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PRESENTATION

Jeff Gustavson - *Chevron Corporation - General Manager, IR*

Good morning and welcome to Chevron's 2013 Security Analyst Meeting. I am Jeff Gustavson, the General Manager of Investor Relations. We are pleased to have you here with us today. I would also like to welcome those of you joining us via webcast.

Before we begin today's program, I have a few important reminders. First, and in the interest of safety, I ask that you take a moment to locate the nearest exit. In the event of an emergency, the St. Regis Hotel staff will provide further instructions. Second, please silence all cell phones and other digital devices. And finally, remember to take your badge with you if you leave the room. You will need it in order to re-enter.

During the program today, we will provide a comprehensive update on Chevron. We will begin with both corporate and financial overviews followed by more extensive discussions about our major business segments both upstream and downstream.

Our agenda features presentations by our Chairman and Chief Executive Officer, John Watson; our Vice President and Chief Financial Officer, Pat Yarrington; the Executive Vice President of Downstream and Chemicals, Mike Wirth; the Vice Chairman and Executive Vice President of Upstream, George Kirkland; and Jay Johnson, the President of our Europe, Eurasia and Middle East E&P Operating Company. Jay will join George in discussing some of our longer-term upstream growth opportunities.



We will take a few questions at the conclusion of Mike's segment and a brief break will follow. We have also set aside more time for questions later in the program followed by a short reception.

Other executives here with us today include, Rhonda Zygocki, the Executive Vice President of Policy and Planning and Steve Green, our Vice President of Policy, Government and Public Affairs.

For those joining via webcast, I would like to invite you to participate in the Q&A segment. Please submit your questions to us by 11.00 a.m. Eastern Time through the "Investors" section of the company's website, which can be found at www.chevron.com.

And finally, today's presentation contains estimates, projections and other forward-looking statements. I encourage you to take a few moments to review the Safe Harbor statement which is available in the appendix of your booklets and on our website. Thanks for your attention.

I would now like to introduce our Chairman and Chief Executive Officer, John Watson.

John Watson - *Chevron Corporation - Chairman, CEO*

All right, thanks Jeff, well good morning. I would like to welcome everyone to our 2013 Security Analyst Meeting. We actually look forward to this very much every year as it's a great opportunity for us to showcase the company's recent performance as well as our plans for the future.

I would like to start things off by providing a quick summary of some of the key messages I would like you to take away this morning.

First, we continue to deliver industry leading results. Our safety record is world-class and our financial performance leads the peer group and other significant competitors.

Second, our business strategies remain well aligned with the needs of a growing world economy that requires more energy in all forms.

Third, our upstream growth plans have target 3.3 million barrels per day in 2017 are on-track. In fact, we're confident growth will continue beyond this date.

Finally, we continue to be focused on execution across all aspects of our business. Superior execution is fundamental to delivering top-tier financial and operating results. Excellence in execution starts with our operational excellence management system that I described in some depth at this meeting two years ago. The discipline of this system has driven strong performance in Health, Environment and Safety.

HES performance starts with personnel safety. On any given day, we have more than 250,000 employees and contractors working in our business, and we had just 70 injuries that required a day away from work all year, or 0.03 for 200,000 hours work. That's not just the best in the industry, it's world class performance. Of course, we're targeting zero and have shown we can get there in many business units for extended periods of time.

We also have a sharp focus on process safety. That's keeping oil and gas in the pipes, tanks and vessels designed to contain it. One measure of success in process safety is spill volume.

This chart shows this data for us and major competitors. In 2012, we had our lowest spill volume ever and we lead the industry and on a broader measure of process safety, each of the last three years we've reduced what are called Tier 1 Loss of Containment events. We are proud of our progress, but we are not at zero.

We investigate and learn from incidents and those of others and then make improvements to our processes and procedures. We understand that stakes are high and the tolerance low for events that impact people or the environment; we're working to eliminate them.

Now let's look at our financial performance. 2012 was another strong year for the company. Earnings exceeded \$26 billion for the second time and we posted return on capital employed approaching 19%.

Strong earnings supported sizable increase in the dividend, our 25th consecutive annual increase. High cash flow enabled \$5 billion in share repurchases and a \$34 billion capital program directed at high return investments. We did all of this while maintaining the industry's strongest balance sheet.

Per share earnings are also important of course, and on a five year index measure, you can see we lead by a wide margin. In fact if you look at the same measure across a broad array of industry players including almost all of the independent E&P companies, you will see the same pattern where we lead.

Earnings and earnings per share growth have been strong, but we also drive for value and profitability in the barrels we produce and sell. This chart shows earnings per barrel for our upstream and downstream businesses.

In the upstream, we have led the peer group for three consecutive years, and by a margin of more than \$5 a barrel. George will talk more about upstream performance later and why we expect to sustain this leadership.

And downstream has moved up near the top of the pack as we completed our restructuring. Mike will close the book on that effort and tell you what's next for Downstream and Chemicals. The superior performance comes from strong execution of our business. This includes prudent project selection, sound project design and execution and reliable ongoing operations.

With leading performance in performance and operating and financial metrics it should come as no surprise that we lead on total shareholder return as well. This is our fourth consecutive year I have been able to tell you we lead our peer group and the S&P 500 in five-year TSR.

We lead for most other periods as well, including the 10-year interval also shown on this chart. These are big gaps for annualized numbers that translate to huge value creation differences for our shareholders.

Our strategies are designed for long-term value, so they don't change very often and are unchanged since last year. I covered strategy in depth last year, so I have just a couple of comments today. Note the last phrase in our upstream strategy says we intend to build new legacy positions.

We define legacy assets as large, long lived resource bases where we can apply our technology and know-how to unlock value overtime. George will show you that an increasing proportion of our portfolio is composed of legacy assets. Jay will talk about some new opportunities that we have to create additional long lived assets.

Our strategies have being consistent because the macro environment continues to support them. In spite of some lingering uncertainties, the world economy will continue to grow and living standards will continue to improve.

And to fuel those improvements, we will need more affordable energy in all forms. Over the next couple of decades, energy demand will grow about a 1.5% per year and in all major fuel categories. Oil and gas will continue to represent more than 50% of the energy supply.

We remain bullish on oil as a valued commodity. World demand for it continues to grow and spare production capacity remains just 4% of supply. Key mature fields continue to decline in output and large scale replacement has above ground risks that can slow development; risks such as security, fiscal terms, domestic content requirements to name just a few.

We are also bullish on LNG. Demand for natural gas will grow more rapidly than for other fuels. But there is a growing disconnect between supply and demand centers necessitating movement of much more gas across oceans in the form of LNG. And we believe there will be a challenge to meet the supply requirement. Let's look at this in a little more detail.

This chart shows LNG demand has more than doubled since 2000 and is expected to double again by 2025. The low growth periods the next five years is due to supply constraints as few projects were sanctioned during the financial crisis.

Demand growth in Japan, Korea and Taiwan will be low but steady; with few energy alternatives, LNG is vital to meeting their needs. These countries have high quality experienced buyers and they face the supply replenishment requirement as natural reservoir decline will occur in fields to support existing contracts.

China and India are expected to show the strongest growth. These two countries are expected to increase their combined LNG imports by 10% per year for the next decade. Emerging markets elsewhere in Asia will also see rapid growth as local gas supply is outstripped by demand.

Finally, traditional markets in Europe will see continued demand for LNG in part to maintain supply diversification. If we take the demand curve I just showed and compare it to LNG supplies either producing today or under construction you can see a potential supply shortfall in 2025 of almost 150 million tons, that's 10 Gorgons and probably half a trillion dollars in investment.

There are a number of projects being proposed to fill this gap. They are large and complex. Most face political and other impediments which can result in delays. It's certainly true for LNG exports from the United States.

Given the large capital requirements, long construction lead time, and obstacles to development, there are only a handful of companies that have the financial and operating capability to take on LNG projects. And they will require a fair return on their investments to do so.

This will necessitate long-term purchase contracts with robust underlying LNG prices. You will hear from George and Jay about the progress we are making on some of our key LNG projects, Gorgon, Wheatstone and our newest addition to the LNG portfolio, Kitimat LNG in Canada.

Now we've put together a video which features time lapse segments to demonstrate the significant progress we are making on some of our most important major capital projects. Let's take a look at that.

(Video Playing)

John Watson - *Chevron Corporation - Chairman, CEO*

These are amazing projects and that's just a small sample of what we do. I do have one update George told me just a few minutes ago that the Big Foot hull has arrived at Corpus Christi, so it's no longer in-route there.

So I hope that does give you a bit of a feel for the big projects that we have underway. George, Jay and Mike will share more specifics of course a little bit later.

So the business environment for our business remains strong and we are continuing to advance our growth plans we first outlined in early 2010. We said then that we plan to grow upstream production to 3.3 million barrels per day by 2017.

Last year, we showed you this chart that indicated the projects that underpin this objective were well defined. You can see our confidence is greater today. More than 90% of the 3.3 target production comes from fields that are online today or tied to projects that are under construction. The remainder is in short cycle projects and you will hear later that our deep project queue will deliver growth beyond 2017.

Okay, now let's get started with more detail. Pat will begin by covering the financial highlights. Pat?

Pat Yarrington - *Chevron Corporation - VP, CFO*

Good morning everybody, and thank you John. I'll be covering our 2012 financial performance, our near-term investment plans and our financial priorities.



2012 was another very good year for Chevron. Earnings were \$26 billion and operating cash flow totaled \$39 billion. Both annual figures are about 20% higher than our five-year historical average.

And over the same timeframe, we generated over a \$100 billion in earnings and over \$150 billion in operating cash flows. We've definitely moved up the net income lead table. Our 2012 net income ranks as third among all US companies and in the top 10 globally.

Our strong earnings have been a function of our portfolio and our investment choices. We've invested wisely and been able to intelligently grow our business. You've seen this chart before. It has a very important message.

On the left is our growth and capital employed versus our peer group indexed from year end 2007. On the right is our return on capital employed over time. We've demonstrated the ability to invest for growth and at the same time remained competitive on ROCE. Normally, growth and returns are competing objective. But we've been able to do both simultaneously because of our capital disciplines and the quality of our investment opportunities. This chart shows growth in our cash flow per share, again indexed back to 2007.

In 2010, we moved beyond the top of the peer group band. In 2011, we substantially widened the gap relative to our nearest competitor and in 2012 we continued to lead the peer group.

Our cash flow per share has grown by nearly 70% over the last five years, which is double the growth rate of our closest peer. Our investments have delivered high value, volumetric growth; growth that took advantage of a strong oil price environment.

These investments are now substantial cash generators. We've used the incremental cash to simultaneously reward our shareholders, fund our future growth projects and strengthen our balance sheet. Let's look first at the outlays that fund our future growth.

For 2013, our capital program is \$36.7 billion. On the left is spending by region. Our spending continues to be a geographically diverse, with weighting towards Asia due to our Gorgon and Wheatstone projects. Investments in North America are also robust, reflecting opportunities in the deepwater and in unconventional resources.

On the right is spending by category. Upstream accounts for about 90% of the total while Downstream and Chemicals account for about 6%. Over 50% of our capital program is dedicated to major capital projects for Upstream, principally LNG and deepwater projects that are fueling our future growth.

Our base business outlays are projected to be about 30% of the total spending. These investments help the natural fuel decline and support increased activity in new asset areas, something that George will discuss later in more detail.

Now, I said last year that having a strong investment profile is a good thing if the capital is being invested wisely. This is how we create value for our shareholders by finding the best resources and developing the right project.

We continue to do this very well and therefore continue to have healthy capital spending, progressing a project lineup that is arguably the best in the industry. Even so, we continue to be only mid-pack in terms of reinvestment rate. And yes our capital employed has grown but our cash flow has grown even faster.

For our average capital intensity, our investors get a production growth over the next five years that far and away exceeds that of our peer group. A similarly favorable comparison emerges if we broadened the competitor band to include the largest E&Ps as well. So simply put, our average reinvestment rate is resulting in a strongest volumetric growth.

But we're not in it just for the barrel. Not all barrels are created equal. We invest for value not volume. We believe we're positioned for an extraordinary growth in our operating cash flows.

You see this portrayed on the left side of the slide. We're starting today with the highest upstream earnings in cash margins. We're projecting the strongest five-year production growth profile in the industry, and we believe our current investments have attracted economics to the point where overall cash margins on our 2017 portfolio are expected to be stronger than the cash margins on our current portfolio.

Now that's really saying something, given our number one position on cash margins today. Our current portfolio is about 80% oil price linked and in 2017, this should still hold true.

We expect at least one-third of the Brent price will continue to be realized in our net cash margins. So having the best margins combined with the strongest growth result in a significant boost in cash operations. Our operating cash flows could exceed \$50 billion in 2017, assuming last year's average Brent price. That's nearly 30% increase in cash flows over the next five years.

At the same time, we are investing for growth; we are also rewarding our shareholders. Since 2004, when oil prices started depreciating in real terms, we have posted a superior dividend growth pattern. Since then, our dividend had grown at a compound annual rate of 11%.

This is the best in our peer group and nearly double the rate of the S&P 500. Since 2004, we have also had \$35 billion of share buyback resulting in a net 9% reduction in shares outstanding. We have rewarded our shareholders, we have strategically invested in the business, and we have built the strongest balance sheet among the peers.

Over the next couple of years, we expect the combination of investments and shareholder distributions will move us towards a more traditional net debt position. It's our clear intention to remain competitive on shareholder distributions to share our cash generating success with shareholders as our projects come online.

Now John showed you Chevron's superior record on five-year and 10-year total shareholder returns versus the global energy peer group. As I am sure you can appreciate, we are very proud of this record. If we expand the comparisons beyond the traditional peer group, we also rank extraordinarily well.

We are number one in the five-year period, returning 5% more than the broader market and 8% to 9% more than both our global peers and the largest E&Ps. Over 10 years, we also outperformed on TSR against these same two groups.

We have an outstanding history of value creations and our investment opportunities position us well to repeat. Every day, we get closer to having key projects come online. Everyday our growth profile is further derisked. And every day, we believe we are closer to re-rating of our PE multiple.

I will close now with our financial priorities which you have seen before. Our first priority is to maintain and grow our dividend. Our actions demonstrate this commitment. Our second priority is reinvesting in the business, and the high quality projects to sustain and grow our firm and create tremendous values for our shareholders. George will show you how the project is under construction now, once online, strengthen the cash margins of our overall portfolio. Our third priority is to maintain our financial strength and flexibility.

And then finally, we are committed to returning any surplus cash to our shareholders. Our actions demonstrate this commitment as well. Frankly, we have sensibly balanced these objectives overtime and we have every intention to repeat.

I would like to now turn the podium over to Mike to discuss our Downstream operations. Mike?

Mike Wirth - Chevron Corporation - EVP - Downstream & Chemicals

Thank you, Pat and good morning. It's a pleasure to be here today and to discuss Chevron's Downstream and Chemicals business. I will break my comments into three sections. First, I will review our strategy and the business environment, then I'll cover our performance in 2012. And I'll close with the discussion about growth.



Our strategy remains unchanged. We continue to focus on improving returns and growing earnings across the value chain. The supporting strategies of operational excellence, portfolio focus, asset competitiveness and selective growth also remain unchanged.

The fundamentals underlying our business reflect the realities of the global economy. On the left hand charts, you can see that lubricants and petrochemicals are expected to experience strong demand growth throughout the decade.

On the right hand charts, the outlook for fuels shows more modest growth. For all segments, Asia will be the primary driver with lubricants and chemicals growing faster than fuels, and distillate growth continuing globally.

Changing feedstock dynamics are reshaping the competitive landscape in North America driving down the price of feedstock for both petrochemicals and refining. The left hand chart shows ethylene cash cost by feedstock and region over the last four years.

The Middle East continues to have the lowest cash cost by far but only for the few producers with existing feedstock contracts. North America facilities using gas based feedstock now have a real advantage versus naphtha based plants. This has only increased as drilling has concentrated into liquids rich plays and we don't see it changing anytime soon. Our ethylene cracking portfolio is entirely positioned in these two attractive regions.

In refining, we continue to believe that large, efficient, flexible and well run facilities will be the most competitive. While we've seen crude supply and changes benefit Mid-Continent refiners the last year or two, this is likely to be a more short lived effect.

We already see infrastructure emerging to reduce these discounts to basic quality and transportation differentials. In the long run, we will continue to shape our portfolio and improve our operations to deliver top performance through the business cycles in both of these segments.

Now, let's move to review our performance. 2012 was another good year both operationally and financially. Reliable operations are our top priority across all our business segments. Take a look at this chart, Chevron is ranked number one in refinery utilization over the last three Solomon surveys covering the feedback to 2006.

In 2012, we operated at roughly the same level as our industry leading performance in 2010. Solomon data for competitors will be available later this year and we expect to compare favorably once again. Top-tier reliability remains the bedrock of our operations. We intend to sustain this performance through both operational and turnaround improvement initiatives.

On this chart, I've summarized a final update on our restructuring. We've exited less attractive markets, driven down supply costs through terminal rationalization and reduced station ownership to decrease capital employed.

We've significantly reduced our work force, creating an organization with fewer layers, a bias towards action and sharper accountability, all the while only modestly reducing volumes. The result is a more focused footprint, simpler operations, reduced costs; all designed to sustain strong returns in the years ahead.

Our restructuring is complete, and the focus is on value, not volume. Debt restructuring was part of the three-year commitment I outlined in 2010 to improve R&M returns 7% by 2012, through improvements in refining, marketing, portfolio and costs.

Last year, I told you that by the end of 2011, we would have already exceeded our target. At the end of 2012, returns are up 10% as a direct function of the aggressive improvements we've captured in these controllable aspects of our business. We handily beat our commitments.

When you take into account the improvement in industry margins, actual returns are up 18%. So as we turn the page on that effort, let's look at relative competitive results.



In 2012, R&M earnings improved again and we're just over \$3 per barrel. This places us at a strong number two among our peers, very close to number one and with a fairly wide gap to all the others. We delivered an 18.1% return on capital employed for all of Downstream and Chemicals, which we also expect to rank number two among our peers when final 2012 capital employed data is available.

Now I will move to the future and targeted growth. I will summarize our plans for key segments and what you can expect to see in the next few years. Starting with Asia, where we will grow earnings by focusing on the most competitive and attractive positions.

In the map on the left hand side of this chart, you see the facilities that position us to take advantage of Asia demand growth. In North Asia, our position is anchored by GS Caltex at Yeosu in South Korea. This is a world-class refining and petrochemical complex combining the world's fourth largest refinery and third largest aromatics plant. In Southeast Asia, our flagship refinery is in Singapore.

The charts on the right hand side show we have the overall scale in this region to be a top supplier of high value products and we also have the scale at the facility level to be efficient and competitive.

Our refineries are linked to strong market positions. We have improved our ability to generate strong returns from these assets and we will continue to do so with the targeted capital investments and strong operating performance.

Turning to petrochemicals, we have a strong foundation which Chevron Phillips Chemical or CPChem; now the largest private sector petrochemical producer in the Middle East and the largest producer of high density polyethylene in the world.

I mentioned earlier that 100% of our ethylene cracking capacity is located in the Middle East and North America where we have cost advantage feedstock. This foundation and strong operating performance is a formula for excellent financial results.

CPChem has delivered leading cash return on assets among their peers for multiple years now. And it's advancing projects to further capitalize on this unique position. For example, we expect a final investment decision on a new Gulf Coast cracker this year.

For the proprietary technology advantage in olefins and aromatics at a robust growth plan centered on world-scale facilities and cost advantage feedstock. CPChem is well-positioned to continue delivering profitable growth.

Moving from commodity chemicals to specialties, Chevron is the only oil company with the wholly-owned specialty chemicals business which develops, manufactures and markets additives for lubricants and fuels.

Oronite has a strong global supply chain, long standing relationships with Original Equipment Manufacturers and it is the only additive company with world-scale manufacturing plants in all key demand centers.

Plans for growth include investments in both supply chain and technology. At our Singapore plant, already are largest in Asia, construction is underway that will double the plant's original capacity. We'll expand production of key additive components such as detergents and dispersants to meet increasing demand. Technology investment will maintain Oronite's leadership in several product lines and provide our customers the ability to differentiate their products.

Oronite earnings have tripled over the last four years; while operating costs rose only modestly. This segment delivers strong returns and has the capability to continue to grow profitably.

Lubricant is another high return, high growth segment. Chevron is the only major lubricants company with an integrated business from base oils through additives and finished lubricants. We are currently the number one producer of premium base oils in the Pacific Rim, with plants at Richmond and Yeosu.

When the Pascagoula plant comes online, we will be the largest supplier of premium base oils in the world. We are expanding capacity in the Americas and Asia by investing in supply chain infrastructure with new blending plants in China, Southeast Asia and Brazil.



Earnings have more than doubled over the last four years while costs have been reduced. We are committed to leveraging our leading technology and market positions to continue to grow in this segment where returns have been consistently strong.

Moving on to key projects, this chart shows six important major capital investments. CPChem continues to make good progress on US Gulf Coast projects to take advantage of existing infrastructure and attractive feedstock. These include the Hexene plant slated to start-up next year in a new world scale ethylene cracker and derivative units expected to startup in 2017.

Our Pascagoula base oil plant is scheduled for startup late this year. The Oronite Singapore expansion will come online in phases, in 2014 and 2016. And GS Caltex is commissioning a new gas oil cracker which should be in full operation this month, helping make Yeosu the largest processor of heavy oil in Korea.

The two pie charts on the right show how our portfolio is growing and shifting to a more balanced weighting of the attractive chemicals and lubricants segment and Asia Pacific R&M.

So to close, I would like to summarize three points. First, our strategy remains sound. We are improving returns through executing the fundamentals in our base business with a smart and more focused portfolio and assets that have the scale, flexibility and complexity to be competitive at any point in the cycle.

Second, our performance is strong. Safety and reliability remain at industry-leading levels. Earnings per barrel and returns are top tier and we've exceeded all our performance commitments.

Finally, we are investing in carefully-targeted growth projects in the right markets and segments to strengthen and diversify earnings and sustainably deliver top tier competitive results. I'm confident we will improve again this year.

That concludes my remarks, and I'd now like John and Pat to rejoin me on stage.

QUESTIONS AND ANSWERS

John Watson - *Chevron Corporation - Chairman, CEO*

Okay, thanks Mike. We will welcome your questions now. First, a few ground rules please hold your upstream questions until later in the program and you'll get plenty of chance with George and Jay.

If you have a question raise your hand and I'll take it. Wait till the microphone comes to you so that everyone can hear it and then please give us your name and company affiliation. Okay, Arjun?

Arjun Murti - *Goldman Sachs - Analyst*

Thanks. A downstream question for Mike if that's all right. The issue of RINs has come up here in the last few days and the E10 blend wall, can you talk about Chevron's relative positioning as to whether you feel exposed to this issue or not?

And the other regulatory questions on the ongoing issues in California in AB32 and is there any update there in terms of how those regulations are progressing? Thank you.

John Watson - *Chevron Corporation - Chairman, CEO*

Right out of the box with an easy one, Mike, do you want to try that one?



Mike Wirth - *Chevron Corporation - EVP - Downstream & Chemicals*

Well, for those of you that haven't been following the renewable fuel standards, a RIN is a Renewable Identification Number, which is a 38 digit number that manufacturers, importers and blenders of fuel require to assemble enough of these 38 digit numbers to then submit to the government each year, to satisfy a volume obligation that shows you are blending enough bio fuels or procuring the credits that reflect that blending to satisfy the volumes mandated by the standard.

There are four different flavors of these things ranging from corn-based, all the way on through to cellulosic which we really haven't seen much of other than RINs that turned out not to be real.

In the corn-based category, up until now there has been plenty of supply and the blend obligation have been less than 10% in aggregate for the market, and so RINs have been relatively inexpensive, a few pennies per RIN and not of much value.

We're now reaching a point where the aggregate blend volume is in excess of 10% for the market and that's a problem and is a problem we've been talking about years, you will hear it referred to as the blend wall, because frankly, people like Chevron are unwilling to sell blends higher than 10%. Consumers are reluctant to purchase at that level, auto manufacturers, existing fleets are not warrantied for fuel above 10% and their real concerns are around product liability and vehicle performance.

So now we have a position where people are required to procure more of these things than are likely to be available in the market.

That rule is about to carry forward from the prior year and things which were intended to create a little bit of a buffer, but that is rapidly running out. So the price of these credits which are tradeable has skyrocketed over the last few weeks from less than \$0.10 as the year began to over \$1 as of late, and there is a real concern about that.

Specifically to Chevron's position, Arjun, we tend to have more marketing sales and therefore more blending of fuels that we sell than we do refining production. So we're in natural long position on RINs and have been and we will probably hit the blend wall as an individual company much later than others would.

On the other hand, importers, merchant refiners or refiners whose marketing position is much smaller than the marketing production needs to procure these RINs from the market place, and as the market seems to be tightening up the price obviously has risen, and frankly we have been a seller of RINs into this market with our natural long position. So we can satisfy our compliance obligation and still have some excess that we can sell into the market.

So as a company we are not in a particularly vulnerable position on this today, but I will tell you that this is a regulation that just doesn't work, and I think that's got to be confronted by the federal government, and I think the renewable fuel standard will need to be changed.

AB32, I will give a shorter answer on that. We are in the early phases of compliance on it, we have seen a couple of auctions now, and the credits are trading in, you know, in a little bit over \$10 a ton range. We've got an efficient refining system relative to our competitors in California and are less exposed in the early years to the cost of AB32.

I will tell you in the back half of this decade, everybody gets hit. You get the low carbon fuel standard coming in which is likely to increase fuel prices perhaps significantly, and the California economy remains pretty fragile.

The net impact of the reduction of emissions from AB32, on a global scale, is virtually unmeasurable. The impact on the California economy is not. It will be significant. So we also think AB32 eventually will need to be revisited and we certainly would be working with various stakeholders in California to address that.



John Watson - *Chevron Corporation - Chairman, CEO*

I wish I could tell you he is making all that up, but these are really onerous regulations and I don't -- the important thing is we are a big enough company; we can learn how to manage these things, but they are going to hurt consumers, and they are going to raise energy costs both at the retail level and for businesses and we don't think that's a good thing for a struggling economy. Yes, Doug?

Doug Leggate - *Bank of America/Merrill Lynch - Analyst*

Thanks, John. And it's not really an upstream question but --

John Watson - *Chevron Corporation - Chairman, CEO*

You are trying sneak one in anyway.

Doug Leggate - *Bank of America/Merrill Lynch - Analyst*

I'm going to try one -- okays, you've laid out, the 3.3 million barrels a day, you never talk about assets sales but you've clearly got pretty impressive portfolio of new projects coming on stream.

What does that do to high grading the portfolio and how should we think about how potential cash from assets sales will be deployed maybe to buybacks or whatever?

John Watson - *Chevron Corporation - Chairman, CEO*

Sure. We do periodically I would describe it as trim the tail both upstream and downstream. Last year we sold about 20,000 barrels a day, and we routinely hive off the bottom and to the barrel.

One of the things that we found overtime is technology only goes in one direction, and you have, you know, what economist would call, friction when you sell tax effects and the like and so turning the portfolio and being a trader in oil fields, we don't think is a very efficient way to go.

So clearly if we see an opportunity where, I feel where we don't see the opportunity to apply technology going forward and someone is going to pay as nice price for us, we will part with it.

One example I will give you where we've hung on to properties where others haven't, is in West Texas. George is going to talk a little bit later. A bit part of our position there is acreage we've held on to, that we didn't know would be developable in different horizons that now with the advent of tight resources and sales we are able to. So we'll sell assets when it makes sense to do so and use them for I will say general corporate purposes.

Mike has shown that we have done it in a big way in downstream, we've sold some \$8 billion worth of assets over the last five or so years as we cleaned up our portfolio on the downstream, so we are willing to do that and recycle the dollars into more productive use. Yes, go ahead, Paul.

Paul Sankey - *Deutsche Bank - Analyst*

Morning, John. Paul Sankey, Deutsche Bank. John, arguably, there s only two integrated oil companies left in the US now, you and Exxon, and you yourself also have announced a pretty significant downstream restructuring program.

Could you talk to us strategy wise about whether you really are just becoming a super giant E&P, and you know, really the legacy downstream that you have is really stuff that you can't sell or is good enough to keep.

Is there really is still integration in your asset base and do you really do want to maintain integration. I guess ultimately the question is, do you think refining is just a structurally a low return business that you don't want to be in because the returns are so much superior in the upstream. Thank you.

John Watson - *Chevron Corporation - Chairman, CEO*

Well, our Downstream and Chemicals business, we earned 18% last year, it's been a good return business. We are more selective in where we are investing.

We have generally sold the service station businesses that we have. Our brands are still present, but we don't own a significant number of service stations anymore. We do think our refineries are very competitive and a source of value creation for us, and we do think the integrated model still works.

There are a lot of examples of that. I mean our San Joaquin valley crude goes into El Segundo refinery, where we process disadvantaged crudes at Hawaii and our Thailand refinery, and so there are ways to create value in the system by having an integrated model, and that doesn't even count what's happening in our Upstream business, where what you think of as an Upstream business the lines are being blurred.

We've got a gas to liquids plant that's coming on stream later this year in Nigeria. We've got a number of different LNG facilities which look a lot like refineries from the outside. We've got processing plants in Venezuela and elsewhere that look a lot like refineries, and so the expertise and people that come out of that business are also a source of advantage.

Finally, I'd just say if there were standalone company making \$4 billion a year would rank pretty high in the S&P 500, it's hard to replace that and when you are generating high returns you have opportunities for growth, I think it remains a good business to be in, it will be a smaller piece of the pie given the significant opportunities we have Upstream.

Yes, go ahead.

Ed Westlake - *Credit Suisse - Analyst*

Yes, Ed Westlake, Credit Suisse. You mentioned new legacy assets I think in the opening remarks and obviously the criticism of Gorgon and Wheatstone is it's taken a lot of capital in the foundation phase for those projects.

Can you talk a little bit more broadly about how you see the capital intensity of the portfolio change as you go to the next wave of growth beyond 2017, and then I have to ask Mike about that \$3 long term WTI Brent because most refining investors will be selling that portfolio holdings at that price so any comments on the chart? Thanks.

John Watson - *Chevron Corporation - Chairman, CEO*

Well, first off, legacy investments by definition of a size and the scope that are going to require capital investments, I mean if you just take a look at Gorgon and Wheatstone, you don't just come up with 400,000 barrels a day of our share of production very easily, and so of course there's capital associated with it.

Tengiz is a major oil field and will require additional investment. So there is capital. I think what's important is that we've been pretty wise about that capital, and if you look at the returns we are generating and if you look at the profit per barrel whatever measure you like they've been good investments. So they are of a size and scale that do require capital, and I think any legacy-sized asset will have a substantial capital component to it.

The key is, is it competitive and is it going to deliver us the returns. Mike you want to talk a little bit about it?

Mike Wirth - *Chevron Corporation - EVP - Downstream & Chemicals*

Yes, Ed, we showed you know an externally sourced view on the TI Brent differential. You all have your own views on when and how that thing will be narrowed.

The reality is everybody is working on infrastructure projects right now, it's been a little hard to predict the rate of growth of production. I think the one thing we do know is that it will narrow and that the means to narrow it are pretty well understood and are not particularly complex other than sometimes the permitting issues, and the point I was trying to make is the structural advantage for gas based feed stock for petrochemicals is likely to be a more long duration phenomenon than the TI Brent disconnect.

Evan Calio - *Morgan Stanley - Analyst*

Evan Calio, Morgan Stanley. Maybe my question falls in between this section segment and the next segment on midstream. just in a sense I know that you've recently formed a new business unit to consolidate midstream asset, and maybe you could share the strategy of that unit and whether or not the creation of that unit means more potential monetization given the significant premium paid in the midstream market relative to your valuation, and kind of how you think strategically going forward?

John Watson - *Chevron Corporation - Chairman, CEO*

I will let Pat talk a little bit about how we feel about MOPs in a moment, but let me talk briefly about the organization.

So we've actually had a gas in midstream organization for sometime that's reported to George, as we've been gearing it up. It has organization that actually supports both Upstream and Downstream, our shipping company, our pipeline company as well as our gas commercialization work and gas trading organization.

The reason we decided to move it away is we thought that our gas business is on the cusp of being a much larger component of our businesses and we felt it made sense to put all our trading activity under one roof.

And so Mike has had the liquids, the crude and products trading reporting to him. We thought it made sense to bring the crude products and gas trading together and to bring a little more focus on to the midstream opportunities.

We do have some sales that we have planned in the pipeline business. We've monetized one pipeline in the Pacific Northwest and we do understand that valuation are good. Maybe I will let Pat talk a little bit more about our view, how we're going to do that.

Pat Yarrington - *Chevron Corporation - VP, CFO*

Sure. And we basically understand completely what the MLP structure operates in terms of early monetization, and for the tax advantages and the leverage advantages that come with that.

We've looked at it vis-à-vis our portfolio and have basically come down to the point of saying, if it's a strategy asset, that's something we want to retain control of then it stays in the portfolio.

If it's a non-strategic asset and we are willing to have that control go then that is something that we would look to divest, and actually divesting into MLPs is a good way for our shareholders to kind of capture the value of this MLP market, and so that really would be our approach.



A good time to sell into those -- and we just think that the governance challenges that come with the MLP structure and particularly if you are interested in keeping control that governance structure overtime can erode where you don't have the complete alignments that you like to have, and so we have decide to keep it clean.

If it's strategic, we keep it in the portfolio, if it's not we'll go ahead and sell it and sell it into the MLPs, where you get good value.

John Watson - *Chevron Corporation - Chairman, CEO*

In general, we are not a huge fan of having publicly traded affiliates to put it that way. Yes, Paul?

Paul Cheng - *Barclays Capital - Analyst*

Thank you, John. Paul Cheng, Barclays. Two questions one for Mike and one from Pat. Pat if we are looking at your production profile that you guys talk to 3.3 million barrel per day, the project is quite well defined and some of the large projects you will start to roll out in 2014, so should we look at from a capital intensity standpoint after a rapid increase in the last several years, we may see another increase in 2014 and start to slow down on the growth? That's the first question.

For Mike, if you are looking at portfolio restructuring, you have done a lot. At this point do you see that there's a lot's left to be done or that you are pretty much done. I guess my question is more related to, is there any strategic reason to maintain your ownership, minority ownership in Caltex Australia as John just mentioned that, you are not totally crazy about having ownership in publicly traded company and doesn't really have a mixed up strategy.

And also that in Africa you do have position and that's so probable that you want to maintain it, it's sort of like an odd ball out there.

And for your California two refinery, how much is the light oil you can actually run, and does it even makes sense, given the wide differentials today, to maybe spend some money to have train operation to bring more the light oil into those operation, thank you?

John Watson - *Chevron Corporation - Chairman, CEO*

I think that is two questions, let me take the first part of it and Mike will take the second part. Just on the capital side, we've said before Paul that we are in the midst of a heavy period of capital spend. Our capital spending this year as we've outlined is \$36.7 billion. Spending in 2014 and '15 will be higher than that.

We don't give long term guidance that's pin pointed because what we've seen by those that have put out such guidance over the last five to seven years is they haven't been very accurate, and that's no criticism that just reflects the difficulty in gauging the cost of goods and services, exchange rates and the like. So we will have continued heavy spend over the next couple of years.

In terms of -- by the way, I have said in general we don't like public trade affiliates, we are happy with Caltex Australia and I'll let Mike to talk a little bit more about that.

Mike Wirth - *Chevron Corporation - EVP - Downstream & Chemicals*

Okay, so there were a series of questions in the portfolio heading Paul, I will tell you that we are pretty close to the end of the big sweep that we've done through the portfolios as part of the restructuring. We still got a process underway with our assets in Pakistan and in Egypt and we would expect to have news on those later this year, but we are largely complete with the big restructuring.



We continue to review things on an ongoing basis, and so that means that any asset that is underperforming and doesn't have a plan and a realistic prospect for improving that performance to an acceptable level becomes an asset for consideration for divestment, but I don't have anything specific I want to announce on that front.

Africa falls into that category. Caltex Australia as John says is 50% so it's not really minority, it's a 50-50 holding in Caltex Australia and we've been pleased with the performance of that affiliate. Your final question had to do with light oil into the West Coast refineries.

We can run in the neighborhood of 75,000 barrels a day at either of our West Coast refineries, the two large ones in California before we run into process constraints that limit our ability to get more light ends through the refineries.

We have run Bakken crude at the Richmond refinery. We know how to get it in there. It's had kind of train and automobiles. We have used railcars to terminals from where we've barged it into Richmond. So it's doable and we have done it and we'll continue to do it.

I think the broader issue that applies to both the California refineries, Pascagoula, is disadvantage feedstocks are not only found in the Mid-Continent. There are disadvantaged feedstocks in other areas of the world and disadvantage for other reasons than logistics to get them to market.

And we continue to invest in our facilities to run feedstocks that have an economic advantage for the refining system from a variety of sources. These can be heavy crudes, it can be high viscosity crudes, they can be high acid crudes and our bread and butter is optimizing our operations by bringing in the most attractive feedstocks every day, every month, every year, and we continue to work on that on a constant basis for all of our facilities.

John Watson - *Chevron Corporation - Chairman, CEO*

Okay, I am thrilled there are more questions, but we are going to take a 10-minute break. You'll have another chance after George and Jay speak. Remember take your badge with you so that you can get back in 10 minutes and we will start up again with George.

(BREAK)

PRESENTATION

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

Good morning. It's good to be back and review Chevron's upstream business. We had a good year in 2012 and today I'll provide insights on our performance, and with Jay's help outline our plans for 2013 and beyond.

First an overview Chevron's upstream portfolio. Chevron has a diverse upstream portfolio with production in 26 countries and in nearly all of the world's key hydrocarbon basins. We have four regional operating companies and 15 business units. Our strong local presence is supported by central organizations to ensure consistent standards. We have centralized functional teams in exploration, drilling, reservoir management and base business.

Our Energy Technology Company, ETC, provides highly skilled technical research and services for our business units. Our Project Resources Company, PRC, provides the world-class project professionals needed to execute our major capital projects with excellence. And our gas and midstream organization helps us commercialize our production and particularly our LNG.

We have strong leaders in country supported by centers of functional excellence and we believe this gives us a competitive advantage. This supports our core strategies, and delivers profitable growth.



Let's now review our strategies. Our strategies remain unchanged. We are pursuing profitable growth in our operating areas, while we explore and build new legacy positions. And while strategy is important, execution is key; and as you will see in this presentation, we are delivering a leading growth profile and superior financial performance.

Today, I will be focusing on three themes, performance, base operations and growth.

Let's begin with our 2012 performance. In 2012, net production was 2.61 million barrels per day, about 2% lower than 2011. Our base operations delivered strong performance. The production decline remained on trend at about 4%. The largest impact to our production in 2012 was the precautionary shut-in of Frade field in Brazil, which had an annualized impact of 29,000 barrels per day.

Our major capital projects added approximately 85,000 barrels per day including a full-year production at the Thailand Platong II project and the start-up and ramp-up of production from Usan, Agbami 2, Tahiti 2, and Caesar Tonga. Production gains from major capital projects were less than anticipated due to the startup delays at the Angola LNG project. First LNG is anticipated during the second quarter.

Next I will highlight our strong reserve performance. Chevron added approximately 1.1 billion barrels of proved reserves for replacement ratio of a 112%. I want to emphasize we've exceeded a 100% over the last three and five-year periods. In 2012, net additions came from a variety of sources with relatively little from new FID bookings.

We continue to see strong contributions from previously sanctioned projects. 2012 was our highest year for positive revisions in the last 10 years, primarily from favorable drilling results throughout the organization. Our largest positive revisions were in Gorgon, Tengiz and our Wolfcamp assets in the Permian basin.

In addition to success with our development drilling, we continue to have success with our exploration program and I will cover that next. According to Wood Mackenzie, Chevron remains the leader in exploration resource replacement over the last 10 years, while spending less than most of our competitors.

Our internal assessment of resource replacement is even higher with over 10 billion barrels of resource found over this period; a resource replacement ratio of over 100%. Our 10 year well exploration success rate of 54% is outstanding and 2012 was even better. We added over 1.3 billion barrels with a success rate of 74%.

The map shows the location of key 2012 exploration discoveries. We announced 6 natural gas discoveries in the Carnarvon Basin, each adding to our significant gas position. And in the retained Browse Basin acreage we had a significant gas discovery the Crown-1 well.

We've also continued to see strong results from our shale and tight resource portfolio with significant additions from the Wolfcamp trend in the Permian basin and the Duvernay in Canada.

Next I'll cover resource replenishment. From year-end 2007 through 2012 our total unrisks resource replenishment was 154%. Over this timeframe, we produced almost 5 billion barrels and divested 2.5 billion. That was offset by over 10 billion barrels in resource additions from exploration, acquisitions and maturing organic opportunities.

Results will be even higher once we complete our assessment of the recent acquisitions in the Delaware Basin in New Mexico and the Liard and Horn River Basins in Canada. In fact our unrisks resource could approach 70 billion barrels. Our exploration success and business development activities provide us with an attractive portfolio with significant potential for organic growth.

Let's now review our leading financial performance. Last year our upstream costs were \$31.16 per barrel. This was approximately \$2 higher than 2011 due to increased turnaround and labor costs and higher DD&A. Our upstream cost structure and the cost structure of our competitors increased the last few years largely driven by higher cost of goods and services. Complete competitor data for 2012 is not yet available, however we expect that our upstream costs will remain competitive with the peer group.



Realizations for the competitor group are also incomplete but can be estimated, and we expect to remain the leader holding a \$4.5 a barrel advantage over our closest competitor. The quality of our assets and our portfolio weighting to oil provide us with an advantage.

On a volumetric basis, we are 70% weighted to oil and predominantly tied to Brent, Mars, Louisiana Light and Kern River. In addition, a large portion of our gas sales are linked to oil, making our portfolio on a pricing basis equivalent to 80% oil. With a leading position in realizations and a competitive cost structure we've delivered unmatched earnings margins.

Our 2012 earnings of \$23.70 per barrel are over \$5.50 higher than our nearest competitor. We led our peer group in this metric for over three years and we've also outperformed the large US E&Ps over the same period. I am very pleased with our leading position and the large gap separating us from our competition.

Complete competitor ROCE results for 2012 are not yet available, however our return on capital employed of 21.5% is expected to rank at the top of our peer group once again.

In summary, we are making the right investments, executing well, and as a result leading our competitors on key financial metrics.

Our 2013 upstream C&E budget is \$33 billion and is focused on progressing our major investments; our Australian LNG projects, the Gulf of Mexico deepwater projects, and finding new opportunities through exploration.

For this year, about 10% of the upstream budget is targeted for exploration; 60% is directed to major capital projects with about \$10 billion going to Gorgon, Wheatstone, Jack/St. Malo and Big Foot. The remaining 30% of our investment goes to base business. This is up \$1 billion due to increased activity in areas such as the Permian.

Our investments are aligned with our strategies and they strike a balance between long-term growth through exploration and business development, mid-term growth through major capital projects and near-term production from our base operations and small capital projects. We are focused on delivering value from this capital, and as you saw in the previous chart, we're doing just that.

Now let's take a closer look at our base operations; a critical component of our leading performance. Over 2 million barrels a day of our production comes from our base operations. Mitigating our base decline is a critical component of our long-term growth. With a consistent focus on operating efficiency and reliability, plus targeted investments in small capital projects, we sustained a decline of around 4%.

From 2007 through 2011, our small capital project investments added over 700,000 barrels per day. These projects deliver near-term production to mitigate the base decline and because they leverage existing facilities, they have high returns - typically over 50%.

We are actively pursuing further enhancements of our base performance through new technology, such as our proprietary iField application that allows us to actively monitor and optimize well performance. Our high base activity positions us well for developing shale and other tight resources. We presently have several business units that apply factory style drilling techniques, and they operate large numbers of wells.

Chevron is one of the top two companies globally in the terms of total net wells drilled. We have 100 drilling rigs and a 120 workover rigs currently in operation and our rig count will continue to grow. Among our largest base operations are our world-class steamfloods. Kern River field has over 10,000 wells in operation and it's been producing for over a 100 plus years. Over 65% of the oil in place has been recovered and current production is 70,000 barrels a day.

The Duri Field in Indonesia has over 8,000 wells in operation and has been producing for over 60 years and recovery is over 40% of oil in place. We continue to develop this asset which currently produces 150,000 barrels per day.

We have also been successful in the Pattani Basin in the Gulf of Thailand, where we operate a unique factory style drilling program in an offshore environment. We are also applying these manufacturing best practices in our Marcellus and Permian Basin operations, both hold years of growth potential.



In the Marcellus, we have an active drilling campaign with eight drilling rigs in operation. This program has a carry with approximately \$850 million remaining. We now have long-term production data on more than 65 wells and the reservoir outcomes are on the high-end of our expectations. These wells have averaged 1.8 Bcf in 30 months are on-track to recover over 5 Bcf per well.

We implemented our proprietary deconstructable tank design reducing our average well pad size by 50% and driving a significant reduction in both pad construction and reclamation time. We have also instituted improvements in drilling and fracking efficiency to reduce well development costs. All of these and future process improvements will be utilized and transferred to resource plays around the world.

In the Utica, which is a potential liquid growth area for us, we drilled four wells and fracked two of them. We anticipate spudding an additional eight wells in 2013. Another key liquid area for us is the Permian basin in West Texas and New Mexico.

The Permian is attracting a lot of industry attention as a revitalized liquid rich tight play. We are currently the second largest producer in the basin with nearly 2 million acres under lease. In 2012, in the Midland basin, we participated in over 300 gross wells. Well results are meeting expectations and we plan to further increase our activity levels.

The Delaware basin is less mature but has great potential with stacked plays in the Bone Spring, Avalon and Wolfcamp. Our initial field evaluations are expanding the productive area of these major reservoirs in our acreage. The recent acquisition from Chesapeake added 243,000 acres to our existing Delaware Basin position. We now have almost a million acres across this basin.

2013 will be an active year in the Permian as we plan to drill over 400 wells. We are acquiring more rigs and plan to have 23 in the area by year end. With our acreage position and the quality of these reservoirs, the Permian basin will remain one of our key legacy assets.

Today, our legacy production is 1.3 million barrels per day. The legacy assets have flat to low production declines over the next 10 years. Some have large reservoir potential and are facility limited like Tengiz, while others remain flat through the reinvestment in the base.

Over the next decade, we forecast our percentage of legacy production to increase from 49% to 60% with a start up of major capital projects like Gorgon, Wheatstone and Tengiz Future Growth as well as the growth in the Permian and the Marcellus.

With our strong portfolio, we are confident in our ability to deliver and grow production.

In this section, I will highlight our confidence in achieving our 2017 production target has increased, and then Jay will provide an overview of longer term growth opportunities.

As John mentioned earlier, we continue to progress our major capital projects. We have new projects coming online every year and we estimate these projects will contribute over 1 million barrels per day to our 2017 production. Only 1% of our production target is associated with projects starting up in 2017.

The vast majority of the production growth comes from projects starting up in 2014, 2015 and 2016. This increases our confidence in achieving our 2017 objective. Let's take a closer look at these upcoming startups.

Over the next five years, 50 projects each with a Chevron share of \$250 million are scheduled to start up. 16 of these, as highlighted on the map, have a net Chevron investment exceeding \$1 billion. Over the next two years, we plan to bring on seven large MCPs, our large deepwater projects, which I'll cover in more detail in a minute, and Angola LNG, EGTL and Chuandongbei.

In late 2014, we plan to start up the first train of Gorgon and ship the first cargo of LNG in early 2015. In late 2016, we plan to start up Wheatstone. Let's now take a closer look at these projects beginning with the deepwater, where we are particularly pleased with our progress.



Papa Terra in Brazil is scheduled to start up in late 2013. The top sides for the tension leg well platform and the FPSO recently arrived in Brazil. Well work continues with ongoing drilling and completions. Construction continues on Jack/St. Malo where we've completed hull fabrication activities in South Korea and the hull is under transport to Texas for integration with the top side modules.

Last year, we spoke about our plans to implement new technology on our Jack/St. Malo wells to improve our recoveries and reduced costs. We've now stimulated three wells using the Enhanced Single Trip Multi-Zone frac pack with very encouraging results.

On one well, this single trip frac pack saved 50 days of rig time, a very significant cost savings given deepwater rig rates, and the frac pack did a great job stimulating the reservoir. Testing was constrained by equipment but we saw rates of over 13,000 barrels per day. These sorts of technology breakthroughs could help us unlock the Wilcox potential, improving recoveries and increasing the economics of our existing developments and our future developments like Buckskin and Moccasin.

Big Foot is also making significant progress. The hull sailed away from South Korea at the end of last year and has arrived in Texas for top side module integration. We've also begun fast drilling the wells. Tubular Bells has made progress on the spar and top sides fabrication and continues with the development drilling program.

As you saw in the video, construction in Gorgon is going well. We completed more than three full years of construction and the project is 60% complete. We made significant progress in 2012. 92 prefabricated pipe rack modules were installed. Two prefabricated process modules were set on their foundations. Drilling progressed on all 18 development wells and completion operations have begun

A very active year is plan for 2013., The first gas turbine generator has arrived on site and the second generator is scheduled to be set on its foundations by the end of the second quarter. The remaining LNG training one process modules are schedule to arrive on Barrow Island by year end, and the domestic gas pipeline is scheduled to begin supplying gas for plant commissioning in early 2014. Currently, 65% of our equity LNG is under long-term contracts and our goal is 80% to 85% term sales by start up.

Now, let's look at Wheatstone, our other legacy LNG project in Australia. Activity is ramping up and on plan. More than \$19 billion in contracts have been awarded. Our focus at Onslow is onsite infrastructure, roads, beds and water. And the first two phases of the camp are complete.

Plant site earth works are progressing well, equipment manufacturing is underway around the world and deliveries have commenced. Fabrication of the top side modules for the offshore platform is also progressing well.

On LNG marketing about 80% of our equity LNG has been contracted on a long-term basis. In 2013, the platform substructure fabrication and offshore dredging will begin. We also plan to complete the first phase of the construction village.

About one-half of our equity LNG from Gorgon and Wheatstone will be delivered to our customers via Chevron LNG ships. Currently, six LNG ships are on order and should begin arriving over the next several years.

Next let's review how our major capital projects and our base business investments grow our portfolio. Last year, we shared a breakdown of production growth by asset class. The outlook this year remains similar. Our LNG production increases to over 2.5 times our current rates, underpinned by Angola LNG, Gorgon and Wheatstone.

In the deepwater, we see strong performance as production approaches 500,000 barrels a day in 2017 from the ramp up of projects. Our shale and type resources have significant growth growing to over 250,000 barrels a day and increase of more than 45% or 80,000 barrels per day from last year's projection.

Finally, our conventional heavy oil and solid oil and gas assets slightly increase by 2017. Bottom line, our growth story is even stronger.

Last year, 7% of our 2017 production was still under evaluation. This year, only 2% is in the evaluation phase. A natural progression as we mature our projects.



Production in 2017 from our base assets had a year-on-year increase of over 160,000 barrels per day.

This increase is due to projects moving from construction to production and increase in drilling activity in shale and type resources. As our projects mature, we are not only gaining confidence in our delivery of 3.3 million barrels per day, we are building momentum for growth beyond 2017.

Jay will now cover our opportunity set that extends beyond 2017.

Jay Johnson - *Chevron Corporation - President - Chevron Europe, Eurasia & Middle East Exploration & Production Co.*

Thank you, George. Good morning. Let me start by taking a look at our worldwide view of key assets that will drive our growth beyond 2017. As you can see on the map, we have a large portfolio of assets that are projected to contribute growth, production and value beyond the 2017 timeframe.

These assets are in various stages of maturity ranging from frontier exploration to development drilling in mature assets. As George mentioned earlier, we are leveraging our strong base operations organization to develop our emerging shale and other tight resources.

And we recently added six new opportunities which have the potential to be long-term growth contributors. We also have 13 major capital projects in early phases of development. These projects are forecasted at production between late 2017 and 2022.

In addition, we've been actively acquiring new opportunities to supplement our portfolio. These new assets are aligned with our strategy to enter the right place early and to focus on organic growth. I'll cover a number of these growth areas starting with the expansion of our LNG portfolio.

Our entry into the Kitimat LNG project and the world class Liard and Horn River Basin developments has been a great addition to our portfolio. Gas from these fields is expected to feed an initial two train 10 million tonnes per annum LNG facility. The first phase of development is currently in FEED.

We are still in the early assessment of the Liard and Horn River Basin, however our partner's estimates showed that these developments could hold recoverable resource volumes well in excess of 50 TCF.

With such a large resource base, these fields could readily support additional LNG trains. Our largest LNG facility Gorgon has an LNG capacity of 15.6 million tonnes per annum in the first three trains. Our partnership has 11 TCF of discovered resource in the Carnarvon Basin available to support a fourth train. This initial phase of expansion targets the Chandon and Geryon Fields.

Both Kitimat and Gorgon Train 4 are new legacy projects that are forecasted to provide production and cash flow for decades. Our confidence in moving forward with the expansion of the Gorgon project is driven by our ongoing exploration success in the Carnarvon Basin where we have the largest portfolio of exploration acreage among our competitors.

Our continued success in exploring the basin is demonstrated by the 20 discoveries that have been announced since 2009, which includes 7 discoveries over 2012 and 2013. These discoveries have added a total of 10 TCF of resource or more than 1.5 billion barrels of oil equivalent. And it's not over yet as we are planning to drill two additional impact wells in the Carnarvon Basin this year.

So with our sustained exploration success in Australia, we are confident there's sufficient resource potential to support further expansions not only at Gorgon but also at our Wheatstone development. Now, let's turn from LNG to another type of large expansion opportunity.

Tengiz is currently producing at a rate of 750,000 barrels of oil equivalents per day and the field has the potential to produce much more. The first step to unlocking this potential is to provide additional export capacity.



The Caspian pipeline expansion project is designed to increase pipeline capacity for just under \$1.5 million barrels a day and was sanctioned in 2011. The CPC expansion is currently 35% complete and we expect to be able to access initial incremental capacity from the project in 2014. The next step in our expansion of Tengiz is the Wellhead Pressure Management Project which is currently in FEED, with FID expected late in 2013.

The Wellhead Pressure Management Project is design to sustain current production levels by installing a pressure boost facility that allows wells to operate with lower back pressure, resulting in additional well capacity to support the expansion of our the TCO facilities.

With these enabling projects, the Future Growth Project, or FGP, is designed to increase Tengiz's production capacity by utilizing the technology that was developed for SGI/SGP, the previous expansion. That technology was put into service and proven in 2008 and has been operating successfully ever since. Together, these projects are expected to grow TCO's production to over 1 million barrels of oil equivalent per day.

Another important area of our long-term growth built on our extensive experience with thermal recovery projects and involves the Wafra field, located in the Partitioned Zone between the Kingdom of Saudi Arabia and Kuwait.

We've been in the Partitioned Zone for 64 years. In 2009, we started the Large Scale Steamflood Pilot. This project is evaluating the feasibility of thermal recovery of heavy oil from the Wafra first Eocene carbonated reservoir. We're very pleased with the initial results.

Information from the pilot is helping us test various technologies to determine how best to proceed with the full field development. The first stage is expected to have the production capacity of 80,000 barrels of oil per day with the steam injection capacity of 150,000 to 200,000 barrels a steam per day.

We also have an active steam injection pilot in the second Eocene reservoir. We are currently maturing the project into a large scale pilot which will utilize many of the facilities associated with the first Eocene LSP. The second Eocene also holds great potential for increasing the ultimate recovery of the reservoir.

Based on our results to-date and our decade of experience from operating a highly successful steamflood projects in Duri, Indonesia and San Joaquin Valley. We see potential to increase oil recovery from 5% primary recovery to greater than 50%, but our growth story beyond 2017 would not be complete without talking about a few of a large offshore projects.

Hebron was sanctioned at the end of 2012. The project consists of a standalone gravity based structure designed to handle the harsh sea conditions of the Coast of Newfoundland and Labrador, Canada. The facility is designed to process 150,000 barrels a day of heavy oil and as expected to start up in late 2017.

In the UK, we are processing the Rosebank project which is the large deepwater oil development Northwest of the Shetland Islands. The FPSO for the project is designed to handle 100,000 barrels of oil per day, the project entered FEED in 2012 and we expect to reach FID in 2014. We are also in the initial stages of evaluating a hub development of the Buckskin and Moccasin fields in the Gulf of Mexico, a development strategy similar to Jack/St. Malo. We are currently drilling the first appraisal well of Moccasin and plan addition appraisal wells at Buckskin later this year.

Now that I've highlighted some of our longer term major capital projects, let's move to our exploration activity, which with success will provide the resource to underpin future development. I will start with 2013. We continue to have an active exploration program in 2013. We plan to invest about \$3.4 billion in exploration and to drill 90 exploration and appraisal wells worldwide.

We take a global view in allocating our exploration dollars to efficiently and effectively assess our acreage. Our focus areas are areas of demonstrated scale and prospectivity to form the core of our exploration program, and where we concentrate significant portions of our exploration activities and resources.

We recently added North American shale and tight resources as a new focus area. With our recent success, we planned to continue our exploration program with additional drilling in the Permian, Marcellus, Utica, Duvernay, and now in the Liard Basin.



We plan to drill 14 impact wells this year, more than either 2011 or 2012, with eight of these wells in focused areas. In addition to activity in our focused areas, we have also ramped up in our test areas. These are areas that with success may become future focus areas. As an example, this year we plan to drill two exploration wells in the Kurdistan Region of Iraq.

Our other test areas can broadly be divided into two key asset classes - deepwater and shale and tight resource. These test areas are in the early stages of the exploration process. With their low entry cost and upside potential they fit well in our portfolio. We are gathering seismic and well data to determine their development potential.

Our ability to form effective partnerships and to apply technology has made us successful not only in capturing but in being able to progress the exploration and assessment of these long term opportunities. Of course with success we can see production from some of these resources within the next decade.

In summary we not only have a clear line of sight to deliver our 2017 growth objectives, but a robust opportunity set to drive growth beyond 2017.

And now I'll hand it back to George for closing remarks.

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

Thank you, Jay. I would like to close with a review of our growth story. Like I said we are on track to deliver our production target of 3.3 million barrels a day by 2017. Our base operations are performing well and we are progressing our robust queue of projects.

In 2013 we plan to grow production by 1.5% with a start up of Angola LNG and the ramp up of Tahiti producers. In addition we forecast growth in production in the Permian and Marcellus. In 2014 our large deepwater projects begin coming online. In 2015 we are planning to see our first cargo from Gorgon followed by the first cargo from Wheatstone in 2016.

So we feel very good about our 2017 target and we anticipate continuing to grow beyond 3.3 million barrels a day. And we plan on doing this while delivering superior financial performance.

In 2012 Chevron's Upstream cash margins were approximately \$37 per barrel and while data from all our competitors is not in, we fully expect to lead on this metric as we've done for the past several years. When we look at the projects we are bringing online over the next five years, we forecast that they will be accretive to our portfolio cash margin. This superior performance is a result of our focus on our base business and selecting and executing the right projects with excellence.

We lead our peer group in key financial metrics. We've accomplished this through our focus on operational excellence, both in base operations and in the execution of our major capital projects. We remain committed to delivering value while delivering an expected 25% growth in production over the next five years, and we are focused beyond the next five years working to expand our queue of opportunities that will allow us to continue to deliver strong performance.

Thank you for your attention and now John will come up for a few closing remarks, and then we will get to Q&A.

John Watson - *Chevron Corporation - Chairman, CEO*

Okay, before we take questions, I would just like to summarize a few things that I stated at the beginning. I hope you are convinced that we are delivering industry leading results. We showed you information of both segments and in total that suggest we are doing quite well relative to our competitors.

There's a lot of activity going on out in the world, certainly considerable amount of turmoil, discoveries taking place in gas markets, lots of changes in the world, but there is demand for energy; and our strategy really haven't changed very much and remain very well aligned with where they've been in the past.

The message this year on growth is that 2017 target is on track, but there is more beyond that. Last year you would asked about that. And finally we're focused on execution. You can have very good plans but you got to execute. We showed you a video that gives you an idea of the scope and scale of projects that we have underway, but we remain on execution every day and we are striving to get better every day.

With that, I will invite Pat and Mike to join us on stage. Just a couple of reminders, if you have a question, raise your hands. I will direct you to the appropriate person and please wait until a microphone gets to you. We will start here with Jason.

QUESTIONS AND ANSWERS

Jason Gammel - *Macquarie Research - Analyst*

Thanks, John. Jason Gammel with Macquarie. I just wanted to ask a broader question about the LNG business and many of your competitors have been willing to take relatively large percentages of their output into a portfolio and then trade that portfolio.

You've really focused so far on point-to-point long-term contracts. As you look to put Kitimat, Gorgon Train 4, Wheatstone 3 plus into the market, do you think you'd be willing to take more in the portfolio so that you're not really competing for customers across projects?

John Watson - *Chevron Corporation - Chairman, CEO*

Well, I'll make a couple of comments and then I'll let George offer a few words. But first off, we do have some flexibility in the contracts that we have. We haven't disclosed a lot of detail around that, but we have some flexibility in our Australian contracts.

And one of the reasons we're ramping up the midstream activity that I talked about earlier is so that we can have a portfolio. Remember, we're targeting 85% of our sales on long-term contracts and so there will be some that will be on top of that, plus we haven't signed the contract yet in Canada. Any comments on Canada and how you see that playing out?

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

Well, couple of comments, one we want to have 60% or 70% to long-term sales before we go into FID on a project. I feel much better when we have that. We know the pricing, we know what underwrites that project, and we follow that model I think on Gorgon and Wheatstone and its proven to be, I think a very good model. So my expectation on Kitimat on the marketing side would be just that. We would look to get 60% to 70% at our HOA level with very good customers, before we would go past FID.

What I do like an awful lot about Kitimat with -- and I'll start with the resource is fantastic, fantastic resource over 50T, great individual wells, recoveries, all of that very good. And I like what we have ended up with the partnership.

We've ended up with a partnership very clean two 50% partners. One partner, Apache, focused on the resource side and they've drilled wells, they know a lot about that and a really good fit for us, leveraging off what we've done in Gorgon and Wheatstone where we have done the marketing and building the plant. So I think we have built a really successful partnership. Of course, the next step is to get some customers to sign up and get to that 60% or 70% level.



John Watson - Chevron Corporation - Chairman, CEO

Go ahead.

Unidentified Audience Member

(Inaudible) Securities. Australia is becoming a bigger part of your portfolio, John. I'm just trying to understand some recent trends in cost, particularly when it comes to labor cost. It looks like things improving a little bit, if you could comment on that. And secondly there is an election coming up and some regulatory issues that we should keep an eye on? Thank you.

John Watson - Chevron Corporation - Chairman, CEO

Sure. Well, there has been some abatement in cost, I mean what you've seen is as cost have risen throughout the construction business not just in our industry but in mining, you're seeing some mining projects that have fallen over, and so you've seen a general easing in some of those pressures.

Having said that, it is a very expensive labor market to be sure. Now, we've had good -- great ability to bring in the people that we need, to move the project for long, and in general, we've gotten good support from the government. There are strong unions in the country but we have about 20 different labor agreements and we've been very affective in managing those issues.

When it comes to the politics of the area, in fact, I am heading there this week, I visit Australia a couple of times the year. George visits there regularly. we have a very strong MD and operating company head that visit there.

And we actually got good relationships with both parties. In fact, we've had one party leading in Western Australia and a different party at the federal level. And we've had good relationships with both.

And they -- one thing they have in common is that they support resource development and they understand that there are cost pressures in our business and they understand that we and others are watching them when it comes to fiscal terms or other actions that they might take that would impact in our business, but our relationships have been good.

John Watson - Chevron Corporation - Chairman, CEO

Let me go on the back there.

Blake Fernandez - Howard Weil - Analyst

Hi, this is Blake Fernandez with Howard Weil. This may be a question for Pat. You had a slide showing the capital employed increasing overtime. I'm curious if you could give us some color on the amount of unproductive capital or the amount of capital not currently contributing to the bottom line compared to historical standards?

John Watson - Chevron Corporation - Chairman, CEO

I think Pat can give you that information.

Pat Yarrington - Chevron Corporation - VP, CFO

Sure. I mean at the end of 2012, we were kind of in the mid to high 30% and it's higher than it has been more historically. I'd say more historically, we were in high 20s and low 30%, so you did see a jump here in 2012 because of the major investments that we made this year.

John Watson - *Chevron Corporation - Chairman, CEO*

And it will stay pretty high for the next couple of years.

Pat Yarrington - *Chevron Corporation - VP, CFO*

Right, and then -- and then you would see we have a lot of projects coming online as George just went through in the 2014, 2015, 2016 period of time.

John Watson - *Chevron Corporation - Chairman, CEO*

Which obviously makes the returns we're generating all that much better.

Okay, we'll see, before we get -- I guess we're back to round two. Ok, Paul, go ahead. I'm sorry, I'll get you next. Go ahead.

Paul Sankey - *Deutsche Bank - Analyst*

Thanks. Paul Sankey, Deutsche Bank. Thanks, John. You seem clearly very high in confidence about the 2017 and it's palpable. And I think we buy in -- you know, we can see the projects, we can see the returns.

John Watson - *Chevron Corporation - Chairman, CEO*

Good.

Paul Sankey - *Deutsche Bank - Analyst*

If I was to -- if I was to look back at history and risks what could go wrong aside from execution, I would list the risks probably first, some sort of tax change or government change in Kazakhstan. Second, Gulf of Mexico reservoir performance, how much, you know, in the past we've seen execution on top sides and then failure underneath?

And I think you've kind of addressed this but some sort of Australian union, perhaps weather event, you know, something like that. Do you agree with my list of risks? Would you add any and can you address them? Thank you.

John Watson - *Chevron Corporation - Chairman, CEO*

Well, one of the reasons oil prices are over \$100 is because there are lots of risks and I could alphabetize them. There are a lot of risks in our business. It's our job to mitigate those risks and we do so very well.

One of the things that we've tried to do is to lay out the year when these projects come online, so you get a feel for just how big a risk is there to the 2017. One of the points that George was, you know, hopefully trying to make, we used the same chart twice so hopefully it came across is that these projects are fairly mature.

We do have to maintain good relationships everywhere we go. You know ultimately, Paul, the way I look at it is we have to be -- we have to be -- a force for good in the country, we have to be doing things that the country needs, and whether its Kazakhstan or Australia they support us. They support us because we brought jobs, we've been sensitive to the issues that they have and they know -- and they're trying to attract additional capital. And so they know that it's important to maintain fiscal terms.



We've delivered on our end of the bargain and I expect that they will. Having said that, there are some risks -- George, probably a couple here you may want to comment in the space.

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

You mentioned ones with deepwater Gulf of Mexico. We tend to do a lot of assessment wells to understand that reservoir risk because it is there. In the case of Jack/St. Malo, as an example, we did a -- we're doing a very staged project development.

The first stage was not what we foresee as the likely outcome of how many wells were drilled, but we use that view to determine whether we are willing to invest. So we hedged our bets a little bit on the front end on the technical side. That's why we feel so good about the data that's starting to come out on some of the technologies that we're using there. So we tend to do that. We like staging projects where we take that kind of risk out of it, the sub surface risk.

I would like to mention, one last comment on -- for us in the international setting. One of the most important things for us to do is meet the terms of our contract. We execute our contract, we do it well, we perform well, the benefits to the government is the greatest, the benefits to the community is the greatest, and of course, it actually is easier time for us to operate when we do that very best job. So that's very important for us and we really tried to stay focused on delivering those contractual terms.

John Watson - *Chevron Corporation - Chairman, CEO*

Okay, John?

John Herrlin - *Societe Generale - Analyst*

Yes, hi. John Herrlin, Soc Gen. Question on the shale, George, you shared fairly robust growth in shale production between 2013-2017. Could you give a sense of what the split would be between the Permian and the Marcellus and Utica in terms of volume growth and also are you in pad drilling mode there?

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

We see -- we had the curve on -- that showed how much growth we saw on the Permian. We see by 2017, we're going to be in the almost 200,000 barrels a day level in the Permian by that period.

We're going to have over 100,000 barrels a day in the Marcellus, and I'm giving barrel equivalents instead of gas. That's not including what we have in Michigan or elsewhere that came with our purchase there, but we expect to grow from about 30,000 barrels a day, by the end of this year up to near a 100,000 barrels in the Marcellus.

The reason we're seeing so much focus on the Permian is the success we're seeing there. I'll give you a little context. The last four Delaware basin wells we've drilled, actually us and partners, we had interest anywhere from 50% to 100% in these wells. Every one of them was over 1,000 barrels a day on I.P.

So we're seeing good performance there. In the Wolfcamp wells we're drilling out there, much smaller wells, vertical wells, in the sense, much cheaper wells, but good performance meeting, expectations.

So what we're seeing in the Permian is they're meeting our expectations or is meeting or exceeding and they are high liquid contents. So we're really interested in moving and drilling there.



We see liquid contents on most of these in most cases exceeding 60% of the OEG. So they are quite good. We've seen recoveries that are meeting our estimated ultimate recovery estimates at this point in time, all fit in-line with expectation or higher.

I like -- so the last little piece of it is the early view on the Chesapeake acreage that we purchased is we are seeing actually more productive area there, more zones potentially productive than our initial assessment was. So we feel very good about that acquisition.

John Watson - *Chevron Corporation - Chairman, CEO*

It's a good start. Arjun?

Arjun Murti - *Goldman Sachs - Analyst*

Thanks, it's Arjun Murti with Goldman Sachs. Actually, a follow-up question on shale and execution. Chevron has been successfully focused on the mega project, that's something that you have done well.

I think the question is from an organizational capability, you clearly put up more robust growth plans. I assume you are feeling good about it. But can a company of your size and scale compete with the leading E&Ps in terms of well cost key metrics, in terms of being nimble on acreage acquisition when you are feeling better about a certain area?

You guys do a lot of things well. I am not sure with some of those things I would say necessarily one would have as much confidence as you do with some of the E&Ps. And is there anything about, you know, the Atlas experience that makes you feel better about adding outside people via acquisition versus trying to built the stuff in-house? Thank you.

John Watson - *Chevron Corporation - Chairman, CEO*

Now, just a comment -- I'll let George talk about Atlas and how he feel, but just a couple of comments.

One of the reasons George put the chart up that showed the number of wells that we have in Indonesia, the number of wells we have in Gulf of Thailand, the factory style operations that we put in place another area is really to show you that we do know how to do that and we've actually been very successful at that. And we're putting in that same type of factory model elsewhere and George can give you an idea of kind of the progress that we're making.

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

Well, you know, like John said, first thing we want to show you, we're already doing that and I'm not sure all our competitors are, but we've been in the San Joaquin Valley forever, we drill lots of wells there.

Permian basin, we do the same thing. Indonesia we do the same. And actually we even apply that in offshore environment in Thailand where we're drilling over 300 wells a year in an offshore environment, which is a significant number of wells. So we have that capability; it's about people and processes.

We feel we can with our technology, we think we can compete with anyone in drilling shale wells. Shale activity most, at this point, much of it has been very brute-force. We see a lot opportunity to apply technology to, in effect, reduce cost, frac only the portions of the shale reservoirs that really we can get gas out of or liquids out of. So we see a lot of technology application that can improve efficiency cost. So when you get the combination of getting the barrels, we're spending less money and it's usually pretty good for us.



Now we are focused to the best of our ability towards the liquid side, and that's why it's the Permian basin, that's why it's the Duvernay. That's particularly in the North America setting.

John Watson - *Chevron Corporation - Chairman, CEO*

Yes, just in the Marcellus range, to put it in perspective, one, you know we both -- we made some visits up to the Pittsburg area and we've been pleased with what we have seen, and the people I think have embraced being a part of Chevron.

You know, one thing that it took us to do with a small company is we have to get our system lined out, so making sure that permits came timely, making sure that infrastructure was put in place timely, and George and I get an update every month and I think some of you know on our major capital projects.

One of the thing that we get an update on every month is how we're doing in the Marcellus, and we get an update from our vice president that covers that area, and we see the progress as we come down that cost curve. So we do benchmarking, we know where we are and we're making very good progress on that curve. So I think that's a long way for both of us to say I think we can handle this too.

Go ahead, Doug?

Doug Leggate - *Bank of America/Merrill Lynch - Analyst*

Thanks John. Doug Leggate from Bank of America. I want to come back to the production targets again. The 2010 target when you laid out, obviously, we've talked about this before that the oil price was a bit lower and you're still using the same oil price.

Atlas has been added since then. Chesapeake's acreage has been added and you're probably spending a bit more. My point being, you know, there are a lot more stuff and you are doing a lot more with that stuff. Are we at the point now where even if oil prices don't -- you know if they stay pretty much where they are, the 3.3 million target is still good? And I've got a follow-up if I may for George?

John Watson - *Chevron Corporation - Chairman, CEO*

Yes, I think that's basically the message we said with all the projects that are under construction. We put up that target in 2010. Seven years, Doug, is quite a way, a lot of the projects hadn't gone to final investment decision.

We had gone to FID on Gorgon, but we hadn't gone to FID on Wheatstone or some of these other deepwater projects. In fact we had a moratorium going on for some of this time and, yes, we went forth with the goal because we knew we had a good portfolio of opportunities.

And what we see now is that these projects are underway and there is a high confidence. There's very little that hasn't gone to FID.

Now price can have some impact on base business and other activity, but you saw that's a pretty -- a pretty small -- a smaller slice of the wedge. We invest for value and so we're going to invest commensurate with the environment that we see out there, but as you've seen most of it is under construction and ramping up. So the likelihood that we'll get there is getting better every year as we get closer and more of those projects come online.

Doug Leggate - *Bank of America/Merrill Lynch - Analyst*

Thanks. And my quick follow-for up, George, could I just ask you to give us an update on what your plans are for the Utica -- how quickly you expect to accelerate them? Thanks.

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

This year is the -- we should start seeing results from the wells we fracked, we drilled for. We have two fracked and we've got another eight or so planned to try to get drilled this year.

So it puts us in a good position to start answering the questions. You know, the questions we need to understand productivity, we need to understand liquid content, very important for us is, is it predominantly gas, is it gas liquids, is it C5 plus? We need to answer those questions. That will tell us how fast we will want to move post that because it will tell us the attractiveness of the economics.

And maybe I'd add one comment back on the 2017. You know, there were pieces that have moved between what we said in 2010 to 2017. One piece that was in our numbers in 2017 was Tengiz. Tengiz has slipped basically out of 2017 into 2018.

Now, of course, that raises our confidence and that we're going to have growth in 2018. I mean it's pretty straightforward when you have a new development that's going to be 250,000 or 300,000 barrels a day of new production and we have 50% of it, so we've got a lot of confidence that you're going to have a good growth year in 2018.

John Watson - *Chevron Corporation - Chairman, CEO*

So we've also had property sales so there has been some evident flow in the project portfolio which I think your point and, yes, we're still....

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

John raised a very good point there, so the thing we probably don't forecast as well is property sales. And, you know, there was almost, you know, 15,000 to 20,000 barrels a day. It went away in the Cook Inlet.

That wasn't fully in the plan when we first went out there, but it made sense for us at that point to do it. So you have some ins and outs and we try to adjust with that. We didn't know the Permian was going to be so good either so that's one of those cases that goes both ways.

John Watson - *Chevron Corporation - Chairman, CEO*

Ed?

Ed Westlake - *Credit Suisse - Analyst*

Yes, two questions. Coming back to -- Ed Westlake at Credit Suisse -- coming back to capital intensity and these foundation projects and thinking about Kitimat, do you think the returns on the Kitimat foundation project will be sort of Wheatstone-like or do you think they are going to be better for capital intensity, however you want to address that question?

And then a question on global sale, you know, based on the portfolio that you've got so far, I mean, which area should we be most excited about thinking about growth beyond 2017? Thank you.

John Watson - *Chevron Corporation - Chairman, CEO*

Well, on the Kitimat side, I don't think we have a lot to say because we only have been only in the project for month and so we don't have cost estimates, but when we do, we'll be happy to share them.

I think it's fair to say we're going to learn from what we had at Gorgon and Wheatstone and other projects and we have nice site there. We know we've got a cost competitive position on the upstream side with fairly prolific wells but it's just early days.

When it comes to shale, maybe I'll let Jay talk a little bit about -- Central Europe is front and center for us and maybe he can talk a little bit about that area.

Jay Johnson - *Chevron Corporation - President - Chevron Europe, Eurasia & Middle East Exploration & Production Co.*

Well, in the Central Europe, we're in the very early days of shale exploration. So we've accumulated quite an acreage position. We've got close to 4 million acres now under contract and we're negotiating with another approximately 3 million acres that are all along the geologic trend we see running through Central and Eastern Europe.

All these countries are very focused on understanding and assessing their energy potential. So while there is a lot of misinformation and issues floating around, we're getting strong government support, we're making a lot of good progress and working with regulators, government and local communities to help them understand just what is involved as we move into a shale exploration program.

Some of the initial issues that we ran into there, we're making progress now. We expect to drill additional wells in Poland this year as well as Romania, additional seismic work. So, while it is early days and there are a lot of things to cover - Europe doesn't have necessarily the contractor base that we have in the US. It doesn't have the infrastructure for pipelines that we have in the US and the access - We're still very encouraged by the progress we're starting to make in these early exploration efforts in this trend.

John Watson - *Chevron Corporation - Chairman, CEO*

Not many wells and drill either.

Yes, Paul? Oh, I'll come back over here next.

Paul Cheng - *Barclays Capital - Analyst*

Thank you, John. Paul Cheng, Barclays. George, can you give us an update about Argentina where the lawsuits sitting right now and how your investment pace may be impacted whether or not impacted by that?

The second question is that in your future growth or testing area, Russia is noticeable missing and to a lesser extent maybe in Mexico. Can you give us some idea that why those two may not be in your portfolio for testing. You said you don't like the resource base or you don't like the fiscal regime? Thank you.

John Watson - *Chevron Corporation - Chairman, CEO*

I'll have George take the Russia the question. I think the first one was the Ecuador question, so maybe I'll take that and make a few comments. I know most of you are very familiar with the case and the evidence that we have put forward that shows just how pervasive the fraud is I think is pretty well-known.

Most recently of course, one of the judges that accepted bribes in Ecuador has come to the United States and given a deposition and other corroborating evidence supporting the fact that he was bribed by the plaintiffs lawyers. So there's no question about the facts in the case, and so we're pursuing offensive and defensive measures.

Tribunal in the Hague has moved at a certain pace, but the rulings we've had there under the bilateral investment treaty have supported us.



Ecuador was ordered to take all steps necessary to prevent enforcement by all levels of government, and they haven't done that and they have been found to be in violation of their treaty by that same panel. That information is important because the plaintiffs lawyers are seeking enforcement actions around the world in several locations. One happens to be Argentina. Those enforcement actions go through various steps, some of which are jurisdictional and otherwise.

In the case of Argentina, they were successful in having a temporary embargo placed on our operations there. We think that was inappropriate ruling, and we think whether it's Argentina or any other government that follows rule of law will, at the end of the day, find in our favor.

For the time being, we're continuing to conduct business. Of course, any ramp-up in activity in Argentina, as you would expect, will be conditioned on us having full and free access to our cash and other resources. So we'll see how that plays out. We have been a good partner in Argentina for a long time, and I expect that they will find more value in having Chevron with a continuing presence there than honoring a corrupt verdict from US trial lawyers. George, you want to talk a little bit about Russia?

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

I will do it in a general sense. First off, you guys always want to know where we're looking next. And, of course, we don't ever speak about any of that that's in the cooker, right? We don't think that's we're working on.

We're always looking for good resource opportunities around the world that match resource and, on the fiscal side a return. We are very return-driven, and we have the beauty right now of a very good portfolio with the long runway on it, and our focus for that reason is on early life, early lifecycle and opportunities that meet that portfolio requirement.

If they don't compete with our portfolio and our portfolio opportunities, they don't make it in it. It's pretty simple. If they're not good enough to compete, don't spend the money to put them inside. And we live by that every day that if it doesn't compete, it doesn't come in. Russia specifically has great resource opportunities. We've got to find one that matches our need to resource and return, and we love to be there just like any place else. I mean, our formula is pretty straightforward.

John Watson - *Chevron Corporation - Chairman, CEO*

Our relationships are good. Jay spent a lot of time with Russians on the Caspian pipeline and other matters, and so our relationship is good. But it's one of those commercial issues.

Not alike what happened in Southern Iraq where we spent an enormous amount of time preparing to enter to the bid round, but we just didn't see the economics, so we weren't able to move it forward. There was a back there that I -- yes. I can't see who it is.

Faisal Khan - *Citigroup - Analyst*

Yes. Thanks, Faisal Khan, Citigroup. Can you just give us the -- you guys mentioned you tripled your earnings in Oronite and doubled your earnings in lubricants in the graph show, but what's the notional number there so we know exactly how much earnings power you got? And I have a follow-up on the Gulf of Mexico.

John Watson - *Chevron Corporation - Chairman, CEO*

How much do you want to say, Mike? Go ahead.

Mike Wirth - *Chevron Corporation - EVP - Downstream & Chemicals*

Well, in fact, we don't break our earnings down into those segments. I will tell you they've gone from being businesses that might have been on the margin as we've gone through our restructuring and improvements initiatives in the Downstream to ones that are clearly in the center of the portfolio. So they had moved from what I would call marginal impact to having substantial contributions making substantial contributions within our portfolio but we just don't break them down any further than that.

Faisal Khan - *Citigroup - Analyst*

Okay. And then on the deepwater Gulf of Mexico, George, I think in the past you've referenced this 12% recovery factor in Jack/St. Malo and you said that there was additional data maybe that's moving up. It looks like you've acquired some additional data even further than what you had before. So what are those recovery factors now and where do you think that's headed, and what about Coronado?

John Watson - *Chevron Corporation - Chairman, CEO*

You are dying to talk about this one.

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

Yes. That's true. I want to back up a little bit. We came probably maybe as many as three years ago and told you about this technology, this single trip frac pack that we are going to be developing. We didn't know the outcome of what that was going to be. We actually went and tested it in Rangeley, Colorado onshore, and then we went down to the San Joaquin Valley and had another full scale of test of that tool, that equipment.

We just put up the announcement that it was quite successful. To give you some idea of the impact of it. It saved us on these three frac packs we installed. We saved between 20 and 50 days of rig time. The 50 is about a \$50 million savings, so that one went perfectly well, everything worked. On the other side, but we do see that we can save 20 to 30 days of rig time per completion.

Now the second piece of it, does it give us the kind of completion quality that we need, and that was the second piece where we told you it was equipment limited at 13,000 barrels a day of production. Based on the data we looked at, we think we've got a very good chance of making IPs on these Jack/St. Malo wells in the 20,000 barrels a day range at startup. So that's the big news for us. So we've cut the cost which is great for the future and future drilling operations there.

We see the rates and on the longer range plan of raising the recovery and the early recovery, we actually thought the first stage we put in, we're looking at recoveries down in the 8% to 10% range. For these two fields, that would give you about half a billion barrels of recovery because there's about 5 billion barrels of oil in place between these two fields.

Our goal is to get up to 20%. We're looking at pumps on the sea floor, which actually are going to be as part of this first stage will give us a little bit of that. We're looking at ESPs inside the wellbore that will give us a little bit more. We think there is a path on technology to get to recoveries 20% or greater, so doubling the recoveries so, in effect, creating another half a billion barrel oil field with technology.

We're not there yet, but our belief is only reinforced by our recent success with this single trip frac pack. So --

John Watson - *Chevron Corporation - Chairman, CEO*

Coronado and other?

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

Coronado is still in the evaluation stage. I would expect we would announce the outcome of Coronado on the second -- probably the second quarter call. I think I'm on that one.

John Watson - *Chevron Corporation - Chairman, CEO*

Okay. I'll get you next. Yes?

Evan Calio - *Morgan Stanley - Analyst*

Great. Hi, Evan Calio of Morgan Stanley., Portfolio balance question. Like LNG has been a significant portion of your growth through 2017 and beyond, the other clue is market opportunity. Is it a function of how opportunity stack up or do you see any portfolio balance, organizational capabilities that would limit you as an operator in other potential LNG projects, and then second question this may be any update particularly on the onshore lower tertiary. I know you have been active in several wells there? Thanks.

John Watson - *Chevron Corporation - Chairman, CEO*

Okay. I will let George take the latter one. But basically one of beauties of the LNG projects that we have is they're at well stage. We're completing Angola LNG right now. Gorgon is staged to come on late 2014, with first cargo in 2015. Wheatstone is a couple of years behind that. And the Kitimat project figures right in that sweet spot.

Let's put this way, we would not be talking about that project if we didn't think we could staff it. We have put our team together. Already they are getting started working with Apache and we were hitting the ground running. So organizational capability is a big part of a consideration for any projects.

Frankly, it's one of the reasons we didn't enter Southern Iraq. It was going to be a big, big commitment of people and we didn't think the returns were commensurate with the use of manpower as well as the use of capital. So we feel good about them. Second part of it, George?

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

Well, once again we have great lease position in the lower tertiary. We've got discoveries now; Moccasin and Buckskin. We're in the assessment process. We want to get the assessment, the appraisal wells there drilled because we want to get into the next step. We do need to narrow the range of our views on the resource there. We'll be drilling probably almost every year the next few years a couple of wells in the low tertiary exploration wells, so that's my expectation that we'll see that.

We really have a portfolio of opportunities in the deepwater Gulf of Mexico that would really justify six deep water rigs. We have five deep water rigs working. The amount of work that goes to exploration at this point is heavily driven by the appraisal and development activity. We would like to be progressing our exploration actually a little bit faster, but we --

John Watson - *Chevron Corporation - Chairman, CEO*

We have four rigs working development wells.

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

We got four rigs working full-time development wells and part of the time a fifth rig working development well, so that's really our focus at this point. And we've ramped up a lot. We've never ran five rigs before. Before the moratorium, we were only running three. And it takes a lot of people capability to run that many rigs.

We are looking at the possibility to see if we could get to a sixth rig. If we can't do it really really well, we're not going to do it. It's a fact that you had to do it really well, and it does take a large number of people. The good news is we got a great portfolio.

John Watson - *Chevron Corporation - Chairman, CEO*

And I thought I heard you say onshore, did you say onshore?

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

Did you say onshore?

Evan Calio - *Morgan Stanley - Analyst*

(Inaudible).

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

So, okay, okay, okay. I'll move 100 -- you'll get a two for one. I'll move 150 miles north then.

Lineham creek I will tell you that our partner, I think possibly frankly jumped the gun. We don't make announcements on wells in progress and drilling. When we get completed with Lineham Creek, which is a deep play on the shelf, we'll quickly inform that. We are not finished that well yet. I think, we were down to about the 20 -- last number I saw we're in the 26,000 to 27,000 foot depth. So we just don't do that until we do our assessment. We get our data, our logs, and we'll tell you about it after that.

We do have a great portfolio that we picked up for this deep shelf gas play. We picked it up in lease sales and probably the prior three lease sales before there was a lot of discussion around. So if it works, we got a great position. These leases were very reasonably priced. The wells are no doubt a challenge, but it's what we do in exploration. The good news on it, the first well has actually been onshore wells. They are actually being drilled from an onshore rig.

John Watson - *Chevron Corporation - Chairman, CEO*

Okay. I think there's another question, yes?

Allen Good - *Morningstar - Analyst*

Thank you. Allen Good, Morningstar. Clearly you just detailed you got a very large LNG portfolio in 2017. Can you talk a little bit about your outlook for the sustainability of the price linked to oil and maybe how that relates to your contract and how you think that market develops post 2017? And I have a quick follow-up.

John Watson - *Chevron Corporation - Chairman, CEO*

Sure. Well, first we have some 65% of Gorgon that's in long-term contracts. We have 80% of Wheatstone. So we have these contracts in place. These contracts are staggered, but generally they go well into the next decade and beyond. So we have these contracts in place. They have, in some cases, reopeners. We don't talk a great deal about that, but we're set for a considerable period of time with oil linked contracts. And we are in the midst of negotiating with a number of different parties right now.

And what you're seeing out there in the marketplace is buyers have seen discoveries. They see shale gas in the United States, they see gas discoveries in East Africa, they see that developers make announcements very quickly about when gas is going to come on stream. But I think it's important to look at when FID is taken on these projects and to look at the long-term.

There are complexities, as I said, in my remarks to all of these projects. And I think it's important to really look at what's actually happened and what the history has been. Our view is that we're going to continue to need very strong pricing. And we think oil linked pricing makes sense for these buyers given their alternatives. And that's certainly what we strive for. And we won't take a final investment decision on projects that don't have economics that support the costs that are going to be incurred.

Allen Good - *Morningstar - Analyst*

And just, in California that seems like a similar position where you have Permian move a very large legacy position, a lot of people on the ground. Some people talked about unconventional there. You've touched on it a little in the past. Is that something you ever see moving into your portfolio or are we just still too early in the process for that? If you could maybe comment on potential from the unconvensionals in California a little bit.

John Watson - *Chevron Corporation - Chairman, CEO*

Well, we've been very successful in Southern California. We've been there for a 100 years. And others have for the last four or five years or more made a number of very bold statements about the potential. We've been much more circumspect and I'll invite George to give you an update on what our view is today.

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

I'll start off saying our view of the Monterey really hasn't changed over the last four or five years since we had the first question. We continue to see the Monterey as primarily a structural play. It does work, but you need structure and once again I'll hedge this a little bit and say for Chevron if it's in the continuous portion of the Monterey, we don't see production rates that will compete for opportunities for investments in our portfolio.

We will find it where you've got the structural play where you got a trapping mechanism because we see a lot of this shale or the formation, the oil and the gas that's in the Monterey has migrated. You have to remember, California is a pretty active seismic area and one of the things that we do when we frac is we shatter the shales to create flow paths. Well, there is a risk there that in some of these continuous plays that it has migrated. So our view is still there that it is, for us and I emphasize the for us, we see it more as a structural play and not a continuous play.

David Wheeler - *AllianceBernstein - Analyst*

David Wheeler, AllianceBernstein. I think there's a lot of confidence in the production growth and the cash flow growth from 39 billion into the low 50s. One of the outstanding questions seems to be CapEx, heavy CapEx the next few years.

And, John, you mentioned it's hard to forecast. Can you help us on that though a little bit? Base CapEx goes from \$8 billion to \$10.5 billion over two years. Does that keep going up a \$1 billion a year because legacy projects increase as a percentage? And I guess the other big ticket item is Australia, additional phases of Gorgon, Wheatstone. Are the returns going to be there given the cost inflation to go ahead with Gorgon 5, 6? Kind of your thoughts on big ticket spending there.

John Watson - *Chevron Corporation - Chairman, CEO*

Well, this year in Gorgon and Wheatstone, we're spending some \$9 billion, so this is unquestionably a big year. And we have a couple of additional years, obviously, with those have construction activity. So that's why I made the comment that we're going to have more spend the next two years than we have this year. So we are in a period of capital spend.

One of the reasons we don't give longer term forecast, David, is exchange rates, cost of goods and services. Even on the base business can change quite a bit. And if you look back, go back and chart all those estimates because we've done it. They haven't been very accurate, and you'll remember.

And so the reason we felt confident in giving you a production forecast going out a long period of time is because there's some association between the revenue side and the cost side. You wouldn't get the run up in cost if you didn't have the prices, so there's some correlation between two. So we really haven't put out a longer term forecast.

The only thing I'll tell you is, if you look at the results, profit per barrel, cash flow per barrel, they're good. And George has run through and every year kind of our criteria. Pat has talked about it at some length, and we walk away from opportunities that don't have the right kinds of return associated with them. So I appreciate there is a desire to see more, but I'd rather not put something out that's going to be inaccurate.

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

Can I give a little comment?

John Watson - *Chevron Corporation - Chairman, CEO*

Of course.

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

Just little bit. Remember, there's Angola LNG that's basically, we spend the money. EGTL, we spend the money. So we have a series of projects that are coming down. What we're always trying to do is to get that balance. It's hard to get that balance perfect, so there are times, where you have a project that shifts a little bit. And if they both -- one shifts a little bit later, one shift little bit earlier -- you have that impact. But my expectation is we're going to move the ones; we are going to get them done.

There is some capital increases, I do expect in the Permian and we got a great opportunity there, but it's not these huge numbers. But I could see over a three, four year period, I think we could spend \$300 million to \$500 million more a year there than we presently are.

John Watson - *Chevron Corporation - Chairman, CEO*

At shorter cycle.

George Kirkland - *Chevron Corporation - Vice Chairman, EVP - Upstream & Gas*

Shorter cycle, quick return. So you spend the money and you start getting the revenue stream pretty quick.

John Watson - *Chevron Corporation - Chairman, CEO*

Yes? I think this maybe the last question. We are running short on time.



Unidentified Audience Member

Thank you, (inaudible).

Question for Pat, you mentioned maintaining financial strength. You also mentioned returning surplus cash. You have a strong net cash position. I wonder if you can give us or share with us some of your specific targets you have, free cash position maybe stock buybacks, your credit ratings or balance sheet, any specific targets that you might have?

John Watson - *Chevron Corporation - Chairman, CEO*

I'll just say she made a very important statement in her comments about the direction of our net cash position, but I'll let her talk a little bit more about that.

Pat Yarrington - *Chevron Corporation - VP, CFO*

In terms of financial strength and flexibility, we have long targeted a AA position, and so we hold that as something we want to make sure that we retain the capability to secure.

We've also said dividends are number one use of cash. We have a long pattern of growing out those dividends. We should expect that to continue for as long as the earnings and the cash flows are there. That's a very important component.

The share repurchases are the most flexible component of our usage of cash, and so that really will be kind of the net residual the net outcome. And when I said that we were moving towards a more traditional net debt position, what I was really thinking of, and again if I just put some numbers to this, \$40 billion in cash flow, \$37 billion on a name plate or a nominal C&E, but on a cash basis that is \$33 billion.

Our dividends that we pay out are about 7, so if you just look at it on that basis, we'd be at zero cash generation or net cash generation for the year. And then on top of that we've had a \$5 billion a year share repurchase program.

So if you just look at 2013 and think that the commodity prices are going to be like 2012, then you could see that we would have a drawdown in our net cash position by about \$5 billion. And that's really what I was referencing.

John Watson - *Chevron Corporation - Chairman, CEO*

As we get out closer to the end of 2014, we'll be in a net debt position. You'll see us returning to a more traditional capital structure, and we have various levers that will get us there.

Okay. I think we are out of time. I thank you very much for your attention and good questions, and we'll see you next year.

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