding 534,530,334 shares of Texaco Inc. Common Stock - par value $3.125.

The Registrant is filing this Amendment No. 1 to Quarterly Report on Form 10-Q for the period ended September 30, 1998, in order to revise the discussion of its Year 2000 Readiness that is contained in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of said Report. Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, the Registrant is including the complete text of the Management's Discussion and Analysis of Financial Condition and Results of Operations section, as so revised.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Our net income for the third quarter of 1998 was $215 million, or $0.38 per share, as compared with $490 million, or $0.90 per share, for the third quarter of 1997. Net income for the first nine months of 1998 was $816 million, or $1.46 per share, as compared with $2,041 million, or $3.75 per share, for the first nine months of 1997.

Net income before special items for the third quarter of 1998 was $208 million, or $0.37 per share. There were no special items in the third quarter of 1997. For the first nine months of 1998, net income before special items was $802 million, or $1.43 per share, as compared with $1,422 million, or $2.60 per share, for the first nine months of 1997.

Weak worldwide crude oil and natural gas prices and depressed downstream margins in the Far East eroded third quarter earnings. Worldwide production growth of nine percent and tight control over cash expenses helped to lessen these negative impacts.

During the third quarter of 1998:

- Average quarterly crude oil prices slumped to their lowest levels since 1986;
- Continued economic instability in the Far East depressed downstream margins;
- Worldwide daily production rose nine percent for the quarter and 12 percent for nine months; and
- Year-to-date cash operating expenses per barrel decreased six percent.

Average crude oil prices for the quarter reached a low point not seen since mid-1986. OPEC efforts to reduce production and lower inventory levels caused crude prices to rebound somewhat from their summer lows; however, prices have recently retreated and remain significantly below last year's levels. Storms in the Gulf of Mexico caused temporary production shut-ins which further dampened earnings.

Our worldwide downstream results decreased from sluggish margins, especially in the Far East, due to the impact of the Asian financial and economic crisis. As a result, Singapore refinery margins were negative in the third quarter from extremely weak demand. In the U.S., results were down from an extremely strong quarter last year; however, in Latin America and Europe, margins and sales volumes remained strong.

To remain competitive in this environment, our affiliate, Caltex, announced a reorganization program. This program will focus the organization functionally and better position Caltex to identify growth opportunities. When fully implemented, it is expected to yield expense savings in excess of $50 million annually. Also, our U.S. alliances with Shell Oil Company and Saudi Refining, Inc. continue to implement programs that will take advantage of existing synergies.

Results for 1998 and 1997 are summarized in the following table. Details on special items are included in the functional analysis which follows this table.

	(Unaudited)			
	For the nine months ended September 30,		For the three months ended September 30,	
	1998	1997	1998	1997
	(Millions of Dollars)			
Net income before special items	$ 802	$1,422	$ 208	$ 490
Caltex reorganization	(43)	-	(43)	-
U.S. alliance formation issues	(7)	-	25	-
U.S. tax issues	25	488	25	-
Gains on major asset sales	20	174	-	-
Tax benefits on asset sales	19	-	-	-
Financial reserves for various issues	-	(43)	-	-
	14	619	7	-
Total net income	$ 816	$2,041	$ 215	$ 490

OPERATING EARNINGS

PETROLEUM AND NATURAL GAS

EXPLORATION AND PRODUCTION

United States

Exploration and production earnings in the U.S. for the third quarter of 1998 were $92 million, as compared with $232 million for the third quarter of 1997. For the first nine months of 1998 and 1997, earnings were $319 million and $732 million, respectively. Results for 1998 included a second quarter special gain of $20 million from the sale of an interest in a natural gas pipeline. Excluding the special gain, results for the first nine months of 1998 totaled $299 million. Results for 1997 included a second quarter special charge of $43 million to establish financial reserves for royalty and severance tax issues. Excluding the special charge, results for the first nine months of 1997 totaled $775 million.

U.S. exploration and production earnings for the third quarter and nine months of 1998 were below last year's levels due to lower crude oil and natural gas prices. Average realized crude oil prices for the third quarter and nine months of 1998 were $10.06 and $10.87 per barrel; 39 percent lower than the 1997 periods. The dramatic price declines reflect a slowing in worldwide demand growth and continued high inventory levels. Crude oil prices recovered somewhat in late September as a result of the OPEC nations' efforts to cut production. For the third quarter and nine months of 1998, average natural gas prices were $1.89 and $2.03 per MCF; 11 percent lower than the 1997 periods. Lower natural gas prices were the result of excess supply in the marketplace.

Production increased four percent for this year's third quarter and nine percent for the year. The increased production in the quarter included new production from the Arnold, Oyster and Barite South fields located in the Gulf of Mexico. Both production and earnings were negatively impacted by the recent storms in the Gulf of Mexico. This year included production from the Monterey properties acquired in November 1997.

We continued to pursue new reserve opportunities in the Gulf of Mexico, leading to higher exploration expenses this year. Exploration expenses for the nine months of 1998 were $195 million before tax, $73 million higher than the same period of 1997. For the third quarter of 1998, exploration expenses were $48 million, $2 million higher than the third quarter of 1997.

International

Exploration and production earnings outside the U.S. for the third quarter of 1998 were $40 million, as compared with $103 million for the third quarter of 1997. For the first nine months of 1998 and 1997, earnings were $131 million and $499 million, respectively. Results for 1997 included second quarter special gains of $161 million from the sales of a 15 percent interest in the Captain Field in the U.K. North Sea, an interest in Canadian gas properties and an interest in an Australian pipeline system. Excluding the special gains, results for the first nine months of 1997 totaled $338 million.

International exploration and production earnings for the third quarter and nine months of 1998 declined significantly from the same periods of 1997 due to lower crude oil prices. Average realized crude oil prices in 1998 were $11.05 per barrel for the quarter and $11.55 for nine months. These average prices were 35 percent below 1997 levels. OPEC's efforts to reduce production and lower inventory levels caused prices to recover slightly from their summer lows; however, prices have recently retreated and remain substantially below last year's levels.

Daily production growth of 15 percent for this year's third quarter and 16 percent for the year benefited earnings. The combined production from the Captain, Erskine and Galley fields in the U.K. North Sea grew to 95 thousand barrels of oil equivalent per day in the third quarter. Production also grew in the Partitioned Neutral Zone, Indonesia and Colombia.

Exploration and production operating results outside the U.S. for the third quarter and nine months of 1998 included non-cash currency charges of $3 million and $6 million, respectively, related to deferred income taxes denominated in British Pound Sterling. This compares to benefits of $13 million for the third quarter and $26 million for nine months of 1997.

MANUFACTURING, MARKETING AND DISTRIBUTION

United States

Manufacturing, marketing and distribution earnings in the U.S. for the third quarter of 1998 were $124 million, as compared with $132 million for the third quarter of 1997. For the first nine months of 1998 and 1997, earnings were $235 million and $238 million, respectively. Results for 1998 included a third quarter net special gain of $25 million associated with the formation of the U.S. alliances. This net gain included gains on asset sales, asset writedowns and other formation charges. The second quarter of 1998 included a special charge of $32 million for alliance formation expenses, primarily employee severance programs. Excluding these special items, results for the third quarter and first nine months of 1998 totaled $99 million and $242 million, respectively. Results for 1997 included a second quarter special gain of $13 million from the sale of credit card operations. Excluding the special gain, results for the first nine months of 1997 totaled $225 million.

U.S. manufacturing, marketing and distribution earnings for the third quarter of 1998 included results from Motiva Enterprises LLC, our Eastern alliance with Shell Oil Company and Saudi Refining, Inc., that began operations in July. In addition, the quarter and year included operating results from Equilon Enterprises LLC, our Western alliance with Shell Oil Company, that began operations in the first quarter.

Results for the third quarter of 1998 reflected the industry trend of shrinking refining margins. Operating difficulties at certain refineries and the temporary shutdown of Gulf Coast refineries in September due to hurricane Georges negatively impacted earnings. Lower crude costs as well as strong transportation and lubricants earnings benefited the quarter and year.

Results for the third quarter of 1997 included minimum refinery downtime and solid West Coast margins. Both the quarter and year included strong Gulf Coast refining margins. However, refinery fires in late 1996 and early 1997 negatively affected product yields and caused casualty loss expense in the first quarter. Additionally, West Coast margins were weak during the first half of the year due to intense competitive pressures.

International

Manufacturing, marketing and distribution earnings outside the U.S. for the third quarter of 1998 were $38 million, as compared with $134 million for the third quarter of 1997. For the first nine months of 1998 and 1997, earnings were $414 million and $370 million, respectively. Results for 1998 included a third quarter net special charge of $43 million for a reorganization program in our affiliate, Caltex. Excluding the special charge, results for the third quarter and first nine months of 1998 totaled $81 million and $457 million, respectively.

International manufacturing and marketing earnings for the third quarter of 1998 declined significantly from 1997. The sharp decline was due to the Asian financial and economic crisis which weakened demand and created currency volatility. Caltex experienced a loss as a result of declining margins throughout the region from weak inland demand that caused higher volumes to be sold into the lower margin export markets. Singapore refinery margins were negative from extremely weak demand. However, in Latin America and Europe, third quarter earnings were up slightly.

Nine months 1998 results increased due to improved manufacturing and marketing results from higher margins and volumes, mainly in the U.K., Caribbean and Central America.

Manufacturing, marketing and distribution operating results outside the U.S. for the third quarter and nine months of 1998 included non-cash currency charges of $3 million and $5 million, respectively, related to deferred income taxes denominated in British Pound Sterling. This compares to benefits of $4 million for the third quarter and $8 million for nine months of 1997.

NONPETROLEUM

Nonpetroleum earnings for the third quarter of 1998 were $4 million, as compared with $3 million for the third quarter of 1997. For the first nine months of 1998 and 1997, earnings were $4 million and $16 million, respectively.

CORPORATE/NONOPERATING RESULTS

Corporate and nonoperating charges for the third quarter of 1998 were $83 million, as compared with charges of $114 million for the third quarter of 1997. Corporate and nonoperating charges for the first nine months of 1998 were $287 million, as compared with earnings of $186 million for the first nine months of 1997. Results for 1998 included a third quarter special benefit of $25 million to adjust prior year's tax liability and a second quarter special tax benefit of $19 million attributable to the sale of an interest in a subsidiary. Excluding the special benefits, charges for the third quarter and first nine months of 1998 totaled $108 million and $331 million, respectively. Results for the first nine months of 1997 included a first quarter special benefit of $488 million associated with an IRS settlement. Excluding this benefit, corporate and nonoperating charges totaled $302 million for the first nine months of 1997.

Corporate and nonoperating results for the third quarter and nine months of 1998 included increased net interest expense from higher debt levels; however, successful efforts to control expenses in overhead departments more than mitigated this impact. Results for nine months of 1998 included higher expenses for Texaco's corporate advertising campaign introduced in the second half of 1997.

LIQUIDITY AND CAPITAL RESOURCES

Our cash, cash equivalents and short-term investments were $285 million at September 30, 1998, as compared with $395 million at year-end 1997.

During 1998, our operations provided cash of $2,078 million. We raised an additional $701 million from net borrowings and $130 million from asset sales. We spent $2,226 million on our capital and exploratory program and paid $792 million in dividends to common, preferred and minority shareholders.

At September 30, 1998, our ratio of debt to total borrowed and invested capital was 34.9%, as compared with 32.3% at year-end 1997. At September 30, 1998, our long-term debt included $1.7 billion of debt scheduled to mature within one year, which we have both the intent and ability to refinance on a long-term basis. At September 30, 1998, we maintained $1.7 billion in revolving credit facilities, which were unused at quarter end. On November 9, 1998, we increased the amount of the commitments to $2.05 billion, which also remained unused.

Our major debt activity during the first nine months of 1998 was as follows. We:

- borrowed $300 million at 6% for seven years and issued $153 million of Medium-Term Notes.
- borrowed $150 million at 5.92% for seven years to cover expenditures at our Erskine field in the U.K. North Sea.
- borrowed $131 million for four years and entered into an associated LIBOR-based floating rate swap associated with existing assets of our Tartan Field in the U.K. North Sea.
- borrowed $94 million from the issuance of Zero Coupon Notes due 2005.
- increased the amount of our commercial paper by $300 million, to a total of $1.2 billion at September 30, 1998.
- repurchased approximately $200 million of 10.61% Notes that we assumed in last year's acquisition of Monterey Resources.

During the first quarter of 1998, we purchased about $125 million of common stock in the open market. This completed a two-year program under which we purchased $650 million of our common stock. On March 30, 1998, we announced that we will purchase up to an additional $1 billion of our common stock, subject to market conditions, through open market purchases or privately negotiated transactions. Under the current program, we purchased about $450 million during the first nine months of 1998.

In April 1998, we received $463 million from Equilon, representing reimbursement of certain capital expenditures incurred prior to the formation of Equilon. In addition, we received $149 million from Equilon in July 1998 for certain specifically identified assets transferred for value to Equilon.

We consider our financial position to be sufficiently strong to meet our anticipated future financial requirements.

NEW ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS 131 requires that we report information about our business segments on the same basis used internally when assessing performance and allocating resources. We will adopt SFAS 131 for our 1998 audited financial statements. Presently, we disclose in our audited financial statements information about geographic segments only. We expect that our business segments will be substantially similar to those we presently identify in the Management's Discussion and Analysis section of our Forms 10-K and 10-Q.

In February 1998, the FASB issued SFAS 132, "Employers' Disclosure about Pension and Other Postretirement Benefits." We are required to adopt SFAS 132 for our 1998 audited financial statements and will modify our disclosures accordingly. SFAS 132 does not affect how we measure expense for pension or other postretirement benefits.

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," effective in the first quarter 2000. SFAS 133 establishes new accounting rules and disclosure requirements for derivative instruments. We are assessing the impacts of SFAS 133 on the balance sheet and on net income.

CAPITAL AND EXPLORATORY EXPENDITURES

Our capital and exploratory expenditures for the first nine months of 1998 and 1997 were $2,769 million and $3,023 million, respectively.

In the U.S., our exploration and development expenditures slowed during the third quarter, but were flat for the year. Activities continued to reflect our focus in both the traditional shelf and deepwater areas of the Gulf of Mexico. Using advanced technologies, we continue to grow oil and gas production and reserves.

Internationally, our expenditures decreased following the completion of several large projects in both the U.K. and Danish sectors of the North Sea. Development activity in Indonesia, the North Sea and other promising areas continued while exploratory spending decreased in China and other Far Eastern areas. Upstream expenditures in discovered reserve opportunities also continued in promising areas, including the Karachaganak venture in Kazakhstan.

Lower international downstream expenditures reflected a decrease in the Caltex marketing areas from higher 1997 service station investments in Hong Kong and slower re-imaging spending in Caltex areas and Europe. These decreases were partly offset by higher marketing and manufacturing expenditures in our newly formed U.S. alliances.

We continue to carefully assess investment projects given the current and projected industry environment. Adjustments in spending have been made by deferring non-critical projects into future periods. It is expected that our capital and exploratory expenditures for the year 1998 will be about 20 percent less than the $4.6 billion that we had budgeted for the year.

YEAR 2000 READINESS

The Year 2000 ("Y2K") problem concerns the inability of information and technology-based operating systems to properly recognize and process date-sensitive information beyond December 31, 1999. This could result in systems failures and miscalculations, which could cause business disruptions. Equipment that uses a date, such as computers and operating control systems, may be affected. This includes equipment used by our customers and suppliers, as well as by utilities and governmental entities that provide critical services to us.

State of Readiness

We started working on the Y2K problem in early 1995. By early 1996, we formed a Business Unit Steering Team and a Corporate Year 2000 Office. Our progress is reported monthly to our Chief Executive Officer, and quarterly to our Board of Directors. Additionally, we are actively performing both internal audits and external reviews to ensure that we reach our objectives.

We recognize that the Y2K issue affects every aspect of our business, including computer software, computer hardware, telecommunications, industrial automation and relationships with our suppliers and customers. Our Y2K effort has included an extensive program to educate our employees, and development of detailed guidelines for project management, testing, and remediation. Each business unit is periodically graded on their progress toward reaching their project milestones. Our major affiliates are undertaking similar programs.

In our computers and computer software, most of the problems we have found involve our corporate financial software applications. Approximately 95% of these need some type of modification or upgrade. In our industrial automation systems, which we use in our refinery, lubricant plant, gas plant and oil well operations to monitor, control and log data about the processes, approximately 5% need modification or upgrade. The majority of these are auxiliary systems, such as laboratory analyzers and alarm logging functions, but several of the higher level supervisory data acquisition systems and flow metering systems also require upgrades. We project that we will be approximately 80% through the effort of inventorying, assessing and fixing our systems by the end of 1998. Almost all systems should be ready by the end of the first quarter of 1999, but a few will be delayed until later in 1999 as we wait for vendor upgrades. We are also progressing in our reviews with critical suppliers and customers as to their Y2K state of readiness.

Costs

Because we began early, we have been able to do most of the work ourselves. This has kept our costs low, and we project that we will spend no more than $75 million on making our systems Y2K ready. As of September 30, 1998, we have incurred costs of approximately $35 million.

Risks

Certain Y2K risk factors which could have a material adverse effect on our results of operations, liquidity, and financial condition include, but are not limited to: failure to identify critical systems which will experience failures, errors in efforts to correct problems, unexpected failures by key business suppliers and customers, extended failures by public and private utility companies or common carriers supplying services to us, and failures in global banking systems and capital markets.

We routinely analyze all of our production and automation systems for potential failures and appropriate responses are identified and documented. If we have missed a potential Y2K problem, it will most likely be in our financial software, or in auxiliary systems in our operations, such as laboratory analyzers and alarm logging functions, where we have found the majority of the problems. We do not anticipate that a problem in these areas will have a significant impact on our ability to pursue our primary business objectives. Any problems in our primary industrial automation systems can be dealt with using our existing engineering procedures.

The worst case scenario would be that our failure or failures by our important suppliers and customers to correct material Y2K problems could result in serious disruptions in normal business activities and operations. Such disruptions could prevent us from producing crude oil and natural gas, and manufacturing and delivering refined products to customers. For example, failure by a utility company to deliver electricity to our producing operations could cause us to shut-in production leading to lost sales and income. While we do not expect a worst case scenario, if it occurs, Y2K failures, if not corrected on a timely basis or otherwise mitigated by our contingency plans, could have a material adverse effect on our results of operations, liquidity and overall financial condition.

Contingency Plans

We are well into our program to identify and assess our Y2K readiness and the Y2K readiness of our critical and important suppliers and customers. We will either seek alternative suppliers and customers for those we assess as risky, or we will develop and test contingency plans. We have begun to develop these contingency plans. In addition, we are reviewing our existing business resumption plans. We expect to arrange alternative suppliers or develop and complete the testing of contingency plans no later than July 1, 1999.

EURO

On January 1, 1999, eleven of the fifteen member countries of the European Union are scheduled to establish fixed conversion rates between their existing currencies ("legacy currencies") and one common currency - the euro. The euro will begin to be traded on world currency exchanges and may be used in business transactions. On January 1, 2002, new euro-denominated bills and coins will be issued, and legacy currencies will be completely withdrawn from circulation by June 30 of that year.

Our operating subsidiaries affected by the euro conversion have been actively addressing our IT systems and overall fiscal and operational activities to ensure our euro readiness. We are adapting our computer, financial and operating systems and equipment to accommodate euro-denominated transactions. We are also reviewing our marketing and operational policies and procedures to ensure our ability to continue to successfully conduct all aspects of our business in this new, price transparent market. We believe that the euro conversion will not have a material adverse impact on our financial condition or results of operations.

WORLDWIDE UPSTREAM REORGANIZATION

On November 12, 1998, we announced a worldwide upstream reorganization designed to place greater emphasis on our long-term production and reserve growth, and to address the need for streamlining costs and improving competitiveness in the current low oil price environment. The reorganization is expected to result in the reduction of approximately 1,000 employees and contractors worldwide and to be completed by the end of the first quarter of next year.

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FORWARD-LOOKING STATEMENTS

Portions of the foregoing discussion of YEAR 2000 READINESS, the EURO and WORLDWIDE UPSTREAM REORGANIZATION contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on our current expectations, estimates and projections. Therefore, they could ultimately prove to be inaccurate. Factors which could affect our ability to be Y2K compliant by the end of 1999 include: the failure of customers, suppliers, governmental entities and others to achieve compliance and the inaccuracy of certifications received from them; our inability to identify and remediate every possible problem; a shortage of necessary programmers, hardware and software; and, similar circumstances. Factors which could alter the financial impact of our euro conversion include changes in current governmental regulations (and interpretations of such regulations), unanticipated implementation costs, and the effect of the euro conversion on product prices and margins. The extent and timing of the upstream reorganization will depend upon worldwide and industry economic conditions.

SIGNATURES

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

Texaco Inc.
(Registrant)

By: R.C. Oelkers
(Vice President and Comptroller)

By: R.E. Koch
(Assistant Secretary)

Date: February 25, 1999