2023 4Q Earnings Conference Call Edited Transcript

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Chevron

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This transcript has been edited by Chevron Corporation. It is generally consistent with the original conference call transcript. For a replay of the Investor Conference Call, please listen to the webcast presentation posted on chevron.com under the headings "Investors," "Events & Presentations."

Operator: Good morning. My name is Katie, and I will be your conference facilitator today.

Welcome to Chevron's Fourth Quarter 2023 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speaker's remarks, there will be a question and answer session and instructions will be given at that time. If anyone should require assistance during the conference call, please press star and then zero on your touchtone telephone. As a reminder, this conference call is being recorded. I will now turn the conference call over to General Manager of Investor Relations of Chevron Corporation, Mr. Jake Spiering. Please go ahead.

Jake Spiering: Thank you, Katie.

Welcome to Chevron's fourth quarter 2023 earnings conference call and webcast. I'm Jake Spiering, General Manager of Investor Relations. Our Chairman and CEO, Mike Wirth, and CFO, Pierre Breber, are on the call with me today.

We will refer to the slides and prepared remarks that are available on Chevron's website.

Before we begin, please be reminded that this presentation contains estimates, projections, and other forward-looking statements. A reconciliation of non-GAAP measures can be found in the appendix to this presentation. Please review the cautionary statement on Slide 2 [that can be found with today's presentation materials on Chevron's website].

Now, I will turn it over to Mike.

Mike Wirth: Thanks, Jake, and thank you everyone for joining us today.

Chevron delivered another year of solid results in 2023. During a time of geopolitical turmoil and economic uncertainty, our objective remained unchanged: safely deliver higher returns and lower carbon.

Our clear and consistent approach resulted in an adjusted ROCE of 14% and enabled a record $26 billion in cash returned to shareholders while growing production to a company record.

We also successfully integrated PDC Energy and announced the Hess acquisition. We're now focused on the FTC second request and expect to file the draft S-4 later this quarter with closing anticipated around the middle of the year.

And we continued to take action in lowering the carbon intensity of our operations and growing lower carbon businesses, advancing foundational projects in hydrogen and carbon capture.

Over the past five-year commodity cycle – with prices high, low and everywhere in between – Chevron led the peer group in what we believe are the most important measures that create value.

We were the most capital efficient while managing unit costs well below inflation and many peers. Capital and cost discipline always matter in a commodity business.

Combining this discipline with our focused portfolio of advantaged assets, Chevron was able to lead the peer group in returning cash to shareholders. Our five-year dividend growth rate was greater than the S&P 500 and more than double our nearest peer. Surplus cash was returned to our shareholders in each of the past five years through share buybacks.

Our track record is proven and we intend to continue growing value for our shareholders in any environment.

In the Permian, we delivered our full-year production guidance and set a quarterly record of 867 thousand barrels of oil equivalent per day while building our DUC inventory in the fourth quarter.

Looking to the year ahead, our program is back-end loaded as we plan to continue to build our DUC inventory before adding an additional completion crew in the second half of the year. As a result, we expect production in the first half of the year to be down from the fourth quarter by about 2% to 4% before climbing toward a 2024 exit rate around 900 thousand barrels per day.

Chevron is a clear leader in Permian financial returns with our unique royalty advantage and strong execution across a diverse portfolio. We have strong momentum and expect to achieve one million barrels of oil equivalent per day in 2025.

At TCO, we're making progress towards the first phase of WPMP / FGP start-up. The slide shows how the project fits within the overall field and facilities.

The field, currently flowing at high pressure, continues to keep the existing plants full. In fact, 2023 net production was the highest since 2020.

We've completed a lot of project scope that is already operational. TCO is producing from the new wells. The upgraded and new utilities, gathering system, control center and power distribution system are all currently in operation.

For WPMP, we're focused on starting up major equipment, including gas turbine generators, pumps and compressors. We expect to hand over to operations the first pressure boost compressor in March for final dynamic commissioning. Once we have PBF compression online, WPMP start-up is expected to begin in the second quarter when the first metering station is converted to low pressure which will enable increased flow rates. Low pressure production streams going back to existing process units will be driven by the pressure boost compression. At the same time, production from metering stations not yet converted will continue to flow in the high-pressure system. We expect metering station conversions through the remainder of the year as additional pressure boost compressors start up, keeping the existing plants full around planned KTL and SGI turnarounds.

For FGP, we're focused on starting up additional gas turbine generators and compressors along with multiple processing units. The sour gas injection facilities have already been handed over to operations for final commissioning. FGP start-up is expected in the first half of next year when incremental production enabled by field conversion to low pressure will be processed in the new 3GP facility.
Since last quarter, two boilers came online and two gas turbine generators have delivered power. We've seen improvement in work scope delivery and have been working through additional discovery items. We'll continue to update you on progress and remain focused on key milestones to deliver a safe and reliable start-up.

With that, I'll turn it over to Pierre to discuss the financials.

Pierre Breber: Thanks, Mike.

We reported fourth quarter earnings of $2.3 billion, or $1.22 per share. Adjusted earnings were $6.5 billion, or $3.45 per share. Included in the quarter were $3.7 billion in charges pre-announced in January. Foreign currency charges were almost $480 million.

Our 2023 capex included $650 million of inorganic acquisitions and around $450 million invested in legacy PDC assets post-closing. Excluding these items, capex was about 5% above budget after three consecutive years below.

Share repurchases matched the third quarter. Our balance sheet remains strong, ending the year with a net debt ratio comfortably in the single digits.

Turning to the quarter, adjusted earnings were higher than last quarter by roughly $730 million. Adjusted Upstream earnings improved due to higher liftings, in line with record quarterly production, and favorable timing effects. Adjusted Downstream earnings decreased on lower refining margins, partially offset by a favorable swing in timing effects. All Other benefited from lower corporate taxes and employee costs.

For the full year, adjusted earnings decreased nearly $12 billion compared to the prior year. Adjusted Upstream earnings decreased primarily due to lower prices. Adjusted Downstream earnings were lower largely due to declining refining margins. Other segment earnings improved on lower employee costs and higher interest income.

Solid financial performance enabled Chevron to deliver – again – on all four of its financial priorities:

- We announced an 8% increase in our dividend – reflecting our confidence in expected future free cash flow growth;
- We maintained capital discipline in both traditional and new energies;
- We reduced debt by over $4 billion, including all debt assumed in the PDC acquisition; and
- We repurchased about 5% of our shares outstanding.

Last year, we produced more oil and gas than any other year in the company's history, including a record number of LNG cargoes out of Australia.

We expect 2024 production to be higher – again – by 4% to 7%. Our plans include production growth in the DJ Basin with a full year of legacy PDC operations and continued organic growth in the Permian. Our guidance this year includes an estimated impact from asset sales as we further high-grade our portfolio.

Looking ahead, our first quarter downtime estimate includes around 20 thousand barrels of oil equivalent per day associated with January's cold weather in North America. Earnings estimates from refinery turnarounds are mostly driven by Pascagoula.

Share repurchases in the first quarter will continue to be restricted under SEC regulations.

Depending on commodity prices and margins, affiliate dividends are estimated around $4 billion, roughly flat with last year. We do not expect significant affiliate dividends in the first quarter. The difference between affiliate earnings and dividends is expected to decrease in the second half of the year after TCO's start-up of WPMP.

Our capex guidance range is unchanged from the December budget announcement. In prior years, our capex rate in the first half of the year was about 20% lower than the second half.

Our price sensitivities have increased at higher production levels. About 20% of the Brent sensitivity relates to oil-linked LNG sales and less than 10% relates to North America natural gas liquids.

Back to you, Mike.

Mike Wirth: In closing, our priorities are clear:

- Safely execute with excellence;
- Maintain capital and cost discipline; and
- Return cash to shareholders.

We're excited about the pending Hess acquisition which will further strengthen Chevron.

I also want to personally thank Pierre for his invaluable contributions over his 35-year career with the company. He's been an exceptional strategic partner to me and an outstanding leader, helping guide Chevron to create significant value for shareholders. I wish him all the best in his retirement.

I'll now hand it off to Jake.

Jake Spiering: That concludes our prepared remarks. We are now ready to take your questions. We ask that you limit yourself to one question. We will do our best to get all your questions answered.

Katie, please open the lines.

Operator: Thank you. If you have a question at this time, please press star one on your touchtone telephone. To allow for questions from more participants, we ask that you limit yourself to one question. If your question has been answered or you wish to remove yourself from the queue, please press star two. If you are listening on a speakerphone, we ask that you please lift your handset before asking your question to provide optimum sound quality. Again, if you have a question, please press star one on your touchtone telephone.

Our first question comes from Biraj Borkhataria with RBC.

Biraj Borkhataria: (RBC Capital Markets) Firstly, Pierre, congrats on the great career and all the best for retirement. Thanks for all the help over recent years.

I feel compelled to ask you a question on buybacks because it's your last time, but I'll try and resist, so the question is on the Permian.

You had a very strong production number in Q4, quite an inflection from obviously the last few quarters. I was interested, in particular, the comment on that volume growth alongside building the DUC inventory. Presumably, the non-op side was a nice contribution in Q4. Could you just give some clarity on the bridge sort of 3Q to 4Q because the market has been concerned about you hitting the numbers, at least for this year, most recently.

Mike Wirth: In the third quarter, non-op was a little light, but in the fourth quarter it came back. Non-op and royalty are right where we guided to from the beginning of the year. Through a year, the quarterly ups and downs on some of these things can create some questions, but [non-op growth] came in right as we guided to it in the mid-teens.

The story in the fourth quarter was really strong execution. We had more POPs because we had faster drilling and faster cycle time on completions, we had a shorter cycle time from frac to POP. All of those increased. As you noted, we did continue to build our DUC inventory because drilling performance was so strong.

A couple of other things. POPs in the fourth quarter were weighted towards New Mexico. We had guided towards activity that would lead to more POPs in New Mexico in the second half of the year. Those wells are more productive, on average, than the rest of the portfolio, so that flows through.

The final thing that I would point to is we had higher reliability. You'll recall in the third quarter, we talked a little bit about some midstream constraints and other things that weren't related to completions or POPs or anything else, but there were constraints on flow. We had fewer frac hits. We had fewer schedule delays, weather downtime and midstream issues in the quarter. All of that contributed to the strong performance there in the fourth quarter and we ended the year right on our guidance.

Operator: We'll go next to Neil Mehta with Goldman Sachs.

Neil Mehta: (Goldman Sachs) Thank you so much, Pierre. You're going out in style. And thanks for all the great insights and wisdom over the years.

My question is on slide six, the TCO update. It sounds like the schedule and the cost guidance that was provided in [October] is still on track. For us non-engineers, Mike, can you kind of walk us through the schematic? And help us understand what these boxes are and what are the critical path issues that we should be focused on?

Mike Wirth: You're right, Neil, the schedule and cost guidance are unchanged. I apologize for a more complex slide than we usually put out in front of you, but we want to be as transparent as we can and help people understand what's going on there at the field.

Last quarter, we talked about our action plan and we're seeing improved productivity. We shifted scope amongst contractors, we've added more engineering support in the field, and as we move through this, we're encountering discovery work, as we expected. We found some around piping stress and alignment that we're working on right now.

The key thing to think about here is, first of all, there's a lot of stuff that's up and running. All the new wells are producing right now. All this infrastructure, in terms of utility and power distribution and control center, is up and running and that's keeping the plants full. We saw really strong performance last year. I mentioned the strongest in four years and the fourth strongest in the history of the field. We're seeing good deliverability out of the new wells, which is the key thing for production this year – keeping those plants full – while we begin to convert the field from pushing into a high-pressure plant to lower back pressure on the field, which improves deliverability from the wells and allows us to extend the life of the field and get up to one million barrels a day [in 2025].

When we begin converting these metering stations – there are 21 of them – we will then take production from a metering station now that is producing under low pressure and we'll boost that back up to get into the existing plant. As we get more and more of those converted, more of these pressure boost compressors online, we'll get the whole field now producing against the lower back pressure, which gives us a lot of excess well capacity and it ensures that we are going to keep the plant full.

As we then bring on the new process equipment, we start to route that low-pressure production into a plant that will run at lower pressure. That's really the kind of the high-level description of what we're trying to convey there. We've got a legend that shows you certain things are going to begin start-up in various quarters.

For FGP, we're focused on commissioning the major equipment there that will allow us to bring up the plant that will take us to one million barrels a day [in 2025]. We're transferring learnings from compressors, pumps and other things that we're working on now, walking down the critical sub-stations.

We'll continue to provide updates on the key milestones here. [For fourth quarter], we're talking about a couple of gas turbine generators online. First quarter is the inlet separator is ready for operation. We'll commission that on sweet fluids as we prepare for sour production. Then, as I said, in the second quarter, we begin the PBF start-up and metering station conversions.

It's all on track with our guidance, and we will continue to provide you detail as we move forward each quarter on specific milestones and progress.

Operator: We'll go next to Doug Leggate with Bank of America.

Doug Leggate: (Bank of America) Pierre, I have to offer my congrats as well. And with the quarter today, thanks for making us in the sell side look smart. A nice way to go out. Best wishes on retirement.

My question, Mike, is, it's got a part A and B, so apologies to Jake on that, but it's kind of around disposals. Our understanding from the Hess side is that, despite the fact that you haven't filed the S-4 yet, you haven't got the FTC yet, and I realize that those processes are ongoing, but the integration planning is still going ahead full steam. I'm just curious if you can offer any color on how that process has evolved as it relates specifically to portfolio high-grading? The absence of Malaysia in your go-forward plan, for example, it seems to me the $15 billion number might have a lot of upside. Any color you can offer on that topic, please?

Mike Wirth: Doug, it's really premature for us to comment on that until the transaction closes. Hess has a pretty tight portfolio of assets that are performing well. We really need to close the deal, have access to all the data and reoptimize all of our views of portfolio investments and update our new plan. I don't want to speculate on any assets.

We've got some of our own assets that we do have out in the public domain already – you may have seen reports on Kaybob Duvernay, on Congo – so there are some divestments that we have signaled out of the Chevron portfolio. As you see the divestments unfold over the next few years, because we will have more assets in the portfolio that come from legacy Chevron, that is likely to be a greater contributor to the overall $10 billion to $15 billion [before-tax proceeds through 2028 guidance] number than things that come in through this transaction. I can't comment on Malaysia or any other particular asset until we get past the close.

Operator: We'll go next to Josh Silverstein with UBS.

Josh Silverstein: (UBS) Good morning, guys.

Going back to the Permian, you're stepping up the capex this year to about $5 billion versus $4 billion last year to help you deliver the year-over-year growth. As you continue to ramp towards the one million BOE per day target, what's needed from a capex standpoint to deliver this growth? Can you stay closer to the $5 billion range? Or does that step up towards $6 billion in 2025 because you have an accelerating pace to hit that?

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Mike Wirth: Appreciate the question, Josh. We're starting this year with twelve rigs and three frac crews. I mentioned we'll add a fourth frac crew around the middle of the year, but at the same time, we're becoming more efficient. We need fewer rigs to drill the planned lateral feet that we've got out in front of us. As we close in on one million barrels a day, we're at the capital level that I think is going to be required to get us there.

The really nice thing about this is when you're trying to hold the plateau, as opposed to growing from 700,000 to 800,000 to 900,000 to one million a day, you actually can pull capital spending down because you're offsetting decline. You're not trying to offset decline and grow by significant chunks each year.

Inflation has moderated, and that has been a challenge. We've talked about some of the things. We're moving water around a little bit more, but that's embedded in our plan now going forward. I would not anticipate that we're going to have to go towards $6 billion in order to get there. As we get to each year, we'll give you an updated guide on it.

Capital spending and capital discipline really matters, I just want to emphasize this. We intend to live within our capital means and be really tight on capital – that applies to the Permian along with every other asset.

Operator: We'll go next to Paul Cheng with Scotiabank.

Paul Cheng: (Scotiabank) Thank you. First, I want to congratulate Pierre. Thank you for all the years, actually, over the past couple of decades, for all the help. We really appreciate it.

Mike, when you first become the CEO, I think one focus is that costs matter for you. And for the last several years, there's a lot of acquisition and change in portfolio, so it's very difficult for us from the outside to see where is your cost structure comparing to, let's say, before the pandemic in 2019. Is there any way that you can help us in terms of what is the structural cost base for you to date comparing to, say, a number of years ago, especially during the early part of the pandemic, you guys did have a restructuring effort. Thank you.

Mike Wirth: Yes, Paul, I don't have all that stuff right on the top of my head to go back to 2019. It's a fair request. I think we showed a chart in here over the last several years that our unit costs are relatively flat. In fact, I think we're #2 on that chart. We don't break out each of the competitors.

Our unit opex last year was about $15.80 a barrel, which is about 5% lower than the year before. We still have outstanding unit opex reduction targets going out to 2026 at mid-cycle [costs]. We've had some inflation along the way. But you're right, we took a lot of costs out of the business in 2020 and 2021.

As we bring together Hess, and this gets a little bit to the question that Doug was asking as well, we will come out with an update to investors that talks about the portfolio, updates guidance on all the metrics that matter. I assure you that I have not changed my view that cost control always matters, and capital discipline always matters. We'll update you on those numbers specifically, Paul.

Operator: We'll go next to Sam Margolin with Wolfe Research.

Sam Margolin: (Wolfe Research) Hi, good morning. Thanks for taking the question.

Thanks for everything, Pierre. Maybe this one will be an easy or a hard one for you depending on what you're planning for. It's a follow-up on TCO in Kazakhstan and the affiliate dividend guidance. And what's interesting about it is that it's flat year-over-year with a commodity assumption that may be a little bit lower than the prior year. And within affiliates, there's also some LNG exposure, which isn't as strong as it was last year ex-TCO. I guess the question is, you've given this really robust technical update on Tengiz and where we stand, but are we already at a point where TCO is sustaining a level of dividends that's a little bit more stable than it was kind of at the peak of the construction process or the installation process? And we're sort of in a progression to this pro forma very stable cash flow profile from TCO? Or am I reading too much into that affiliate number?

Pierre Breber: Thanks, Sam. Absolutely, TCO dividends are on a higher trajectory just because capital has wound down. As we've said, when we get the incremental production from FGP, it goes even higher.

There are some puts and takes. TCO had held some surplus cash and released that last year. This year, they're going to have to build some cash as they head into debt payments, which, as you recall, we co-lent, so we'll be receiving that. There will be some timing variation, but your point around the trajectory is absolutely right because capex is winding down. This has been largely self-funded. As an affiliate company, as capex goes down, there's more cash available.

It does depend on commodity price assumptions. You're right, LNG is in there and also petchem. Those are the major drivers – and a little bit of refining – of our affiliate dividends. It's roughly flat with the prior year. We'll update that as we go along during the year. TCO, we've been investing in that project for eight years. It's going to generate a lot of cash when it comes on next year.

And Sam, just one more point. What you're going to see too, it's tricky as an affiliate, that line affiliate earnings less dividends [on the Statement of Cash Flows], that's going to flip. Until you see it, it will be hard for everyone to model it. What has been historically a line where affiliate earnings are higher than dividends, you will see that flip as we pull out more cash out of TCO, in particular, than the book earnings.

Operator: We'll go next to Nitin Kumar with Mizuho.

Nitin Kumar: (Mizuho) Good morning, everyone. Thanks for taking my question.

Part A and part B type of question, but really on the Permian. Mike, in your slides, you highlight that optimized well spacing and maybe coring up where you were drilling in 2023 helped the well productivity. At the Analyst Day, you had talked about some technologies. I'm just curious, were any of the improvements you saw in '23 related to those?

And then part B very quickly is you're growing almost 200,000 barrels from here until the next two years. Last quarter, you had some infrastructure issues, what are you doing to get ahead of those infrastructure issues so they don't resurface over that time period?

Mike Wirth: On technology, I referenced the fact that we're drilling more feet out of the same rig fleet, we're improving on completions. There are a lot of small things that are contributing to the performance that we're seeing right now.

The improved recovery technologies are in various stages of being piloted out in the field. To the extent some of those pilots are in the production, they contribute, but I would say it's at margin. We're gathering field data to look at changes in completion and fracture techniques using gas injection and gas lift in different ways, using some different chemicals to improve flow. As we get those into large-scale deployment, we'll start to talk about that, and we'll help you understand how they're contributing. Right now, it's more on the drilling and completions cycle time side that we're seeing some of these improvements. There's more to come.

On midstream infrastructure, some of the issues that we've talked about before can be weather-related, related to some regulatory items, related to a particular gas processing plant or gathering or off-take pipeline system. We're working all of those because your point is well made. As a large producing asset at that scale, we need really, really reliable performance downstream of the wells. We have no constraints on takeaway capacity out of the basin. We're well positioned not just for 2024, but into 2025 and 2026 with ultimate takeaway capacity to access the market.

We do have a lot of pipes, pumps, tanks and other things between the field and the market, and those things need to perform. That is a high priority for our operations team in the field. As I mentioned, fourth quarter performance was very strong. They're on this, and it's a very high priority. We saw a little bit of weather in January, which Pierre guided to, that will have a modest impact, but we're confident that we've got a line of sight on all the operational priorities in order to ensure that market access isn't constrained.

Operator: We'll go next to Devin McDermott with Morgan Stanley.

Devin McDermott: (Morgan Stanley) Thanks for taking my question. And Pierre, I want to echo the congrats. Thanks for all the help over the years.

I wanted to circle back to TCO. Mike, I think last quarter when you provided the updated guidance on timeline, one of the things that you noted was workforce productivity. I was wondering if you could comment on some of the changes that you've implemented to improve labor productivity over the past several months, how it's progressing versus plan. And in your comments, you mentioned improved scope of work in the context of FGP – I'm not sure that's related to labor or something else – but if you could elaborate on that comment as well, that would be great.

Mike Wirth: We have multiple contractors working on commissioning and start-up. This is everything from walking systems down to ensure that they've been properly inspected, what we refer to as punch list items that have been identified which is work that still needs to be completed by contractors, then you get into the loop checks and equipment runs and all the work to bring pieces of equipment up into service. We've got a number of contractors working on this.

We've moved scope from contractors that have had lower productivity to those that have exhibited higher productivity. We've brought in additional resources to beef up the overall capacity. And on the resources or the contractors that have lower productivity, we've worked with them to understand where are the constraints and the bottlenecks. We've seen one who had a productivity factor, as we measure it, that was down in the 0.4 range previously, is up above 0.7 now and we're targeting to get that up again by a similar quantum.

There's a lot of work on the ground to be sure we got the right people working on the right things and we have enough contract resources there. We're also bringing in technical resources as we discover items that need more technical solutions and that can include company people or vendor people.

We're out much further ahead of last quarter or the quarter before. The walk downs and other identification of issues was a few short weeks ahead of the crews that were actually doing this work. We're several weeks now – seven, eight or more weeks – out ahead of the teams that are doing the work. You've got a much better ability to plan and execute the work in a much more efficient manner because you've got some time to put the work packs together, get the permitting done, be sure that you've got all the right tools, equipment, et cetera.

It’s a great, big project, Devin. It’s the largest brownfield project and most complex brownfield project I’ve seen in my life. We’re seeing good improvements in terms of the on-the-ground performance out of our team and out of all the contractor teams that are working on this.

Operator: We’ll take our next question from Jason Gabelman with TD Cowen.

Jason Gabelman: (TD Cowen) I just want to echo everyone’s comments. Pierre, it’s been great working with you and good luck in retirement.

I wanted to go back to the Permian Basin, and I appreciate the type curve data that you provided in the back of the slide deck. It’s a bit difficult to reconcile with the type curves you provided, particularly for the Delaware, at the 2023 Capital Markets Day when you forecasted a large improvement in productivity. Can you just talk about if your type curves, particularly in the Delaware Basin, ended up in line with where you anticipated them being as shown in that Capital Markets Day type curve?

Mike Wirth: I’ll quickly just touch on the Midland Basin where we continue to be a first quartile performer, steady consistent performance. We understand the geology. There’s less fluid complexity. We’re a top quartile, first quartile, performer there in Midland.

Last year, we showed actual data on a Delaware-wide basis. And we showed some forward guidance particularly focused on New Mexico because we were shifting so much of our program into New Mexico, which, as I mentioned earlier, is a more productive portion of the basin.

In the Delaware-New Mexico, we saw a significant improvement with our second half POPs last year. More than 80% of our POPs were in the second half [of 2023] in these more productive areas, and the subsurface performance there has been very strong. In the appendix, we’ve got a slide that shows you 49 out of the 59 POPs were in the second half. You can see that they lay right on the [2022] type curve.

And then you can see the improvement in the Delaware Basin-Texas, which we didn’t guide to last year because it was in that combined chart there. But we’ve seen strong improvement. We’ve updated our well spacing and completion designs there.

Within the basin, there are sub-basins, and some of those are performing exceptionally strong as well. We’re seeing performance that is very consistent with what we outlined in the [Investor] Day last year. I think the shift in basis was just to provide you a little bit more detail into these sub-basins, and we’ll continue to report on that basis going forward.

Pierre Breber: And just as a reminder, Jason, last year’s performance [in New Mexico] wasn’t impacted by long-sitting DUCs, so the year-on-year is bang on. It’s consistent with the CID guidance, and you see the improvement in Texas because there was the impact from long-sitting DUCs in the prior year.

Operator: We’ll take our next question from Jeoffrey Lambujon with TPH & Co.

Jeoffrey Lambujon: (TPH & Co.) Morning, everyone. Thanks for taking my question. I wanted to follow up actually on the Permian and specifically ask on the program this year. What kind of opportunity do you see from here for further improvements to spacing and completion design, cycle times if any, in the Texas Delaware region? And could what’s working well there translate to New Mexico to make those wells even stronger, quicker to drill and complete or even to the Midland side?

	And then secondly, how are you all thinking about the mix of capital allocation across these regions within the Permian throughout this year?
Mike Wirth:	We're constantly looking to learn and improve, and as I mentioned earlier, we've seen significant improvements in drilling time, completion time to POP this year. And these are a lot of little things, right? As you continue doing things, you find more and more efficiencies. We can bring more technology to bear, et cetera.
	We look to extend those learnings across the basin, and frankly, between basins, into the DJ Basin and from the DJ Basin down to the Permian. There are differences in the sub-basins that you have to understand and respect. The short answer is yes, we are looking for ways to transfer learnings across there. And every time I think we're probably at the plateau in terms of productivity improvement, smart people find ways to continue to get even better at this. I don't think we've seen the end of the performance improvement cycle.
	Our overall capital allocation into the basin is largely a function of where our portfolio lies. About 25% is in the Midland Basin, [50%] is in the Delaware-New Mexico portion of the basin and then the balance, about [25%], is in Delaware-Texas. It's been that way here this past year. Going forward, that's a pretty good way to approximate it.
Operator:	We'll go next to John Royall with J.P. Morgan.
John Royall: (J.P. Morgan)	Hi, good morning. Thanks, and congratulations to Pierre.
	I'm going to give you guys a break on TCO and the Permian. I'm going to ask a question on the DJ. Just looking at this growth of 125 kbd for '24, how should we think about that growth off of a pro forma '23 basis? Just trying to understand what's kind of the underlying real growth rate in the DJ. And then if you could just update us with a couple of quarters behind you now post-PDCE on your broader plans for development in the DJ?
Mike Wirth:	Fourth quarter is the first full quarter with PDC. In the third quarter, we had two months out of the three with PDC in there. You can see we came in, in the fourth quarter, a little bit over 400,000 barrels a day. Our plans are to hold the DJ around 400,000 barrels a day going forward in a highly efficient factory.
	The fourth quarter was maybe even a little stronger than we might have expected. There wasn't as much weather-related downtime in November and December and then there were some accounting adjustments that were booked into the fourth quarter that were not really related to operations. The above 400 [thousand barrels a day] – there's a few things contributing to that, that probably are not repeating or going to pull back a little bit. We're confident we can hold around 400,000 barrels a day.
	We're still executing the well design and well spacing that was in the PDC basis of design, which is a little bit different than ours, a few more wells and tighter spacing and driven more to drive volume. Our basis of design is more focused on return on invested capital, so it's wider spacing, it's bigger fracs, but it's less capital overall and higher returns. As we transition to a more standardized basis design across the basin, you'll see that roll into the numbers.
	We've got four rigs that are going. We've got permits out for multiple years, nearly to the end of the decade. We're very, very pleased, and we're learning things. There's some stuff that we've learned from PDC that will apply not only in the rest of the DJ, but it's going to apply in the Permian as well that's going to help us. Going forward, these are high cash margin, low breakeven barrels. We plan to hold it at a plateau around 400 [thousand barrels a day].

Synergies are on track there. We've got virtually all the capex synergies essentially in the bag. We're already down to $1 billion there. Opex [synergy] is very close to the $100 million we guided to. We're now seeing some procurement synergies, which we hadn't originally envisioned. Everything about it is at or better than what we had guided to.

Operator: We'll go next to Lucas Herrmann with BNP Paribas.

Lucas Herrmann: (BNP Paribas) Pierre, I'll add my comments to the host already. Thank you for all the insights. It's always been worth listening to.

When I look at the growth that you're likely to see in oil in particular over the next two to three years, it feels as though you're going to be adding towards 0.5 million, maybe slightly more, barrels of pretty high-margin black oil. The question is about whiplash and this increased sensitivity that the business is going to have to movements in volatile commodity, and what you feel, Pierre, might that imply to the balance sheet and the way you think about the balance sheet and managing things.

And just if I could add on, could you just give me an idea of what the loan repayment schedule looks like at TCO? And I presume that loan repayments will go through the net in, net out line in on the capex side or the investment side of the equation or do they play elsewhere? Thank you.

Pierre Breber: Right. Thanks, Lucas. I'll take it.

We've been overweight upstream and overweight oil, liquids for a long time. You're right, recent acquisitions and Hess certainly adds to that, and we like that exposure.

In terms of how we manage the balance sheet, the first thing is we start with our breakeven, the oil price it takes to cover our capex and dividends. That was in the low $50s last year and we see mostly upside – that's why we had record share buybacks last year, almost $15 billion, 5% of our shares outstanding, because we're built for a price well below where we currently are. We've also done it while maintaining a strong balance sheet. Our net debt ratio is 7%. We said as we keep our share repurchases steady across the cycle, we're okay re-levering back up towards the low end of our guidance range which is 20% to 25%. That guidance, a kind of through the cycle net debt ratio guidance, still holds. If we had a significant change in the portfolio, of course, we would look at that, or Eimear would look at that, going forward. I think the actions that we're taking are consistent with that guidance.

When we think about our balance sheet, you take into account lots of things: your portfolio, the commodity price outlook, but your breakeven is really key. Mike was talking about capital and cost discipline. Our ability to fund our reinvestment program in both traditional and new energies and grow the company, and pay a growing dividend – more than twice our nearest peer, greater than S&P 500, we just increased at 8%, so all those numbers are before the latest increase – we can do all that at a low price, return surplus cash, and that's how we're going to think about it. Again, you should expect our net debt to increase over time depending on commodity prices and how we return cash to shareholders.

Having more exposure to high-margin barrels, as you say, that's a good thing. We're built for it. As long as we keep our breakeven low and below where prices are trading, we're in a really good spot.

Mike Wirth: And how TCO loan payments flow through cash flow?

Pierre Breber: Oh, yeah, sorry about that. Yes, because I alluded to that – that will not be in cash from ops, that shows up in our investing cash. Jake and the team will take you all through that.

What I was saying about that affiliate line flipping, that's separate from this. In a different line, we will see cash being returned. It's $1 billion of our share next year. Again, $2 billion in 2026 and then [$1.5 billion] in 2030. All of that's disclosed in our 10-K. Jake can take you through that. Again, we shouldn't be surprised. We've been investing for eight years in this project. That cash is going to come back once the project starts-up.

Operator: We'll take our next question from Irene Himona with Société Générale.

Irene Himona: (Société Générale) Thank you very much, and Pierre, all the best for the next chapter.

My question is on Henry Hub. In the new sensitivities you published today, you saw a very material 30% increase in your Henry Hub sensitivity. Is this purely because of PDC? And related to that, on a macro level, if you can perhaps share your views on the 2024 outlook for Henry Hub, please?

Pierre Breber: I'll start, Irene, and then Mike can take the macro. Yes, it's a function of PDC, certainly, and then just the associated gas that comes along with the Permian. As we're growing that, it comes along with natural gas.

Mike Wirth: Broadly speaking, oil markets are pretty balanced right now. I think geopolitics are the thing that are harder to call and could drive movements one way or other. It could be OPEC+ decisions, it can be this conflict in the Middle East. Economic growth in the world continues to be decent, and our outlook on demand growth for this year is maybe not quite as strong as last year, but still growing.

Gas is a little bit different. Inventories are high in the U.S. Inventories are high in Europe. We're kind of mostly through the wintertime, certainly through the riskiest period of the wintertime. And now there's questions that are not going to really weigh on the market in the near term, but maybe longer term about exports out of the U.S.

All of that has got gas markets under a little more pressure than oil markets or refined products. It's not unusual. Pierre was just talking about how we built the company to compete through the cycles. Petrochemicals are under some pressure right now as well. At any point in time, we're going to find some of the fundamentals probably under pressure. Others are looking pretty good and here in the short term, I think Henry Hub is in the under pressure category.

Operator: We'll go next to Bob Brackett with Bernstein Research.

Bob Brackett: (Bernstein Research) Good morning. If I look at the production guide of 4% to 7% growth on, say, 3.1 million, and I try to book end that between a fourth quarter closer to 3.4 and 2025, where we're going to see TCO FGP start up plus hitting that 1 million-barrel a day milestone in the Permian, sort of implies there's an inflection point in production growth coming at some point or perhaps there's a conservative guide for this year. Is that the right way to think about it?

Mike Wirth: Coming into this year, we now have a full year of PDC that'll be part of the portfolio, so that's pretty safe in terms of counting on that.

I've already mentioned that fourth quarter was a little bit higher than maybe we even might have expected because we had high reliability, some of these midstream issues we faced in the Permian didn't repeat, we had some accounting catch up thing in the Permian as well, and we had a pretty light turnaround schedule in the fourth quarter. It was a strong quarter all the way around.

As we head into next year, we've got some asset sales in the guidance.

Bob, we've kind of ended up, the last couple of years, hitting our guidance range, but at the low end. I think you could probably think this would be a little more comfortably in the middle of the range this year given a number of the things that you mentioned. We try to give you guidance each year that we expect to hit, and we certainly expect to hit it this year.

Operator: We'll take our last question from Neal Dingmann with Truist Securities.

Neal Dingmann: (Truist Securities) Mike, maybe just on the shareholder return specifically. It sounds like you will, but just want to get a sense if you'll continue paying out majority of free cash flow for the remainder of this year, and if the buybacks will continue to constitute a bit over 50% of that payout?

Mike Wirth: Neal, we have not used some percentage or range of percentage of cash from operations as kind of a go buy for distributions.

What we've done is have leaned on our track record on the dividend, first of all, and we've already clarified what you can expect this year with the 8% increase that we've announced.

I would point you back towards our upside and downside guidance that we've had out there now for a number of years: $10 billion to $20 billion on the range for buybacks. In an upside price case, we'd be up towards the higher end of that. In a lower price case, down at the lower end, both of which we can comfortably handle. We have indicated post the Hess close, all other things equal, we'll see when it happens and how the world looks when we get there, but we would expect to move from a rate of $17.5 [billion] to the top end of $20 [billion] because we're so confident in the long-term cash productive capacity of our portfolio and the strength of our balance sheet.

Rather than focusing in on those percentages, I'd really point you towards the specific guidance that we've issued in the kind of the track record. And of course, I think Pierre mentioned this in his comments, we do remain under SEC restrictions right now relative to the rate at which we can buy back and then be out of the market when the Hess proxy is open. Under normal times, we don't have one of those constraints on us.

Pierre Breber: I would just add a little bit and it's fitting that my last words will be on share buybacks. Six straight years of buybacks, 17 out of the past 21 years, but we actually bought back more shares last year than the year before, even though earnings and cash flow were higher. There were records in 2022, still strong in 2023.

That's the whole point. We're trying to be steady across the commodity cycle. We've heard from investors that buybacks should not be pro-cyclical and it's hard to be counter-cyclical in the commodity business that has some price volatility, so being steady across the cycle is how we guide to it and these formulas, in fact, reinforce the opposite. They reinforce pro-cyclicality. We're giving a return that, in some ways, is almost independent in prices within a range because we could have paid more out in 2022, but we held it back and we used some of that to pay in 2023. We'll see where it goes, but the intent is to try to be steady across the cycle, neither pro-cyclical nor counter-cyclical.

Jake Spiering: Thank you. I would like to thank everyone for your time today. We appreciate your interest in Chevron and your participation on today's call. Please stay safe and healthy. Katie, back to you.

Operator: Thank you. This concludes Chevron's Fourth Quarter 2023 earnings conference call. You may now disconnect.