UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 1998

OR

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

Commission File Number 1-368-2

Chevron Corporation
(Exact name of registrant as specified in its charter)

Delaware	94-0890210
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

575 Market Street, San Francisco, California	94105
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (415) 894-7700

NONE
(Former name or former address, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of June 30, 1998
Common stock, $1.50 par value	654,432,458

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CAUTIONARY STATEMENTS RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This quarterly report on Form 10-Q contains forward-looking statements relating to Chevron's operations that are based on management's current expectations, estimates and projections about the petroleum and chemicals industries. Words such as "expects," "intends," "plans," "projects," "believes," "estimates" and similar expressions are used to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements.

Among the factors that could cause actual results to differ materially are crude oil and natural gas prices; refining margins and marketing margins; chemicals prices and competitive conditions affecting supply and demand for the company's aromatics, olefins and additives products; potential failure to achieve, and potential delays in achieving, expected production from existing and future oil and gas development projects; potential disruption or interruption of the company's production, manufacturing or transportation facilities due to accidents or political events; potential disruption to the company's operations due to untimely or incomplete resolution of Year 2000 issues by the company and other entities with which it has material relationships; potential liability for remedial actions under existing or future environmental regulations; and potential liability resulting from pending or future litigation. In addition, such statements could be affected by general domestic and international economic and political conditions.

PART I. FINANCIAL INFORMATION

CHEVRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

Millions of Dollars, Except Per-Share Amounts	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Revenues				
Sales and other operating revenues*	$ 7,754	$ 9,947	$15,218	$20,741
Income from equity affiliates	155	193	306	371
Other income	60	134	98	255
Total Revenues	7,969	10,274	15,622	21,367
Costs and Other Deductions				
Purchased crude oil and products	3,549	4,887	7,184	10,597
Operating expenses	1,355	1,247	2,561	2,622
Selling, general and administrative expenses	276	391	529	736
Exploration expenses	134	98	235	179
Depreciation, depletion and amortization	557	549	1,111	1,095
Taxes other than on income*	1,140	1,630	2,151	3,125
Interest and debt expense	99	76	193	158
Total Costs and Other Deductions	7,110	8,878	13,964	18,512
Income Before Income Tax Expense	859	1,396	1,658	2,855
Income Tax Expense	282	573	581	1,201
Net Income	$ 577	$ 823	$ 1,077	$ 1,654
Per Share of Common Stock:				
Net Income - Basic	$ .88	$ 1.26	$ 1.65	$ 2.53
Net Income - Diluted	$ .88	$ 1.25	$ 1.64	$ 2.52
Dividends	$ .61	$ .58	$ 1.22	$ 1.12
Weighted Average Number of Shares Outstanding (000s) - Basic	655,459	654,965	655,167	654,819
Weighted Average Number of Shares Outstanding (000s) - Diluted	657,762	656,656	657,503	656,424
* Includes consumer excise taxes.	$ 988	$ 1,447	$ 1,840	$ 2,761

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

Millions of Dollars	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Net Income	$ 577	$ 823	$ 1,077	$ 1,654
Currency translation adjustment	(1)	(138)	(1)	(169)
Unrealized holding (loss) gain on securities	(3)	4	(1)	(1)
Minimum pension liability adjustment	-	-	(16)	4
Other Comprehensive Income, net of tax	(4)	(134)	(18)	(166)
Comprehensive Income	$ 573	$ 689	$ 1,059	$ 1,488

See accompanying notes to consolidated financial statements.

CHEVRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

Millions of Dollars	June 30, 1998 (Unaudited)	December 31, 1997
ASSETS		
Cash and cash equivalents	$ 1,185	$ 1,015
Marketable securities	525	655
Accounts and notes receivable	2,950	3,374
Inventories:		
Crude oil and petroleum products	569	539
Chemicals	587	547
Materials, supplies and other	289	292
	1,445	1,378
Prepaid expenses and other current assets	774	584
Total Current Assets	6,879	7,006
Long-term receivables	577	471
Investments and advances	4,733	4,496
Properties, plant and equipment, at cost	50,247	49,233
Less: accumulated depreciation, depletion and amortization	27,143	26,562
	23,104	22,671
Deferred charges and other assets	883	829
Total Assets	$36,176	$35,473
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt	$ 2,914	$ 1,637
Accounts payable	2,207	2,735
Accrued liabilities	1,095	1,450
Federal and other taxes on income	631	732
Other taxes payable	458	392
Total Current Liabilities	7,305	6,946
Long-term debt	4,069	4,139
Capital lease obligations	280	292
Deferred credits and other non-current obligations	1,690	1,745
Deferred income taxes	3,460	3,215
Reserves for employee benefit plans	1,698	1,664
Total Liabilities	18,502	18,001
Preferred stock (authorized 100,000,000 shares, $1.00 par value, none issued)	-	-
Common stock (authorized 1,000,000,000 shares, $1.50 par value, 712,487,068 shares issued)	1,069	1,069
Capital in excess of par value	2,063	2,022
Deferred compensation	(691)	(750)
Accumulated other comprehensive income	(95)	(77)
Retained earnings	17,472	17,185
Treasury stock, at cost (58,063,640 and 56,555,871 shares at June 30, 1998 and December 31, 1997, respectively)	(2,144)	(1,977)
Total Stockholders' Equity	17,674	17,472
Total Liabilities and Stockholders' Equity	$36,176	$35,473

See accompanying notes to consolidated financial statements.

CHEVRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

Millions of Dollars	Six Months Ended June 30, 1998	1997
Operating Activities		
Net income	$ 1,077	$ 1,654
Adjustments		
Depreciation, depletion and amortization	1,111	1,095
Dry hole expense related to prior years' expenditures	33	18
Distributions less than income from equity affiliates (1)	(177)	(174)
Net before-tax losses (gains) on asset retirements and sales	105	(187)
Net foreign exchange gains	(23)	(15)
Deferred income tax provision	263	190
Net increase in operating working capital	(831)	(203)
Other (1)	(222)	(101)
Net Cash Provided by Operating Activities	1,336	2,277
Investing Activities		
Capital expenditures	(1,705)	(1,660)
Proceeds from asset sales	94	298
Net sales of marketable securities	130	306
Net Cash Used for Investing Activities	(1,481)	(1,056)
Financing Activities		
Net borrowings of short-term obligations	1,421	8
Proceeds from issuance of long-term debt	118	8
Repayments of long-term debt and other financing obligations	(284)	(202)
Cash dividends paid	(798)	(732)
Net (purchase) sale of treasury shares (1)	(139)	92
Net Cash Provided by (Used for) Financing Activities	318	(826)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(3)	(7)
Net Change in Cash and Cash Equivalents	170	388
Cash and Cash Equivalents at January 1	1,015	892
Cash and Cash Equivalents at June 30	$ 1,185	$ 1,280

(1) Certain amounts in 1997 have been reclassified to conform to 1998 presentation

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Interim Financial Statements

The accompanying consolidated financial statements of Chevron Corporation and its subsidiaries (the company) have not been audited by independent accountants, except for the balance sheet at December 31, 1997. In the opinion of the company's management, the interim data include all adjustments necessary for a fair statement of the results for the interim periods. These adjustments were of a normal recurring nature, except for the special items described in Note 2.

Certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the company's 1997 Annual Report on Form 10-K.

The results for the three- and six-month periods ended June 30, 1998 are not necessarily indicative of future financial results.

Note 2. Net Income

Net income for the second quarter 1998 included net charges of $43 million for special items. Charges of $40 million resulting from the outsourcing of the company's mainframe computer and telecommunications operations, $28 million for the write-off of certain desktop computer equipment and $8 million for a provision for environmental remediation at a U.S. refinery were offset partially by benefits of $33 million from favorable prior-year tax adjustments.

Net income for the first six months of 1998 included net benefits of $21 million from special items. The net charges of $43 million for the second quarter 1998 were more than offset by net benefits of $64 million from special items in the first quarter of 1998. The 1998 first quarter results included special gains of $125 million from favorable prior-year tax adjustments. Partially offsetting these gains were special charges of $56 million for the deferred tax effects of an exchange of international exploration and production properties and a net $5 million for provisions for environmental remediation in the company's U.S. refining, marketing and transportation operations.

Net income for the second quarter of 1997 included net charges of $14 million for special items. Charges of $66 million for the remaining unaccrued cost of the company's broad-based employee performance stock option program and $12 million for a provision for environmental remediation at a U.S. refinery were offset partially by gains of $50 million from the sales of 10 percent of the company's ownership interest in the Tengizchevroil joint venture and upstream properties in the North Perth Basin area of Australia and a $14 million favorable prior-year tax adjustment.

In the six-month period ended June 30, 1997, net income included net benefits of $13 million from special items. The net special charges of $14 million for the second quarter 1997 were more than offset by net benefits of $27 million from special items in the first quarter of 1997. The 1997 first quarter results included special gains of $49 million from the sales of a producing property in the Gulf of Mexico and one in southern California. Partially offsetting these gains were special charges of $22 million for provisions for environmental remediation and other items.

Foreign exchange gains included in second quarter 1998 net income were $96 million, compared with gains of $23 million in second quarter 1997. For the first six months of 1998, net income included foreign exchange gains of $50 million, compared with gains of $5 million in the same period of 1997.

Note 3. Information Relating to the Statement of Cash Flows

The "Net increase in operating working capital" is composed of the following:

Millions of Dollars	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Decrease in accounts and notes receivable	$ 395	$ 617
Increase in inventories	(67)	(22)
(Increase) Decrease in prepaid expenses and other current assets	(188)	23
Decrease in accounts payable and accrued liabilities	(932)	(924)
(Decrease) Increase in income and other taxes payable	(39)	103
Net increase in operating working capital	$ (831)	$ (203)

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

Millions of Dollars	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Interest paid on debt (net of capitalized interest)	$ 195	$ 163
Income taxes paid	$ 421	$ 962

The "Net sales of marketable securities" consists of the following gross amounts:

Millions of Dollars	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Marketable securities purchased	$(1,110)	$(1,390)
Marketable securities sold	1,240	1,696
Net sales of marketable securities	$ 130	$ 306

The Consolidated Statement of Cash Flows excludes the following non-cash transactions:

The company's Employee Stock Ownership Plan (ESOP) repaid $60 million and $50 million of matured debt guaranteed by Chevron Corporation in January of 1998 and 1997, respectively. These payments were recorded by the company as a reduction in its debt outstanding and in Deferred Compensation.

In the second quarter 1997 the company's Venice, Louisiana natural gas facilities were contributed to a partnership with NGC Corporation (renamed Dynegy Incorporated in June 1998). The company's property, plant and equipment was reduced for the net book value of the contributed assets and an investment in the partnership, together with a deferred gain, were recorded. There was no cash effect from the transaction and the amounts were not material to the company's balance sheet.

Note 4. Summarized Financial Data - Chevron U.S.A. Inc.

At June 30, 1998, Chevron U.S.A. Inc. was Chevron Corporation's principal operating company, consisting primarily of the company's U.S. integrated petroleum operations (excluding most of the domestic pipeline operations) and the majority of the company's worldwide petrochemical operations. These operations were conducted by Chevron U.S.A. Production Company, Chevron Products Company and, effective February 1,

1998, Chevron Chemical Company LLC. Summarized financial information for Chevron U.S.A. Inc. and its consolidated subsidiaries is presented as follows:

Millions of Dollars	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Sales and other operating revenues	$6,446	$6,753	$12,308	$14,392
Costs and other deductions	6,156	6,373	11,861	13,560
Net income	46	256	242	634

Millions of Dollars	June 30, 1998	December 31, 1997
Current assets	$ 3,525	$ 2,854
Other assets	16,461	13,867
Current liabilities	3,486	3,282
Other liabilities	6,186	4,966
Net worth	10,314	8,473

Note 5. Summarized Financial Data - Chevron Transport Corporation

Chevron Transport Corporation (CTC), a Liberian corporation, is an indirect, wholly owned subsidiary of Chevron Corporation. CTC is the principal operator of Chevron's international tanker fleet and is engaged in the marine transportation of crude oil and refined petroleum products. Most of CTC's shipping revenue is derived by providing transportation services to other Chevron companies. Chevron Corporation has guaranteed this subsidiary's obligations in connection with certain debt securities where CTC is deemed to be an issuer. In accordance with the Securities and Exchange Commission's disclosure requirements, summarized financial information for CTC and its consolidated subsidiaries is presented below. This summarized financial data was derived from the financial statements prepared on a stand-alone basis in conformity with generally accepted accounting principles.

Millions of Dollars	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Sales and other operating revenues	$155	$135	$290	$256
Costs and other deductions	164	138	295	275
Net income	(2)	12	6	16

Millions of Dollars	June 30, 1998	December 31, 1997
Current assets	$ 298	$ 243
Other assets	870	897
Current liabilities	782	666
Other liabilities	297	311
Net worth	89	163

In March 1998, CTC returned $80 million of paid-in capital to its parent in partial settlement of a receivable balance.

Separate financial statements and other disclosures with respect to CTC are omitted as such separate financial statements and other disclosures are not material to investors in the debt securities deemed issued by CTC. There were no restrictions on CTC's ability to pay dividends or make loans or advances at June 30, 1998.

Note 6. Summarized Financial Data - Caltex Group of Companies

Summarized financial information for the Caltex Group of Companies, owned 50 percent by Chevron and 50 percent by Texaco Inc., is as follows (amounts reported are on a 100 percent Caltex Group basis):

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of Dollars	1998	1997(1)	1998	1997(1)
Gross revenues	$4,249	$4,433	$8,555	$9,127
Income before income taxes	270	319	589	639
Net income	222	200	426	386

(1) 1997 amounts have been reclassified to conform to 1998 presentation.

Note 7. Income Taxes

Taxes on income for the second quarter and first half of 1998 were $282 million and $581 million, respectively, compared with $573 million and $1.201 billion for the comparable 1997 periods. The effective income tax rate for the first half of 1998 decreased to 35 percent from 42 percent in the 1997 first half. The lower tax rate was due to the adjustment of prior years' income taxes and associated estimated interest reserves resulting from the favorable resolution of certain open tax issues with the IRS and higher equity affiliates' after-tax earnings as a proportion of before-tax income. The company also recognized beneficial prior-year tax adjustments resulting from a favorable U.S. tax ruling related to its investment in the Tengizchevroil (TCO) partnership in the Republic of Kazakhstan and from the utilization of additional foreign tax credits. These benefits were partially offset by a shift in the company's 1998 international earnings mix to countries with higher effective tax rates and by additional deferred taxes arising from an exchange of international upstream properties.

Note 8. Taxes Other Than On Income

Taxes other than on income for the second quarter and first half of 1998 were $1.140 billion and $2.151 billion, respectively, compared with $1.630 billion and $3.125 billion for the comparable 1997 periods. The effect of the company's fourth quarter 1997 withdrawal from the U.K. refining and marketing business contributes $557 million and $1.038 billion to the decrease in excise taxes when comparing the second quarter and six month periods of 1998 and 1997, respectively. These decreases in excise taxes are also components of the decreases in sales and other operating revenues between periods. There was no net income effect from the decreases in excise taxes in either period.

Note 9. Contingent Liabilities

Litigation -

The company is a defendant in a lawsuit that Oxy U.S.A. brought in its capacity as successor in interest to Cities Service Company. The lawsuit claims damages resulting from the allegedly improper termination of a tender offer to purchase Cities' stock in 1982 made by Gulf Oil Corporation, acquired by Chevron in 1984. A trial with respect to the claims ended in July 1996 with a judgment against the company of $742 million, including interest that continues to accrue at a rate of 9.55 percent per year while the appeal is pending. The company has filed an appeal with the Oklahoma Supreme Court and posted a bond for 1.5 times the amount of the judgment. Although the ultimate outcome of this matter cannot be determined presently with certainty, the company believes that errors were committed by the trial court that should result in the judgment being reversed on appeal.

In a lawsuit in Los Angeles, California, brought in 1995, the company and five other oil companies are contesting the validity of a patent granted to Unocal Corporation (Unocal) for reformulated gasoline, which the company sells in California during certain months of the year. The first two phases of the trial were concluded in October and November 1997, with the jury upholding the validity of the patent and assessing damages at the rate of 5.75 cents per gallon of gasoline sold in infringement of the patent between March 1 and July 1, 1996. In the third phase of the trial, the judge heard evidence to determine if the patent is enforceable; the matter is currently under submission. While the ultimate outcome of this matter cannot be determined with certainty, the company believes Unocal's patent is invalid and any unfavorable rulings should be reversed upon appeal. However, should the jury's findings and Unocal's position ultimately be upheld, the company's exposure with respect to future reformulated gasoline sales would depend on the availability of alternate formulations and the industry's ability to recover additional costs of production through prices charged to its customers.

The company is the subject of other lawsuits and claims, including, along with other oil companies, actions challenging oil and gas royalty and severance tax payments based on posted prices. Plaintiffs may seek to recover large and sometimes unspecified amounts, and some matters may remain unresolved for several years. While it is not practical to estimate a range of possible loss for the company's litigation matters, losses could be material with respect to earnings in any given period. However, management is of the opinion that resolution of these matters will not materially affect its consolidated financial position or liquidity.

Other Contingencies -

The U.S. federal income tax and California franchise tax liabilities of the company have been settled through 1987 and 1991, respectively. In June 1997, the company's Caltex affiliate received a claim from the U.S. Internal Revenue Service (IRS) for $292 million in excise taxes, $140 million in penalties and $1.6 billion in interest. The IRS claim relates to crude oil sales to Japanese customers beginning in 1980. Caltex is challenging the claim and fully expects to prevail. Caltex believes the underlying excise tax claim is wrong and therefore the claim for penalties and interest is wrong. In February 1998, Caltex provided an initial letter of credit for $2.33 billion to the IRS to pursue the claim. The letter of credit is guaranteed by Chevron and Texaco. Caltex has also made a cash deposit with the IRS, which it believes is appropriate in order to pursue this matter to court. On May 8, 1998 Caltex filed a complaint in the United States Court of Federal Claims requesting a refund of the cash deposit and asking the court to hold that Caltex owes nothing on the IRS claim.

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

The company and its subsidiaries have certain other contingent liabilities with respect to guarantees, direct or indirect, of debt of affiliated companies or others and long-term unconditional purchase obligations and commitments, throughput agreements and take-or-pay agreements, some of which relate to suppliers' financing arrangements.

The company is subject to loss contingencies pursuant to environmental laws and regulations that in the future may require the company to take action to correct or ameliorate the effects on the environment of prior disposal or release of chemical or petroleum substances by the company or other parties. Such contingencies may exist for various sites including, but not limited to: Superfund sites and refineries, oil fields, service stations, terminals and land development areas, whether operating, closed or sold. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions that may be required, the determination of the company's liability in proportion to other responsible parties and the extent to which such costs are recoverable from third parties. While the company has provided for known environmental obligations that are probable and reasonably estimable, the amount of future costs may be material to results of operations in the period in which they are recognized. The company does not expect these costs to have a material effect on its consolidated financial position or liquidity. Also, the company does not believe its obligation to make such expenditures has had or will have any significant impact on the company's competitive position relative to other domestic or international petroleum or chemical concerns.

The company's operations can be affected by changing economic, regulatory and political environments in the various countries, including the United States, in which it operates. In certain locations, host governments have imposed restrictions, controls and taxes, and, in others, political conditions have existed that may threaten the safety of employees and the company's continued presence in those countries. Internal unrest or strained relations between a host government and the company or other governments may affect the company's operations. Those developments have, at times, significantly affected the company's related operations and results, and are carefully considered by management when evaluating the level of current and future activity in such countries.

Areas in which the company has significant operations include the United States, Canada, Australia, United Kingdom, Republic of Congo, Angola, Nigeria, Democratic Republic of Congo, Papua New Guinea, China, Indonesia and Venezuela. The Caltex Group has significant operations in Indonesia, Korea, Japan, Australia, Thailand, the Philippines, Singapore, and South Africa. The company's Tengizchevroil affiliate operates in Kazakhstan.

Note 10. Issuance of New Accounting Standards

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which establishes criteria for when these types of costs should be expensed as incurred or capitalized. SOP 98-1 is effective for financial statements for fiscal years beginning after December 15, 1998, and earlier adoption is permitted in fiscal years for which annual financial statements have not been issued. The company is currently evaluating implementation of SOP 98-1 and the effects the Statement will have on its financial statements and disclosures. The company believes that adoption of the Statement will not have a material effect on the company's results of operations, financial position, capital resources or liquidity.

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) No. 98-5, "Reporting on the Costs of Start-Up Activities," which provides guidance on the financial reporting of start-up costs and organization costs. The Statement is effective for financial statements for fiscal years beginning after December 15, 1998, and earlier adoption is permitted in fiscal years for which annual financial statements have not been issued. SOP 98-5 requires costs of start-up activities and organization costs to be expensed as incurred. The company is currently evaluating implementation of SOP 98-5 and the effects the Statement will have on its financial statements and disclosures. The company believes that adoption of the Statement will not have a material effect on the company's results of operations, financial position, capital resources or liquidity.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). The Statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999 and establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities.

FAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are to be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Earlier application of the provisions of the Statement is encouraged and is permitted as of the beginning of any fiscal quarter that begins after the issuance of the Statement. The company is currently evaluating implementation of FASB Statement No. 133 and the effects the Statement will have on its financial statements and disclosures. The company believes that, due to its current limited use of derivative instruments, adoption of the Statement will not have a material effect on the company's results of operations, financial position, capital resources or liquidity.

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

Second Quarter 1998 Compared With Second Quarter 1997
And First Half 1998 Compared With First Half 1997

Financial Results

Net income for the second quarter of 1998 was $577 million ($.88 diluted earnings per share), a decrease of 30 percent from the net income of $823 million ($1.25 diluted earnings per share) for the 1997 second quarter. In the 1998 second quarter, net charges of $43 million for special items represented the effect of $68 million associated with the costs of outsourcing the company's U.S. mainframe computer and telecommunications operations and the write-off of certain desktop computer equipment, and a provision of $8 million for environmental remediation at a U.S. refinery, which were partially offset by favorable prior-year tax adjustments of $33 million. In the 1997 quarter, special items reduced earnings $14 million as asset sale gains and other net special items totaling $52 million were more than offset by a $66 million charge for the cost of the company's broad-based performance stock option program. Excluding special items, 1998 second quarter operating earnings were $620 million, compared with record quarterly operating earnings of $837 million in 1997.

Net income for the first six months of 1998 was $1.077 billion ($1.64 diluted earnings per share), down from $1.654 billion ($2.52 diluted earnings per share) for the first half of 1997. Net income for the 1998 and 1997 year-to-date periods included net benefits of $21 million and $13 million, respectively, from special items. Excluding these benefits, six-month earnings were $1.056 billion compared with $1.641 billion in the first half of 1997.

The collapse in crude oil prices, which began late last year, was the primary cause of the decline in the company's worldwide exploration and production (upstream) earnings for the three- and six-month periods ended June 30, 1998. In June of 1998 crude oil prices fell to their lowest levels since 1986. Chevron's second quarter average U.S. crude oil realizations were about $5.50 per barrel lower than last year's quarter, a drop of 33 percent. For the first half of 1998, these prices were almost $6.50 per barrel lower than the same period last year.

U.S. refining, marketing and transportation (downstream) operating results improved from last year's quarter on higher margins and a 6 percent increase in Chevron-branded motor gasoline sales volumes. International downstream earnings also increased, as foreign currency gains helped mitigate the impact of deteriorating Asian market conditions for the company's Caltex affiliate. However, operating results from the company's chemicals business were down in the second quarter 1998 compared with the same quarter of 1997, as lower prices and sales volumes for major petrochemical products more than offset lower feedstock costs and operating expenses.

Operating Environment and Outlook

The company continues to monitor the crude oil market closely, but has not made any substantive changes to its operations or capital spending plans. During the first seven months of 1998, the spot price of West Texas Intermediate (WTI), an industry benchmark light crude, averaged $15.09 per barrel, representing a 28 percent decline from the corresponding 1997 period. For the month of July 1998, the WTI spot price averaged $14.08 per barrel and has fallen to lower levels in early August.

Some countries in which Chevron has producing operations have mandated crude oil production cuts to help boost the price of crude oil. To date, Chevron's production has not been materially affected by these cuts, and the company believes the net effect of any curtailments directed by host countries would be insignificant to its overall production levels. However, such curtailments or limits may have an adverse effect on the level of new production from current and future development projects.

The company's Caltex affiliate may continue to be affected adversely by a decline in the demand for refined products in the Asian markets in which it operates. As Asian marketers continue to sell a larger proportion of their refined products into the highly competitive export market, lower prices and narrower sales margins result.

Earnings of Chevron's chemicals operations are expected to decline in the second half of 1998. The financial results will include the additional expenses associated with the upcoming scheduled shutdown of the ethylene unit at the company's Cedar Bayou manufacturing facility for maintenance and repairs. In addition, the company anticipates continued downward pressure on commodity chemical product prices as a result of industry manufacturing

overcapacity, reduced Asian demand for U.S. manufactured products and the influx of chemical products into the United States from Asian manufacturers.

Chevron and its affiliates continue to review and analyze their operations and may close, sell, exchange, acquire or restructure assets to achieve operational or strategic benefits to improve competitiveness and profitability. In addition, Chevron receives claims from, and submits claims to, customers, trading partners, contractors and suppliers. The amounts of these claims, individually and in the aggregate, may be significant and require lengthy periods to resolve. These activities may result in significant losses or gains in future periods. In the second half of 1998, the company expects to realize the benefits from the receipt of proceeds from certain insurance claims and to recognize favorable income tax adjustments from its foreign operations that may be material to its income.

Current Developments

In Angola, the company announced in May that production began from the Lomba field, located in the Block O concession, 40 miles offshore Cabinda in 400 feet of water. Natural gas, produced in association with the crude oil, will be collected, compressed and re-injected into the formation to enhance production. Lomba's production began at 15,000 barrels per day, which is expected to increase to 22,000 barrels per day by November 1998. Chevron has a 39.2-percent interest in the Block O concession.

Also in Angola, the company announced a third significant discovery in the Chevron-operated Block 14 offshore concession, which is adjacent to the Chevron-operated Block O concession. This discovery, named Benguela, is in waters more than 1,300 feet deep. Other discoveries in the Block 14 exploration program are Kuito and Landana. Development of Kuito, which has been characterized as a giant field and was the first discovery in Block 14, is currently moving forward. Chevron's interest in Block 14 is 31 percent.

Chevron began production in June from the Dibi oil field in Nigeria, the third field brought into production this year in the western Niger Delta area. The Opolo field began production in the first quarter of 1998 and the Gbokoda field came on stream in April. The Dibi field will be Chevron's second "zero-flare" oil field project in Nigeria following the lead of the Gbokoda field. Natural gas that is produced with crude oil from the Dibi and Gbokoda fields will be gathered and processed for commercial use through the Escravos Gas Project, inaugurated in May 1997, to reduce gas flaring and commercialize Nigeria's gas resources. Chevron has a 40-percent equity interest in these fields.

In July, Chevron received its official 1998 budget allocation approved by its partner in Nigeria, the government-owned Nigerian National Petroleum Corporation (NNPC), based on a total oil industry budget of $2.5 billion for joint ventures in the country. Prior to the death of the former Nigerian leader, General Abacha, NNPC had been funding the joint ventures in the country at 1997's approved budget rate of $2.05 billion.

Chevron has significant production and development projects under way in West Africa. Its share of combined production from Nigeria, Angola, Republic of Congo and Democratic Republic of Congo is more than 310,000 barrels per day. Civil unrest, political uncertainty and economic conditions in this area may affect the company's producing operations. The company continues to monitor developments closely.

In Venezuela, Chevron assumed responsibility for operations and the development of the LL-652 oil field in May from Petroleos de Venezuela on behalf of an international consortium. The consortium plans to invest about $2 billion to develop the field and expand production over the 20-year life of the agreement. Chevron has a 30-percent interest in the consortium.

Offshore eastern Canada, crude oil production returned to about 60,000 barrels per day in June at the Hibernia oil project after the completion of a program that began last winter to boost reservoir pressure. Production is expected to exceed 100,000 barrels per day later in 1998 as new wells come on-stream. Hibernia, located offshore on Newfoundland's Grand Banks, is Canada's first major offshore project.

The company announced in early August that production had begun at the Britannia gas condensate field in the U.K. North Sea. The field is operated jointly by Chevron and Conoco on behalf of an international consortium and is expected to reach its full daily capacity of 740 million standard cubic feet of gas per day and over 50,000 barrels of condensate per day by October 1998. Chevron's equity interest in Britannia is 30.2 percent.

In the Gulf of Mexico, Chevron's Genesis project team in June installed the 28,700-ton hull of the floating spar platform in waters a half-mile deep, 150 miles south of New Orleans. The massive hull will serve as the foundation for the drilling and production platform to be used to develop Green Canyon Block 205. Production from Green Canyon Block 205 is expected to begin in late 1998 and reach 55,000 barrels per day of oil and 72 million cubic feet per day of gas by the year 2000. Chevron's equity interest in the Genesis project is 57 percent.

In Alaska, Chevron and Atlantic Richfield (ARCO) in early August signed two agreements to partner equally in exploration and development projects on the North Slope of Alaska. The first agreement provides for joint exploration and appraisal of an approximate 4,000-square-mile area that includes leases recently acquired by both companies in Alaska State Lease Sale 87. The second agreement encompasses the McCovey/Salmon area, which included 196,000 offshore acres north of the Prudhoe Bay oil field in the Beaufort Sea. ARCO has been designated as exploration and development operator in both agreements.

Chevron Products Company signed an agreement in June to purchase Amoco Corporation's U.S. lubricant business. This acquisition is expected to be a key step in positioning Chevron as a leading marketer of heavy duty and industrial oils in North America and significantly strengthens the company's position in the mid-western region of the United States, where Amoco was a leading supplier.

Caltex, Chevron's 50-percent-owned equity affiliate, announced a major restructuring in response to increased competition in its markets and the economic impact of the Asian economic crisis. The restructuring includes the realignment of global responsibilities from a geographic focus to a primarily functional focus, the elimination of about 170 positions and the redeployment of personnel. When fully implemented, direct before-tax savings for Caltex from the restructuring are expected to be about $50 million annually. The company anticipates that Caltex will record a charge associated with this restructuring program during the second half of 1998.

Year 2000 compliance assessments of the company's information systems, software and embedded technology continue and are coordinated by a specially formed Year 2000 Project Team. The company is also investigating the Year 2000 compliance efforts of suppliers, contractors, and other third party entities with whom Chevron does business and has material relationships, with a view to preventing the company's operations from being adversely affected by significant compliance problems of others. In several areas of the company's business, the assessment stage is complete and corrective actions are under way. Specific areas where the company could face material Year 2000 issues include the embedded technology in certain of its exploration and production facilities, refinery operations and chemical plants. Chevron has signed various consulting contracts with entities which have expertise in Year 2000 assessment and remediation services for embedded technology and information systems and software. While many uncertainties exist, the company intends that substantially all material Year 2000 issues surrounding its information systems and software, embedded technology and third party relationships will be identified by the end of 1998. The company also intends that all material issues will be corrected or addressed by the end of 1999. Concurrent with its efforts to correct Year 2000 issues, the company will be developing appropriate contingency plans to help prevent the company's operations from being materially impacted by a failure to correct a Year 2000 problem. The total amount of costs to be incurred by the company to address Year 2000 issues cannot be reliably estimated at this time. The ultimate effects of certain Year 2000 technology problems may not be known until 2000. Because of uncertainties, the actual effects of the Year 2000 issue on Chevron may be different from the company's current assessment. However, the company currently believes that Year 2000 issues will not have a material effect on its results of operations, consolidated financial position or liquidity.

The European Economic Union will begin conversion of its various currencies to the "Euro" on January 1, 1999. The company is evaluating what effect, if any, the conversion to the Euro will have on the company's activities. The company believes this conversion will not have a material effect on its results of operations or liquidity.

Review of Operations

Total revenues for the quarter were $8.0 billion, a decrease of 22 percent from $10.3 billion in last year's second quarter. For the six-month period, total revenues were $15.6 billion, down 27 percent from $21.4 billion in the first half of 1997. Except for U.S. natural gas in the second quarter, average sales realizations from refined products, crude oil, and natural gas have declined significantly in 1998 compared with the same periods of 1997. Additionally, the absence of revenues from the U.K. refining and marketing business, due to the company's exit in the fourth

quarter 1997, represents about one third of the quarterly decline and one fourth of the year-to-date decline in total revenues.

The company continues to keep tight control over its operating expense, which is critically important during this period of low crude oil prices. For the first six months of 1998, operating expenses were $5.32 per barrel, down about 6 percent from comparable operations in the 1997 first half, helping to mitigate the effect of declining commodity and product prices. Total operating, general and administrative expenses, adjusted for special items, declined $113 million in the 1998 first half to $3.089 billion compared with $3.202 billion in the first half of 1997 despite increases in oil and natural gas production and refined products sales volumes.

Taxes on income for the second quarter and first half of 1998 were $282 million and $581 million, respectively, compared with $573 million and $1.201 billion for the comparable 1997 periods. The effective income tax rate for the first half of 1998 decreased to 35 percent from 42 percent in the 1997 first half. The lower tax rate was due to the adjustment of prior years' income taxes and associated estimated interest reserves resulting from the favorable resolution of certain open tax issues with the IRS and higher equity affiliates' after-tax earnings as a proportion of before-tax income. The company also recognized beneficial prior-year tax adjustments resulting from a favorable U.S. tax ruling related to its investment in the Tengizchevroil (TCO) partnership in the Republic of Kazakhstan and from the utilization of additional foreign tax credits. These benefits were partially offset by a shift in the company's 1998 international earnings mix to countries with higher effective tax rates and by additional deferred taxes arising from an exchange of international upstream properties.

Foreign currency gains of $96 million and $23 million were included in the second quarter net income for 1998 and 1997, respectively. Net income for the first half of 1998 and 1997 included foreign currency gains of $50 million and $5 million, respectively. The increases in foreign exchange gains occurred in many of Caltex's countries of operations, and in Chevron's Australian and Canadian businesses.

The following tables detail the company's after-tax earnings by major operating area and selected operating data.

EARNINGS BY MAJOR OPERATING AREA

Millions of Dollars	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Exploration and Production				
United States	$ 85	$182	$ 191	$ 543
International	211	357	310	704
Total Exploration and Production	296	539	501	1,247
Refining, Marketing and Transportation				
United States	225	182	270	252
International	115	92	216	148
Total Refining, Marketing and Transportation	340	274	486	400
Total Petroleum Operations	636	813	987	1,647
Chemicals	47	77	110	140
Coal and Other Minerals	9	6	20	21
Corporate and Other *	(115)	(73)	(40)	(154)
Net Income	$577	$823	$1,077	$1,654

* "Corporate and Other" includes interest expense, interest income on cash and marketable securities, corporate center costs, and real estate and insurance activities.

SELECTED OPERATING DATA (1) (2)

	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
U.S. Exploration and Production				
Net Crude Oil and Natural Gas Liquids Production (MBPD)	337	340	336	344
Net Natural Gas Production (MMCFPD)	1,786	1,896	1,796	1,911
Sales of Natural Gas (MMCFPD)	3,336	3,324	3,416	3,545
Sales of Natural Gas Liquids (MBPD) (3)	127	100	134	128
Revenue from Net Production				
Crude Oil ($/Bbl.)	$11.35	$16.86	$11.92	$18.36
Natural Gas ($/MCF)	$ 2.08	$ 1.95	$ 2.08	$ 2.36
International Exploration and Production				
Net Crude Oil and Natural Gas Liquids Production (MBPD)	764	734	756	731
Net Natural Gas Production (MMCFPD)	559	543	602	580
Sales of Natural Gas (MMCFPD)	1,398	1,226	1,363	1,007
Sales of Natural Gas Liquids (MBPD) (3)	60	68	58	61
Revenue from Liftings				
Liquids ($/Bbl.)	$12.38	$17.14	$12.68	$18.51
Natural Gas ($/MCF)	$ 1.81	$ 2.07	$ 1.89	$ 2.18
Other Produced Volumes (MBPD) (4)	93	81	92	80
U.S. Refining, Marketing and Transportation				
Sales of Gasoline (MBPD) (5)	689	574	644	580
Sales of Other Refined Products (MBPD)	618	618	576	601
Refinery Input (MBPD)	996	979	877	913
Average Refined Product Sales Price ($/Bbl.)	$22.75	$28.43	$23.17	$29.39
International Refining, Marketing and Transportation				
Sales of Refined Products (MBPD)	791	882	800	897
Refinery Input (MBPD)	478	588	485	581
Chemical Sales and Other Operating Revenues(6)				
United States	$659	$798	$1,340	$1,550
International	140	151	285	285
Worldwide	$799	$949	$1,625	$1,835

(1) Includes equity in affiliates.
(2) MBPD = thousand barrels per day; MMCFPD = million cubic feet per day; Bbl. = barrel; MCF = thousand cubic feet
(3) 1997 restated to conform to 1998 presentation.
(4) Represents total field production under the Boscan operating service agreement in Venezuela.
(5) Includes branded and unbranded gasoline.
(6) Millions of dollars. Includes sales to other Chevron companies.

Worldwide exploration and production earned $296 million in the second quarter of 1998, compared with $539 million in the corresponding 1997 period. Earnings of $501 million in the first six months of 1998 were 60 percent lower than the $1.247 billion earned in the 1997 first half. U.S. exploration and production net quarterly earnings were $85 million, less than half the $182 million earned in the 1997 second quarter. Six-month earnings were $191 million in 1998, compared with $543 million earned in the first six months of 1997. There were no special items in the 1998 second quarter or year to date. However, the 1997 second quarter results were reduced by a special charge of $11 million for the performance stock option program. Earnings for the 1997 six months benefited $49 million

from the sale of assets, partially offset by environmental remediation charges of $6 million and performance stock option program costs of $11 million.

Net U.S. liquids production averaged 337,000 barrels per day in the second quarter of 1998 and 336,000 barrels per day year to date. In 1997, liquids production was 340,000 barrels per day in the second quarter and 344,000 barrels per day year to date. Net U.S. natural gas production of 1.8 billion cubic feet per day in the 1998 second quarter and six months declined from 1.9 billion cubic feet per day for the 1997 periods. The declines in U.S. production of liquids and natural gas were primarily attributable to property sales, 1998 weather-related shut-ins of liquids production in California and normal field declines.

The company's 1998 average second quarter U.S. crude oil realizations of $11.35 per barrel declined by $5.51, or 33 percent, compared with the second quarter 1997. Average second quarter U.S. natural gas realizations of $2.08 per thousand cubic feet were 13 cents higher than in the second quarter of last year. On a year-to-date basis, 1998 crude oil realizations were $11.92 per barrel, 35 percent lower than the $18.36 per barrel obtained in 1997, and natural gas prices were $2.08 per thousand cubic feet, a decline of 12 percent from $2.36 per thousand cubic feet last year.

International exploration and production net earnings for the 1998 second
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quarter were $211 million, a decline of 41 percent from $357 million earned in the second quarter of 1997. Earnings of $310 million in the first six months of 1998 were less than half the $704 million earned in the 1997 first half. The 1998 second quarter results benefited $21 million from prior-year income tax adjustments. Six-month 1998 results were reduced a net $35 million by a first quarter loss of $56 million on asset dispositions in addition to the second quarter special item. The 1997 quarter and six months benefited a net $59 million from special items as gains from asset sales and a favorable prior-year tax adjustment were partially offset by a $5 million charge for the company's performance stock option program.

Excluding special items, earnings were $190 million in the 1998 second quarter, down from $298 million in the year-ago quarter. For the 1998 first half, earnings of $345 million declined from $645 million earned in the first six months of 1997. The decline in operating earnings reflected lower crude oil and natural gas prices, combined with lower liftings, when compared with the year-ago periods. The 1997 periods also benefited from lower effective income tax rates arising from the utilization of about $50 million of tax-loss carryforwards in certain countries.

Net liquids production increased 4 percent to 764,000 barrels per day in the 1998 second quarter, with most of the increase coming from Indonesia and Canada, combined with new production in Norway. Smaller increases in Nigeria and the Republic of Congo were offset by production declines in Angola and in the U.K. North Sea, partially as a result of the first quarter swap of interests in U.K. producing properties for properties in Norway. Year-to-date production was 756,000 barrels per day, a 3 percent increase from 731,000 barrels per day produced in 1997.

Net natural gas production increased to 559 million cubic feet per day from 543 million in the 1997 second quarter. Six-month production in 1998 was 602 million cubic feet per day compared with 580 million cubic feet per day last year. The increases in both periods were from new production in Nigeria and increases in Australia and Indonesia, partially offset by declines in Canada.

The company's 1998 average second quarter international crude oil realizations of $12.38 per barrel declined by $4.76, or 28 percent, compared with the second quarter 1997. Average second quarter international natural gas realizations of $1.81 per thousand cubic feet were 26 cents, or 13 percent, lower than in the second quarter of last year. On a year-to-date basis, 1998 crude oil realizations were $12.68 per barrel, 31 percent lower than the $18.51 per barrel obtained in 1997. Natural gas prices were $1.89 per thousand cubic feet, a decline of 13 percent from $2.18 per thousand cubic feet last year.

Foreign currency effects benefited earnings in all periods. Foreign currency gains increased 1998 earnings $38 million in the second quarter and $23 million in the first half. Foreign exchange gains were $12 million in the first quarter and $17 million for the six months of 1997. Most of the foreign exchange gains in both years were related to the U.S. dollar's fluctuation against the Australian and Canadian currencies.

Worldwide refining, marketing and transportation operations reported earnings of
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$340 million in the 1998 second quarter, an increase of 24 percent over the $274 million earned in last year's second quarter. The 1998 first-half earnings were $486 million, a 22 percent increase from the corresponding 1997 period.
U.S. refining, marketing and transportation net earnings were $225 million in
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the 1998 second quarter, an increase of 24 percent

from $182 million in the 1997 second quarter, and five times the $45 million earned in this year's first quarter. Six-month earnings for 1998 were $270 million compared with $252 million in the 1997 six months.

Earnings in all periods were reduced by special charges. In the 1998 second quarter and first half of 1998, results were reduced $8 million and $13 million, respectively, for environmental remediation activities. The 1997 second quarter included charges of $23 million for the performance stock option program and $12 million for environmental remediation provisions. In addition to the second quarter special items, the 1997 six months included an $8 million provision for litigation. Excluding special charges, 1998 second quarter results of $233 million increased 7 percent from $217 million in 1997; six-month earnings in 1998 were $283 million, down slightly from $295 million in the 1997 six months. The improvement in second quarter earnings primarily resulted from stronger margins and increased sales volumes of Chevron-branded motor gasoline.

Total refined product sales volumes were 1.31 million barrels per day in the second quarter of 1998, up 10 percent from the comparable quarter last year. Chevron-branded motor gasoline sales improved by 6 percent over last year's quarter, while other refined products sales volumes increased by 12 percent. Year to date, sales volumes were up more than 3 percent to 1.22 million barrels per day. Sales volumes for Chevron-branded motor gasoline had declined in the first quarter 1998 compared to the fourth quarter and full year 1997. Poor weather caused by the effects of El Nino depressed the demand for motor gasoline in this year's first quarter, especially in California.

The company's average refined product prices were $22.75 per barrel in the 1998 second quarter compared with $28.43 in the 1997 quarter. Average refined product prices were $23.17 and $29.39 in the first halves of 1998 and 1997, respectively.

International refining, marketing and transportation net earnings were $115
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million and $216 million in the 1998 second quarter and six months, respectively, compared with $92 million and $148 million in the comparable periods last year. Results for the 1997 quarter and six months were reduced $3 million by a special charge for the performance stock option program. There were no special items in the 1998 earnings.

In the Caltex areas of operations, foreign currency gains of $56 million offset declines in sales margins in most of the Asian markets. The region's economic problems have resulted in reduced refined products demand, which Caltex has experienced primarily in Korea and Thailand, combined with oversupply conditions. A larger portion of sales by Asian marketers is occurring in the highly competitive export market, where lower prices are reducing sales margins.

Total refined products sales volumes declined by 10 percent to 791,000 barrels per day in the second quarter of 1998 and 11 percent to 800,000 barrels per day, year to date, compared with last year. The decline reflects the effect of the company's exit from the U.K. refining and marketing business in the fourth quarter of 1997.

Foreign currency gains in the second quarter 1998 were $59 million, compared with gains of $13 million in the 1997 quarter. In the first half of 1998, foreign currency effects resulted in gains of $28 million compared with a loss of $16 million in the 1997 first half.

Chemicals net earnings were $47 million in the 1998 quarter, compared with net
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earnings of $77 million in last year's second quarter. Earnings in the first half of 1998 were $110 million compared with $140 million in 1997. Net income for the second quarter and six months of 1997 included a $9 million special charge for the company's performance stock option program. There were no special items in the 1998 periods. The decrease in operating earnings was the result of declines in prices and sales volumes for the company's major chemical products, reflecting excess industry capacity and the effects of the Asian economic crisis. Also contributing to the decline were lower earnings from equity affiliates, due to the sale of the company's interest in a U.K. affiliate in the fourth quarter of 1997.

Coal and other minerals second quarter net earnings increased to $9 million from
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$6 million in last year's second quarter. Six-month earnings were $20 million compared with $21 million in last year's six months. Results in both 1997 periods included a $2 million special charge for the company's performance stock option program; there were no special items in 1998.

Corporate and other includes interest expense, interest income on cash and
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marketable securities, corporate center costs and real estate and insurance operations. These activities incurred net charges of $115 million in the second

quarter of 1998, compared with net charges of $73 million in the comparable prior-year quarter. The second quarter earnings in 1998 included net special charges of $56 million. Costs resulting from the outsourcing of the company's mainframe computer and telecommunications operations and the write-off of certain desktop computer equipment were partially offset by favorable prior-year income tax adjustments. The 1997 quarter included special charges of $13 million for the company's performance stock option program.

Year-to-date charges were $40 million in 1998, compared with $154 million in last year's first half. Special items of $69 million in the 1998 first half included favorable prior-year income tax related adjustments of $125 million, in addition to the second quarter net special charges. The 1997 year-to-date results included an $8 million special charge for environmental remediation in addition to the second quarter special charge. Excluding special items, ongoing net charges in the 1998 second quarter were about flat with last year, and first half charges were lower due primarily to recoveries of certain prior-year claims and lower costs of variable components of employee compensation plans, which were offset in part by higher interest expense.

Liquidity and Capital Resources

Cash and cash equivalents totaled $1.185 billion at June 30, 1998, a $170 million increase from year-end 1997. Cash from operations and an increase in short-term debt funded the company's capital expenditures and dividend payments to stockholders.

The company's debt and capital lease obligations totaled $7.263 billion at June 30, 1998, up 20 percent from $6.068 billion at year-end 1997. The increase was primarily from net additions of $1.421 billion in short-term debt, primarily commercial paper, and newly issued long-term variable-rate obligations of $118 million. Partially offsetting these increases were scheduled and unscheduled long-term debt repayments of $282 million and a scheduled non-cash retirement in January of $60 million of 8.11 percent ESOP debt.

Although the company benefits from lower interest rates on short-term debt, its proportionately large amount of short-term debt has kept Chevron's ratio of current assets to current liabilities at relatively low levels. This ratio was .94 at June 30, 1998, down from 1.01 at year-end 1997. The company's short-term debt, consisting primarily of commercial paper and the current portion of long-term debt, totaled $5.639 billion at June 30, 1998. This amount includes $2.725 billion that was reclassified as long-term since the company has both the intent and ability, as evidenced by revolving credit agreements, to refinance it on a long-term basis. The company's practice has been to continually refinance its commercial paper, maintaining levels it believes to be economically attractive.

The company's debt ratio (total debt : total debt plus stockholders' equity) was 29 percent at June 30, 1998, up from 26 percent at year-end 1997, primarily as a result of the increase in outstanding commercial paper debt. The company continually monitors its spending level, market conditions and related interest rates to maintain what it believes to be reasonable debt levels to fund its operating and capital expenditure activities.

In December 1997, Chevron's Board of Directors approved the repurchase of up to $2 billion of its outstanding common stock for use in its employee stock option programs. In the first quarter of 1998, the company purchased 2.8 million shares at a cost of about $200 million. There were no further purchases in the second quarter of 1998. As of July 31, the company had purchased 4 million shares of its stock at a cost of about $300 million under the repurchase program.

The company expects the receipt of cash proceeds in the third quarter in settlement of a long-term receivable balance from an equity affiliate. Additionally, the company expects the receipt of cash proceeds in the second half of 1998 arising from the settlement of certain insurance claims.

Worldwide capital and exploratory expenditures for the first half of 1998, including the company's share of affiliates' expenditures, totaled $2.323 billion, up 3.5 percent from $2.245 billion spent in the 1997 first half. Total expenditures for exploration and production activities were $1.538 billion compared with $1.476 billion, about 66 percent of total spending in both years. Total capital spending in both years was about evenly split between projects in the United States and outside the United States.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The company is in settlement discussions with the Utah Department of Air Quality in relation to a group of notices issued by the agency which allege that the company violated benzene waste NESHAP regulations. The settlement may involve the payment of penalties by the company.

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

The following matters were submitted to a vote of stockholders at the Annual Meeting on April 29, 1998. Voters elected 13 incumbent directors for one-year terms. The vote tabulation for individual directors was:

Directors	Shares For	Shares Withheld
S. H. Armacost	501,905,502	6,186,582
K. T. Derr	502,399,049	5,693,035
S. Ginn	502,712,017	5,380,067
C. A. Hills	502,286,083	5,806,001
J. B. Johnston	501,866,017	6,226,067
R. H. Matzke	502,487,649	5,604,435
C. M. Pigott	502,569,984	5,522,100
C. Rice	502,284,387	5,807,697
F. A. Shrontz	502,495,056	5,597,028
J. N. Sullivan	502,629,818	5,462,266
C. Tien	502,118,830	5,973,254
G. H. Weyerhaeuser	502,267,453	5,824,631
J. A. Young	502,486,369	5,605,715

Voters approved the appointment of Price Waterhouse LLP (known as PricewaterhouseCoopers LLP as of July 1, 1998) as the company's independent accountants by a vote of 503,925,766 (99.6 percent) for and 1,863,466 (0.4 percent) against. There were also 2,302,852 abstentions.

A stockholder proposal to provide information about toxic chemicals released by Chevron's facilities was rejected. There were 35,332,879 votes (8.5 percent) for the proposal and 377,793,468 votes (91.5 percent) against. There were 13,575,991 abstentions and 81,389,746 broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(4) Pursuant to the Instructions to Exhibits, certain instruments defining the rights of holders of long-term debt securities of the company and its consolidated subsidiaries are not filed because the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of the company and its subsidiaries on a consolidated basis. A copy of any such instrument will be furnished to the Commission upon request.

(12) Computation of Ratio of Earnings to Fixed Charges

(27) Financial Data Schedule

(b) Reports on Form 8-K

None.

SIGNATURE

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

CHEVRON CORPORATION
(Registrant)

Date August 11, 1998

/s/ M.R. KLITTEN
M. R. Klitten, Vice President
(Chief Financial Officer and
Duly Authorized Officer)

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

(Dollars in Millions)

	Six Months Ended June 30, 1998	Year Ended December 31, 1997	1996	1995	1994	1993
Net Income before Cumulative Effect of Changes in Accounting Principles (1) .	$ 1,077	$ 3,256	$ 2,607	$ 930	$ 1,693	$ 1,265
Income Tax Expense	663	2,428	2,624	1,094	1,322	1,389
Distributions (Less Than) Greater Than Equity in Earnings of Less Than 50% Owned Affiliates	(55)	(70)	29	(5)	(3)	6
Minority Interest	4	11	4	-	3	(2)
Previously Capitalized Interest Charged to Earnings During Period	14	28	24	47	32	20
Interest and Debt Expense	236	405	471	557	453	390
Interest Portion of Rentals (2)	99	167	158	148	156	169
Earnings before Provisions for Taxes and Fixed Charges	$ 2,038	$ 6,225	$ 5,917	$ 2,771	$ 3,656	$ 3,237
Interest and Debt Expense	$ 236	$ 405	$ 471	$ 557	$ 453	$ 390
Interest Portion of Rentals (2)	99	167	158	148	156	169
Capitalized Interest	24	82	108	141	80	60
Total Fixed Charges	$ 359	$ 654	$ 737	$ 846	$ 689	$ 619
Ratio of Earnings to Fixed Charges	5.68	9.52	8.03	3.28	5.31	5.23

(1) The information for 1995 and thereafter reflects the company's adoption of the Financial Accounting Standards Board Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," effective October 1, 1995.

(2) Calculated as one-third of rentals.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S BALANCE SHEET AT JUNE 30, 1998 AND INCOME STATEMENT FOR THE SIX MONTH PERIOD ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS AND THEIR RELATED FOOTNOTES.

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6-MOS
DEC-31-1998
JUN-30-1998
1,185
525
2,981
31
1,445
6,879
50,247
27,143
36,176
7,305
4,349
0
0
1,069
16,605
36,176
15,218
15,622
0
13,964
0
0
193
1,658
581
1,077
0
0
0
1,077
1.65
1.64