2024 2Q Earnings Conference Call Edited Transcript

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Chevron

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

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

Welcome to Chevron's second quarter 2024 earnings conference call. At this time, all participants are in a listen-only mode. After the speaker's remarks, there will be a question-and-answer session and instructions will be given at that time. If anyone should require assistance during the conference call, please press star and then zero on your touchtone telephone. As a reminder, this conference call is being recorded. I will now turn the conference call over to the [Head] of Investor Relations of Chevron Corporation, Mr. Jake Spiering. Please go ahead.

Jake Spiering: Thank you, Justin.

Welcome to Chevron's second quarter 2024 earnings conference call and webcast. I'm Jake Spiering, Head of Investor Relations. Our Chairman and CEO, Mike Wirth, and CFO, Eimear Bonner, are on the call with me today.

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

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

Now, I will turn it over to Mike.

Mike Wirth: Thanks, Jake.

This quarter, Chevron delivered strong production and extended our track record of consistent shareholder returns.

Production increased by more than 11% from the prior year and included a new quarterly record in the Permian.

Over the past two years we've returned over $50 billion to shareholders, approximately 18% of our market cap.

We continued to advance growth opportunities in our traditional and new energies businesses through adding new exploration plays in West Africa and South America, achieving key milestones on the ACES green hydrogen project and commissioning of the Geismar renewable diesel plant expansion, which is expected to come online by the end of the year.

The merger with Hess achieved a successful shareholder vote, and we now expect the FTC review process to conclude in the third quarter. The arbitration panel addressing the Stabroek JOA has set a hearing for next year. Hess had requested an earlier hearing, but the panel ultimately sets the schedule. We remain confident this is a straightforward matter and the outcome will affirm a preemption right does not apply. We're committed to the merger and look forward to combining the two companies.

In the Gulf of Mexico, we're leveraging our deepwater expertise with plans to deliver high cash-margin, low carbon intensity production growth.

First oil at Anchor is imminent, delivering the industry's first deepwater 20,000 [psi] development. The project is on track to come in under budget while deploying multiple breakthrough technologies.

After Anchor, three more projects are scheduled to come online and we expect production to grow to 300 thousand barrels a day by 2026. Our developments have become more capital-efficient, unit drilling costs have come down, and facility designs are optimized for high returns.

As one of the largest leaseholders in the basin, we're well-positioned for the future with leading technology capability and attractive exploration opportunities near existing infrastructure and in frontier areas.

In the Permian, base business performance continues to improve, with higher reliability and lower decline rates.

Development activity continues to get more efficient. We're one of the first operators to deploy triple-frac, delivering cost reductions of more than 10% and shortening completion times by 25% where applied.

In the Delaware Basin, company-operated well performance continues to improve as we optimize development strategies. In the Midland Basin, early well results are lower versus last year; our program in the second half of the year is more heavily weighted to development targets that we expect to perform better.

With strong momentum in our operated portfolio and predictable results from our non-operated and royalty acreage, we now expect full-year production growth of about 15% and fourth quarter production to average around 940 thousand barrels per day.

At TCO, cost and schedule guidance is unchanged, with FGP expected to start-up in the first half of 2025.

We continue to bring major equipment online and complete key project milestones:

- Eight out of 21 metering stations have been converted to low pressure,
- Three pressure boost facility compressors are in operation,
- A third gas turbine generator is in service,
- The first 3GP process system is ready for operation, and
- We completed the SGI turnaround on time and under budget.

The wells converted to low pressure are meeting expectations and the pressure boost facilities are operating with high reliability.

Over the next two quarters, we'll continue converting the field to low pressure while further commissioning key equipment for FGP.

The project team remains focused on completing the project safely and starting up reliably to deliver value to Kazakhstan, TCO and shareholders.

This quarter was a little light due to some operational and other discrete items that impacted results, but I remain confident we're well-positioned to deliver on long-term earnings and cash flow growth.

Now, I'll turn it over to Eimear to cover the details.

Eimear Bonner: Thanks, Mike.

We reported second quarter earnings of $4.4 billion, or $2.43 per share. Adjusted earnings were $4.7 billion, or $2.55 per share.

Results in the quarter were impacted by downtime in Upstream that weighed on realizations, higher exploration expense and Downstream turnaround timing.

Organic capex was $3.9 billion, in line with budget.

Our balance sheet remains one of the strongest in the industry, ending the quarter with a net debt ratio of 10.7%.

Chevron generated solid cash flow of nearly $9 billion excluding working capital.

Working capital lowered cash flow due to tax true-up payments outside the U.S. and a build in inventories. We expect about half of the working capital to unwind in the second half of this year, primarily in the fourth quarter.

We again demonstrated our consistent approach to returning cash to shareholders with $6 billion of dividends and share repurchases.

Adjusted earnings were lower by $700 million versus last quarter.

Adjusted Upstream earnings were down mainly due to lower liftings, higher exploration expense and absence of favorable tax impacts from the prior quarter. Partly offsetting were higher realizations.

Adjusted Downstream earnings were down due to lower margins and reduced capture rates, this was partially offset by timing effects.

All Other decreased mainly due to a tax true-up.

Versus last year, adjusted second quarter earnings were down $1.1 billion.

Adjusted Upstream earnings were flat – higher realizations and liftings were mostly offset with higher DD&A due to the PDC acquisition and the absence of prior year favorable tax items.

Adjusted Downstream earnings decreased mainly due to lower refining margins and higher turnaround and transportation opex.

The Other segment was down primarily due to state tax adjustments.

Worldwide oil equivalent production was up over 11% from last year due to the acquisition of PDC Energy and significant growth in the Permian Basin.

Now, looking ahead.

The third quarter will have heavier than usual maintenance with several turnarounds at upstream assets, including TCO and Gorgon. Impacts from refinery turnarounds are mostly driven by El Segundo. There will be a one-time payment related to discontinued operations of around $600 million.

We anticipate affiliate dividends to be around $1 billion this quarter. With the project in Kazakhstan nearing completion, we expect quarterly dividends from TCO moving forward. As a reminder, Chevron pays a 15% withholding tax on dividends from TCO which lowers both earnings and cash flow.

Share repurchases are targeting the $17.5 billion annual guidance rate.

Asset sales in the second half of the year are expected to be aligned with full-year guidance.

Back to you, Mike.

Mike Wirth: Thanks, Eimear.

Today we announced we're moving Chevron's headquarters from San Ramon to Houston to enable better collaboration and engagement, both internally and externally.

We also announced the retirements of Nigel Hearne, Executive Vice President, Oil, Products & Gas; Colin Parfitt, Vice President, Midstream; and Rhonda Morris, Vice President and Chief Human Resources Officer after long and distinguished careers. I want to extend my sincere thanks to Nigel, Colin and Rhonda for their service and their many contributions to our company.

And finally, I'd like to offer our deepest condolences to the family of our former Chairman and CEO, Ken Derr, who passed away three weeks ago. Ken's vision and leadership helped guide Chevron through momentous times to create a high-performing company with outstanding people and a portfolio that distinguishes our business to this day. Ken left an indelible legacy for our company and all those whose lives have been made better by his leadership. He will never be forgotten.

Back to you, Jake.

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

Justin, please open the line.

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

Our first question comes from Neil Mehta, with Goldman Sachs.

Neil Mehta: (Goldman Sachs) Yes. Thank you so much and congratulations to Nigel, Colin and Rhonda on their retirement.

My question, Mike, was really focused around TCO and it sounds like we are making progress on that project, but this is a critical period of time during the summer productivity period, so just would love your thoughts on how FGP is progressing. And then as it relates to Kazakhstan, we're getting a lot of questions about the concession extension as we think about next decade. And I recognize that's a long way away but maybe you can help address some of the investor debate around that topic as well.

Mike Wirth: Thanks, Neil, and thanks for your kind remarks about our retiring executives. At TCO, as I covered in my comments, we're really seeing steady and consistent progress. Work is being planned and liquidated in sequence, which is resulting in strong daily, weekly and monthly progress.

I get a weekly report straight from the project team with a tremendous amount of detail – I'm in regular contact with them, and I can tell you that they are really on top of their game. As I said, we've got three of the pressure booster facilities up and running. The fourth, not far away. WPMP is operating very reliably. We're pleased with the performance of the equipment. We're very pleased with the performance of the wells flowing at low pressure. It's early days, but it augurs very well for the maintenance of strong production out of the field for a long time to come.

On FGP, we're going to have additional FGP major equipment and systems ready for operations or started up later this quarter. We're just going to continue to work our way through that. We're moving into more complex process units as opposed to some of the big rotating equipment and field metering station conversions, so the nature of some of the start-up work on FGP will be a little bit different. The other thing to recall is we do have a large turnaround this quarter.

So, good progress. The one thing that we won't compromise is safety or reliability in pursuit of schedule, but I can tell you that the team is all over that.

With respect to the concession, we're really focused right now on getting this project up and running. The concession expiration is nearly a decade away, and the most important thing we can do is make sure that this big complex project is started up safely and reliably. To remind people that may not know, this is one of the world's deepest producing super-giant oil fields, and it's the largest single trap producing reservoir in existence. TCO is very important to the Republic of Kazakhstan, it's very important to us and we'll certainly be in discussions with the government over time about potential extension.

The key thing is an extension needs to create value for the country, and it needs to create value for Chevron shareholders. We always seek that kind of an outcome. We've extended concessions in other places where value is created for both parties, and then there's been some instances over the recent period of time where we couldn't achieve the outcome and we did not extend. We'll be talking more about this subject over time, but right now we're really focused on project execution and continuing the strong performance on delivering FGP. Thanks, Neil.

Operator: And next is Alastair Syme with Citi.

Alastair Syme: (Citi) Thanks.

Mike, this period of limbo around Hess is obviously a period you don't want to be in. It's not clear to me when the FTC rules or if they push out until arbitration, as sort of previously indicated. My question to you is this: do you feel limited to do any other significant portfolio development in this interim period, I guess if the right opportunity came along, that is?

Mike Wirth:	You could do something else if you wanted to. This is a transaction that's the right transaction for us, and so we're very focused on it, Alastair. We've made good progress with the shareholder vote, we're steadily marching along with the FTC and I've already mentioned the timeline on the arbitration. Sometimes good things you have to work for. This will take a little bit more time than we had anticipated, but we remain confident in the outcome. And as I tried to cover in our prepared remarks, we've got a really strong queue of organic growth opportunities in flight right now. We didn't mention the Eastern Med, which is another one. We've got projects in multiple regions of the world that are poised to deliver growth over the next three years. Absent Hess, we've [guided to] 10% growth in free cash flow [at $60 Brent]. We've got projects coming on in numerous basins in the world and in our chemicals business as well. We're really focused on that and creating value there, but if another opportunity were to present itself that were compelling, we're certainly in a position to consider it. Thanks for the question.
Operator:	And the next question will come from Paul Cheng with Scotiabank.
Paul Cheng: (Scotiabank)	Thank you. Mike, can you talk about the potential for further cost efficiency gains? Where do you see over the next, say, two or three years the biggest opportunity? And could you quantify that? I mean, how big is that opportunity set for you guys?
Mike Wirth:	Thanks, Paul, I appreciate it. You and I have known each other for a long time, so you know that capital discipline and cost discipline are near and dear to my heart and they always matter in a commodity business. Year-to-date and second quarter unit opex for us was about $16 a barrel, which is down about 5% from 2022. Improving unit opex continues to be a focus. Some of the actions we're taking today – driving down energy usage, which is a way to both reduce cost and emissions at the same time. In the Upstream, we're electrifying rigs in the Permian. We’re lowering steam use at our San Joaquin Valley operations. In the Downstream, we're implementing energy efficiency projects at our refineries that reduce gas consumption and power use. We're also optimizing supplier contracts, implementing a minimum functional objective approach to operations and maintenance activities at key assets like TCO and our LNG plants in Australia. We're confident that we'll continue to find new ways to increase efficiencies and reduce unit cost. Our plans would call for further unit cost reductions, and I think you can look for us to use technology. For instance, the breakthroughs we're seeing in data technology offer significant opportunities for both efficiency, asset productivity, improved safety and other performance. You can rest assured that I am focused on costs, we are focused on costs and you'll continue to hear more about that from us over time. Thanks, Paul.
Operator:	And the next question will come from Biraj Borkhataria with RBC.
Biraj Borkhataria: (RBC)	Hi, thanks for taking my question. I want to just go back to Kazakhstan and the FGP ramp-up. So, I wasn't asking an operational question, I appreciate FGP is on track, but it was related to the OPEC promises

or curtailment. So, Kazakhstan this year has been a bit ahead of its stated quota. If you take the headline figures from OPEC into next year, it doesn't look like a huge amount of room in that quota to grow. And obviously, FGP is a fairly substantial project. So, I just wanted to get your thoughts on any sort of issues or risks related to that.

Mike Wirth: Thanks, Biraj. Obviously, we are not party to those discussions. We comply with the requirements in any country where we operate, including if they have some sort of production targets or requirements that they impose upon producers in the country.

We have not received any indication from the Republic of Kazakhstan with regards to any curtailments relative to OPEC+. What oftentimes happens there is with the production in several big assets, you have turnarounds, projects and other things that create some degree of variability across multiple different producers, and I think the Republic looks to manage that and fit their plan together.

I don't have any unique knowledge about 2025, but we have a very close relationship. I will tell you that the TCO barrels, from a contribution to the Republic standpoint, are very attractive. Our intent is to produce at the full capacity at any point in time for our facility in order to maximize revenue for the Republic and for Chevron. If there's further developments on that front, we'll certainly provide them, but we don't have anything from the government right now. Thank you.

Operator: And we'll take a question from Doug Leggate with Wolfe Research.

Doug Leggate: (Wolfe Research): Thank you, good morning, everyone.

Hey, Mike, delighted to see you guys come to Houston, welcome. If you want to stop by for coffee, let me know. Mike, I missed out on the last earnings call, and I apologize for bringing it up, I know it's highly sensitive and highly, I guess, subjective. But the issue around the delayed arbitration. I wanted to pose a question to you and see if we can get you to probe a little bit on this. ExxonMobil, regardless of their motivation, has stated that they have no interest in buying Hess. But at the same time, our understanding is the bigger concern is global contractual ROFR credibility, protecting that aspect of a contract. So, without getting into too much of the legalities, I wonder, is there a compromise that could cut short the arbitration timeline, so you don't have to go to arbitration? For example, okay, acknowledge you have a ROFR, but Exxon acknowledges they're not going to exercise the ROFR, so everybody gets to protect their contracts for Exxon and secure your acquisition for Chevron. Is there a compromise that could cut the arbitration short is my question?

Mike Wirth: It’s great to hear a familiar voice back on the call, Doug, and I look forward to seeing you in Houston.

What you have outlined is very sensible. It could be the foundation for something, but I really can't comment on specific conversations. I think we have indicated previously that there was a period of time where Hess and Chevron worked with the other partners in the Stabroek block to try to find a resolution here that accommodated everybody's interests.

That time has now passed, and we're in the arbitration process – that’s the path that we're on. We sought something along the lines of an outcome as you described earlier, but it doesn't appear that is how this is going to end up.

Everything is confidential, obviously, the language in the contract. Contracts around the world have specific language and, in each instance, I think the parties understand how that contract is written and how it would apply. I really can't say anything more about it than that.

Operator: And the next question comes from Josh Silverstein with UBS.

Josh Silverstein: (UBS) Thanks, good morning, guys.

Nice update in the Permian. I was wondering if you could provide a little bit more details around the increase in the fourth quarter outlook. Was this due to the new Delaware completion technique from Chevron? Any thoughts on non-operated and royalty volumes? And then just looking at the Midland side, was there anything kind of specific as far as a zone or completion that you guys are now shifting away from to get increased productivity there?

Mike Wirth: The Permian's performing strongly as you can see in the numbers, and just to remind everybody, about 80% of our [2024] program is in the Delaware. Delaware performance is up year-on-year, and first half 2024 production overall in the basin now averaged over 870,000 barrels a day, which is essentially flat – or even a touch up – from fourth quarter of last year.

The drivers of that are improved performance across multiple dimensions of the business. In the base business, we're seeing lower decline from: proactive maintenance efforts, lower operated downtime, artificial lift optimization. I mentioned triple-frac earlier, which is reducing costs and increasing cycle time, so the [frac]-to-POP cycle has shortened further. We're getting more POP days online than we might have a year ago and well performance, as I said, in the Delaware has been very strong.

In the Midland, some of the first half POPs have been a little bit below expectations. There's only a finite number of pads – I could count them on one hand – that are involved in this. We're always moving into new zones, new acreage, and as part of that we've got active learning and continuous improvement efforts to be sure we're optimizing development across the basin, because it is not completely homogenous. As we're testing new zones to better inform our future development plans, we learn. In this particular case, the learnings will be applied as we go forward.

That said, as I mentioned, the second half POPs [in the Midland] won't carry nearly the same component of continual improvement, kind of exploration or testing here, as they are much more similar developments which have performed very well in the past.

[The Permian] is a big, long-term asset that's got a lot of life ahead of us, and we should be continually improving so that over time we can deliver even stronger returns, stronger performance. We should be learning as we develop it, as the basin matures. [Our Permian portfolio is] exceeding expectations for this year. We've raised our full year guidance, and we've got great confidence in what we'll deliver in 2025. Thanks, Josh.

Operator: And the next question comes from Roger Read with Wells Fargo.

Roger Read: (Wells Fargo) Good morning, Mike, and welcome to Texas.

If we could maybe dig into the Gulf of Mexico, as you said, the first kind of 20,000 psi development. Given that it's new, what are some of the experiences you've had, or the industry has had with this level of pressure? And what are some of the things we should be watching for? Maybe in another way of asking the question, how have you gotten comfortable on the technology side in terms of bringing this forward and developments behind it?

Mike Wirth: I may make a couple of comments on that and then ask Eimear, who before becoming our Chief Financial Officer was our Chief Technology Officer.

Moving into that pressure regime, obviously, you need bigger equipment because you've got to contain higher pressures. You've got greater wall thickness on all your equipment. It's heavier – you need heavier hook loads to lift and deploy equipment. You've got a lot of technology qualification to satisfy our own standards and to satisfy the regulator that every element of your kit is proven at pressures well beyond anything that it will see in service. This goes from components large to small. You get into tighter tolerances and a whole host of things as you step up the pressure regime there.

I would say that we've worked closely with some of our suppliers who have developed the specific equipment that is in place. We're very pleased with everything from the drilling rigs and the equipment that's used in drilling to trees and production kit, both subsurface and surface.

Eimear, you might have some thoughts from your technology days to share with folks.

Eimear Bonner: Mike, you hit on one key thing and that is the partnership that was demonstrated here – with ourselves, with the industry partners – to be able to deliver the first 20,000 [psi] subsea development. To your question in terms of how did we get comfortable, I think it was because we brought the best of our engineers, the best of our suppliers, the best technology that we had – we had several examples of technology, proprietary technology that we brought – and the extent of quality testing that took place before we went out to the field.

Some things to mention just to put that in perspective. We delivered the first 20,000 [psi] subsea well completion, subsea production trees and manifolds. This is the core equipment that protects us from loss of containment and ensures that we safely and reliably can operate the field.

We drilled wells, we developed and built a drilling rig with our partners to enable drilling at these depths – the equipment allowed us to do that. That had very special dynamic positioning technology as well.

On the subsurface side, when we think about the prospect and how we were able to see the prospect and get a really good accurate image of the prospect, we used our proprietary seismic technology here. This was more of our in-house Chevron proprietary technology to help us with that image, and that enabled us to make the right decisions about the development and optimize the development. Those are just a couple of examples of where the surface and the subsurface technology really enabled us to achieve this outcome.

Operator: And the next question will come from Devin McDermott with Morgan Stanley.

Devin McDermott: (Morgan Stanley) Good morning, thanks for taking my question.

Eimear, I wanted to stick with you, and I have a bit of a strategy question for you. If we kind of put together several things that's been talked about on this call so far, the TCO start-up, strong Permian production growth, rising production in the Gulf of Mexico, it all materializes in the form of this inflection and free cash flow as we go into 2025 and beyond. And Chevron has historically had four I think very consistent priorities for use of cash. But now that you've had some time in the CFO seat, I wonder if you could talk about your views for the optimal use of cash, especially in the context of the current low leverage levels and how you're thinking about the trade-off between further dividend growth, or more buybacks as cash flow rises over the next few years?

Eimear Bonner: Thanks Devin. I'm thinking about it consistent with how we have for decades, and consistent with our long-standing financial priorities. To step through them: First – growing the dividend – that's our first priority. Cash that enables us to continue with our track record of growing the dividend for 37 years, so that's the first priority. When we look at the projects that we have and the growth that's underway that Mike talked about, our 10% free cash flow growth [guidance at $60 Brent] really supports future dividend increases. When we think of cash, that's where it goes first and foremost.

Secondly is to invest in the business to deliver profitable growth and do that capital efficiently. This is an area of leadership for Chevron when you look at [total] capex as a percentage of CFFO. I'm focused on ensuring that we maintain leadership in this area.

To your point about the balance sheet, our third priority is to maintain a strong balance sheet. We are currently under-levered, and we expect – and are comfortable – to modestly re-lever over time, but to stay within historical [net debt] ranges. We look at our balance sheet as an asset to create value, manage volatility and ensure steady capital returns through the cycle.

When we've satisfied all three of the financial priorities, the fourth is to return surplus cash to shareholders through buybacks; that's what we intend to do, and we take a multi-year view of that, considering a range of commodity prices.

In my time at the company, on the business side and on the corporate side, I've seen how these financial priorities have served us well, and they'll continue to serve us well. In my time, they're not going to change. Thanks.

Operator: And the next question comes from Nitin Kumar with Mizuho.

Nitin Kumar: (Mizuho) Hi, good morning, Mike and thanks for taking our questions.

I want to maybe shift focus on the Downstream side. Last quarter, you had a heavy turnaround schedule, and just the way cracks worked out, it probably wasn't the best timing. As you're coming out of that turnaround, what are you seeing in your markets? And then if you can maybe touch on renewable diesel, specifically with Geismar coming on later this year. What's the outlook for economics of biofuels?

Mike Wirth: You're right – we had some turnaround activity in the second quarter that occurred during the more attractive margin portion of the quarter, and then we had more capacity back online as margins dropped precipitously in some cases. We didn't capture as much as we could because of the timing of some of our activity.

Globally, product demand is decent. Overall, [2024] demand for oil is going to be up 1% to 2%. Most products have recovered to pre-COVID levels, plus or minus, and we see decent economic growth underway around the world. We've had some new refining capacity come into the system in the Middle East, in Africa, in Mexico and in Asia. Some of it is coming online, some of it is in start-up, so you're seeing some capacity come online. Inventories have all risen over the first half of the year, and they're at or above five-year levels.

For some period of time, we've been of the view that margins were going to revert towards mid-cycle by this year or next year, and that's certainly what we see going on in some cases. Mid-cycle has been pretty tough in some parts of the world, and we're back to pretty tough margins. That's maybe a way to transition to renewable fuels, where these are markets that are heavily influenced, not just by supply and demand, but also by policy because a lot of the value is driven through the credits associated with those.

We've seen periods of time in the past where the targets didn't come out of EPA until after the compliance year had already ended, which was challenging. We've now seen the EPA get ahead of the game and set numbers well out into the future, and it's hard for people to anticipate markets. Right now, what we've got is a market where we've got a lot of capacity that's been incentivized, and we don't have the RVOs that necessarily match up with that. We've got an oversupplied market, credit values are down, both at a federal level and at a state level.

Welcome to a margin business. This is the way value chain businesses work, at least through my career, much of which has been in the Downstream, and you need to be prepared for it. You need to have capital-efficient investment philosophy, which we do. Some of our refinery investments have been to create flexibility to move back and forth between fossil feed and renewable feed. We've done that.

We've idled some plants, which you do when you're in a period like this. We're completing the Geismar project, which will give us scale and, importantly, feedstock flexibility. In the margin business, you need to have access to affordable, competitive and reliable feedstock. The flexibility that Geismar will have will allow it to compete very well.

We've got another project underway, a joint venture with Bunge, to move back into the bean crush portion of the value chain, which further helps us assure competitive supply into Geismar. This is a business where we're going to see periods of time where margins are tough and you probably see some competitive capacity under pressure and some of it shut down. Over time, they will tend to cycle the other way.

We're in this business for the long-haul. We think drop-in renewable fuels are going to be part of creating a lower-carbon energy system in the future, and we're very committed to that business; through good times and through the challenging times we'll be pragmatic, efficient and value chain-oriented in optimizing that business.

Operator: And the next question will come from Jason Gabelman with TD Cowen.

Jason Gabelman: (TD Cowen) Good morning, thanks for taking my question.

You guys have built out a pretty large exploration portfolio the past few years, and I think you're starting to delineate some of that acreage. And I'm wondering, out of the positions you've amassed around the world, what you're most excited about? And then related to that specifically on Namibia, there's a lot of interest in the market about that region. Can you remind us what your drilling plans are for that region this year? And any interest in consolidating the space given a number of small and large players over there? Thanks.

Mike Wirth: Thanks, Jason. You're right – we have added some new acreage to our portfolio and some acreage that's in areas that are kind of more frontier than some of the stuff we've historically held. I'm excited about any number of regions in the world.

I'll start with the Gulf of Mexico where we've got projects lined up, as I mentioned earlier, and a lot of expertise. We're one of the largest lease holders in the Deepwater Gulf of Mexico. As we move into these higher-pressure regimes, we're well-positioned to continue to have exploration success and development success there.

The second one I'll point to is the Eastern Mediterranean, where we've got interesting acreage in the offshore western portion of waters, off of Egypt. We've got some plans to drill there. We've got a discovery where we'll do a delineation well on the Nargis discovery. Then the third one I would point to is West Africa, and that would include existing positions in places like Nigeria, Angola, Equatorial Guinea and Namibia, where there's certainly been a lot of interest lately in Namibia. We've seen others make some discoveries.

In the Orange Basin, we've got a lease PEL90 which sits just outboard of where an interesting discovery has recently been made, and we've got a well there that will spud in the fourth quarter of this year. It'll be completed in early 2025. We've already executed the rig and well construction contract, so we're very excited to see what that delivers.

In terms of additional acreage in [Namibia], we farmed into a block in the Walvis Basin, PEL82, and are interested in continuing to add to our acreage position there, if opportunities present themselves. We've got three ways of bringing resource into the company. You can explore for it and discover it, you can acquire it, or you can unlock it through technology. All three of those receive a lot of attention. We've got talented people working in each area to bring resource in through all of them, but I'm excited about some of the new exploration acreage that we're adding. Thanks, Jason.

Operator: The next question comes from Bob Brackett with Bernstein.

Bob Brackett: (Bernstein Research) Good morning.

I had a question, given that you have a unique position in Venezuela, and we're watching an election and post-election unfold. Any comments on what you're seeing from your folks on the ground? And maybe if there's any vision what your role in Venezuela could look like in a range of Presidential outcomes?

Mike Wirth: Bob, on the ground, what we're doing is really monitoring the situation. You've seen the news coverage, and our focus remains on the safety of our employees and their families and the integrity of the assets in our joint venture operations.

We've been a constructive presence in Venezuela for most of the last 100 years. We conduct our business there in compliance with their laws as well as the laws of the U.S., which in this particular case are administered under a general license issued by the Treasury Department. We've seen some encouraging results here recently since the issuance of the most recent general license. Our JVs are producing around 200,000 barrels a day. We're being repaid debt that we have been owed and are steadily achieving that objective.

We've also seen the extension of some of the concessions on some of these non-operated joint ventures that we are involved in. We remain apolitical in Venezuela and in other countries. We're there to help develop the economy, support the people, create jobs and not get involved in politics, which can swing in any country from party-to-party. We have found that it's best to work with the government that's in power, respect the fact that that is the government that we have, but not take positions that would make it difficult for us to continue to work with a subsequent government. We don't have a role in selecting governments.

We're a commercial player, not a political player, and again, our focus is really on keeping our people safe and the assets protected.

Operator: And next is Neal Dingmann with Truist.

Neal Dingmann: (Truist) Good morning, thanks for getting me in.

Mike, my question for you and the team is just on OFS costs. I'm just wondering have you seen any change in prices given the very recent fall in oil prices? And if so, or just going forward, would you expect to see maybe domestic costs hold while international stays firmer, or vice versa?

Mike Wirth: Certainly, in the economy, broadly speaking, we've seen inflation pressures easing, and I think that's good for consumers. It's good for economic growth. These things vary across geographies and as you say, you can see different dynamics in the onshore and the offshore.

We are seeing some softening of pressure in the onshore, some declining in prices for oil country tubulars, rigs, proppant, trucking. Some of the frac services are more stable. We have a contracting approach that generally sets up index-based pricing over longer periods of time, which tends to buffer increases, it can also buffer the decrease.

We're not a big spot player. We tend to have longer term contracts and look for things that allow our suppliers to plan their work and allocate their people and resources accordingly. Some of these things lag on the way up, they lag a little bit on the way down, but I think in the onshore you're right, you're seeing some easing of pressures.

I think in the offshore, you're seeing a little bit of the reverse. There's more activity going on in the deepwater. You're seeing rig rates firm in some cases, and so this is a place where we also take a longer-term contracting approach. We've got multiple rigs contracted out over multiple years. They're typically laddered so that they don't expire simultaneously, and we've legged into the market across the cycle, so that we're not exposed to any one particular point in time. Certainly not the inflationary pressure we were seeing a couple years ago.

Operator: And the next question comes from Geoff Jay with Daniel Energy Partners.

Geoff Jay: (Daniel Energy Partners) This is maybe a follow-up to Jason's question about exploration earlier.

But I noticed you got involved in Uruguay, I think, back in March. Is that an analog to the Orange or Walvis Basins? And I just wonder if you can maybe update us on what you think the potential could be there and what the timeline of exploration might be there?

Mike Wirth: We did pick-up a block off Uruguay. There are beliefs that there are certain conjugate margin analogs that we see on the South American side of the Atlantic. Obviously, there's a lot of work that needs to be done to explore those theories, and in some instances, we've seen evidence that supports it, in other instances, less so.

We also picked up some acreage in Brazil, in Suriname, so across that whole Eastern coast of South America, we've got some pretty good exposure and intend to do the geotechnical work and seismic work to understand the prospectivity of it. It's very early days on that particular prospect, but we're intrigued by it and it's an example of what I mentioned earlier that we're moving into some areas that are a little more frontier than where we've been over the last number of years.

Operator: And the next question will come from Betty Jiang with Barclays.

Betty Jiang: (Barclays) Good morning. Thanks for taking my question.

I wanted to go back to the Permian. It's great to see the momentum, the operational momentum you're seeing on the operated side, just given the triple-frac and certainly acceleration of the cycle time. Curious, how you think about this pull forward of activity? Would you likely do more with the same equipment? Or would things slowdown or ended up using less equipment? And also curious about what you're seeing on your royalty and non-operated production front as well?

Mike Wirth: Let me start with the royalty and non-op first. We're continuing to see strong contributions from that. We've got line of sight to essentially all the AFEs this year across that acreage. The upside performance we've seen this year has been spread across all three of those portions of our business – company-operated, royalty and NOJV – so strong contributions from those too.

When you get to the Permian, these efficiencies have accelerated activity. We get through more lateral feet of wells, we complete more feet and we use more consumables and sand and everything as we do that. Some of the easing of pressure on cost of goods and inputs helps us offset that. We're going to manage to our capex numbers, and you can expect us to balance out activity and capital.

We're not going to get off to the races on capital – we're going to stay very disciplined on it. A budget is a budget. The nice thing is, because of the improved cycle times and improved efficiencies, we're getting more productivity out of the equipment, so we're getting more production per unit of capital input and that really is the story here. You can expect us to land our capital as we've guided it, at close to $5 billion, and the production as we have guided in our prepared remarks.

Operator: And our last question comes from John Royall with J.P. Morgan.

John Royall: (J.P. Morgan) Hi, good morning. Thanks for taking my question.

My question is if you could give some color on the downtime you saw at both Gorgon and Wheatstone in 2Q. What was the source of those outages? And how are the facilities running now? And maybe include some color around the planned work you called out for Gorgon in 3Q.

Eimear Bonner: John, the downtime in Upstream in May and June was associated with some unplanned events in Gorgon and Wheatstone. On Gorgon, there was a blade failure, so they had to take some time to repair that. They used the time when they were down to try and do as much maintenance as possible.

On Wheatstone, they actually had a [pinhole] gas leak that was discovered by an operator. We're always going to shut the plant down and repair any leaks in the spirit of operational excellence. They repaired that. It was on the fuel gas system and got things back up and running. The repairs were executed safely and efficiently, and we still expect both of those assets to run with good reliability this year, with top quartile performance.

The Gorgon Train 2 turnaround is currently underway, and that's going really well. We expect that to come in under the planned duration this quarter. Even with or despite the downtime, we expect to close the full year and deliver on planned production for the combined Australia assets.

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

Justin, back to you.

Operator: Thank you. This concludes Chevron's second quarter 2024 earnings conference call. You may now disconnect.