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 September 30, 1999

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 September 30, 1999
Common stock, $1.50 par value	656,265,612

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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 September 30, 1999	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998(1)
Revenues					
Sales and other operating revenues*		$ 9,965	$ 7,561	$24,837	$22,779
Income from equity affiliates		127	13	404	294
Other income		85	104	366	202
Total Revenues		10,177	7,678	25,607	23,275
Costs and Other Deductions					
Purchased crude oil and products		5,327	3,494	12,394	10,678
Operating expenses		1,117	1,113	3,721	3,674
Selling, general and administrative expenses		357	367	1,203	896
Exploration expenses		205	126	389	361
Depreciation, depletion and amortization		767	563	1,966	1,674
Taxes other than on income*		1,181	1,145	3,402	3,296
Interest and debt expense		116	103	334	296
Total Costs and Other Deductions		9,070	6,911	23,409	20,875
Income Before Income Tax Expense		1,107	767	2,198	2,400
Income Tax Expense		525	306	937	855
Net Income		$ 582	$ 461	$ 1,261	$ 1,545
Per Share of Common Stock:					
Net Income	- Basic	$ 0.88	$ 0.70	$ 1.92	$ 2.36
	- Diluted	$ 0.88	$ 0.70	$ 1.91	$ 2.35
Dividends		$ 0.61	$ 0.61	$ 1.83	$ 1.83
Weighted Average Number of Shares Outstanding (000s)	- Basic	657,190	655,033	656,268	655,122
	- Diluted	660,649	657,186	659,403	657,359
* Includes consumer excise taxes.		$ 1,023	$ 973	$ 2,921	$ 2,813

(1) Restated for accounting changes effective January 1, 1998, the net effect of which was immaterial

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

Millions of Dollars, Except Per-Share Amounts	Three Months Ended September 30, 1999	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998(1)
Net Income	$ 582	$ 461	$ 1,261	$ 1,545
Currency translation adjustment	(30)	-	(41)	(1)
Unrealized holding (loss)gain on securities	(4)	7	(14)	6
Minimum pension liability adjustment	-	-	(11)	(16)
Other Comprehensive (Loss) Income, net of tax	(34)	7	(66)	(11)
Comprehensive Income	$ 548	$ 468	$ 1,195	$ 1,534

(1) Restated for accounting changes effective January 1, 1998, the net effect of which was immaterial

See accompanying notes to consolidated financial statements.

CHEVRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

Millions of Dollars	September 30, 1999 (Unaudited)	December 31, 1998
ASSETS		
Cash and cash equivalents	$ 703	$ 569
Marketable securities	762	844
Accounts and notes receivable	3,342	2,813
Inventories:		
Crude oil and petroleum products	641	600
Chemicals	543	559
Materials, supplies and other	288	296
	1,472	1,455
Prepaid expenses and other current assets	1,056	616
Total Current Assets	7,335	6,297
Long-term receivables	860	872
Investments and advances	5,105	4,604
Properties, plant and equipment, at cost	54,249	51,337
Less: accumulated depreciation, depletion and amortization	28,558	27,608
	25,691	23,729
Deferred charges and other assets	1,162	1,038
Total Assets	$40,153	$36,540
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt	$ 3,460	$ 3,165
Accounts payable	2,790	2,170
Accrued liabilities	2,148	1,202
Federal and other taxes on income	968	226
Other taxes payable	475	403
Total Current Liabilities	9,841	7,166
Long-term debt	4,585	4,128
Capital lease obligations	272	265
Deferred credits and other non-current obligations	1,728	2,560
Deferred income taxes	4,621	3,645
Reserves for employee benefit plans	1,786	1,742
Total Liabilities	22,833	19,506
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	2,214	2,097
Deferred compensation	(646)	(691)
Accumulated other comprehensive (loss)income	(156)	(90)
Retained earnings	17,016	16,942
Treasury stock, at cost (56,221,456 and 59,460,666 shares at September 30, 1999 and December 31, 1998, respectively)	(2,177)	(2,293)
Total Stockholders' Equity	17,320	17,034
Total Liabilities and Stockholders' Equity	$40,153	$36,540

See accompanying notes to consolidated financial statements.

CHEVRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

Millions of Dollars	Nine Months Ended September 30, 1999	1998(1)
Operating Activities		
Net income	$ 1,261	$ 1,545
Adjustments		
Depreciation, depletion and amortization	1,966	1,674
Dry hole expense related to prior years' expenditures	103	38
Distributions less than income from equity affiliates (1)	(244)	(120)
Net before-tax (gains) losses on asset retirements and sales	(300)	54
Net foreign exchange losses (gains)	37	(23)
Deferred income tax provision	(120)	377
Net decrease (increase) in operating working capital	1,698	(312)
Other, net	(767)	(153)
Net Cash Provided by Operating Activities	3,634	3,080
Investing Activities		
Capital expenditures	(3,489)	(2,779)
Proceeds from asset sales	583	210
Other investing cash flows, net	40	(87)
Net sales of marketable securities	72	47
Net Cash Used for Investing Activities	(2,794)	(2,609)
Financing Activities		
Net borrowings of short-term obligations	127	1,339
Proceeds from issuance of long-term debt	702	176
Repayments of long-term debt and other financing obligations	(443)	(353)
Cash dividends paid	(1,199)	(1,198)
Net sale (purchase) of treasury shares	105	(298)
Net Cash Used for Financing Activities	(708)	(334)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2	-
Net Change in Cash and Cash Equivalents	134	137
Cash and Cash Equivalents at January 1	569	1,015
Cash and Cash Equivalents at September 30	$ 703	$ 1,152

(1) Restated for accounting changes effective January 1, 1998, the net effect of which was immaterial. Certain other 1998 amounts have been reclassified to conform to the 1999 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, 1998. 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, and the material reclassification described in Note 3.

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 1998 Annual Report on Form 10-K.

The results for the three- and nine-month periods ended September 30, 1999, are not necessarily indicative of future financial results.

Note 2. Net Income

Net income for the third quarter 1999 included net charges of $120 million for special items, compared with net benefits of $75 million in the 1998 third quarter. The 1999 third quarter included charges of $79 million for asset write-downs; $31 million for the company's share of a loss on the sale of an investment by Caltex, a 50 percent-owned affiliate; and $10 million for net environmental remediation provisions.

Net income for the first nine months of 1999 included net charges of $206 million from special items, compared with net benefits of $103 million in the comparable 1998 period. In addition to the third quarter special charges of $120 million noted above, the nine-month results included special charges of $146 million for previously announced staff reductions and other restructuring costs, $86 million for net environmental remediation provisions, $43 million for asset write-offs and $23 million for a regulatory matter. Partially offsetting these charges were $152 million from gains on asset dispositions and $60 million from favorable prior-year tax adjustments.

Foreign currency losses of $7 million and $26 million were included in third quarter net income in 1999 and 1998, respectively. For the nine-month periods, foreign currency losses were $48 million in 1999, compared with gains of $24 million in 1998.

Note 3. Information Relating to the Statement of Cash Flows

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

	Nine Months Ended September 30,	
Millions of Dollars	1999	1998
(Increase) Decrease in accounts and notes receivable	$ (475)	$ 331
Decrease in inventories	2	5
Increase in prepaid expenses and other current assets	(143)	(100)
Increase (Decrease) in accounts payable and accrued liabilities	1,532	(906)
Increase in income and other taxes payable	782	358
Net decrease (increase) in operating working capital	$ 1,698	$ (312)

In June 1999, the company reclassified a reserve of approximately $1 billion established for the Cities Service litigation from "Deferred credits and other non-current obligations" to "Accrued liabilities." The remaining 1999 increase in "Accounts payable and accrued liabilities" and the 1999 increase in "Accounts and notes receivable" were largely due to higher 1999 prices for crude oil and refined products. The 1998 decreases in "Accounts payable and accrued liabilities" and "Accounts and notes receivable" were largely related to lower 1998 prices for crude oil and refined products.

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

Millions of Dollars	Nine Months Ended September 30, 1999	1998
Interest paid on debt (net of capitalized interest)	$ 333	$ 310
Income taxes paid	$ 321	$ 500

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

Millions of Dollars	Nine Months Ended September 30, 1999	1998
Marketable securities purchased	$(2,230)	$(1,802)
Marketable securities sold	2,302	1,849
Net sales of marketable securities	$ 72	$ 47

Included in "Proceeds from issuance of long-term debt" of $702 million are cash proceeds of $620 million that the company received from its Employee Stock Ownership Plan (ESOP) in exchange for the assumption of $620 million of existing ESOP debt in July 1999. This transaction was recorded as an increase in cash and a reduction in "Deferred Compensation."

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

The Rutherford-Moran Oil Corporation and another interest in Block B 8/32 offshore Thailand were acquired in March 1999. The consideration for this acquisition included 1.1 million shares of the company's treasury stock valued at $91 million.

Concurrent with the ESOP transaction described above, the ESOP borrowed $620 million of fixed-rate debt in July 1999, guaranteed by Chevron Corporation, to refinance the debt assumed by Chevron. This was recorded by the company as an increase in its debt outstanding and in "Deferred compensation."

The company's ESOP repaid $70 million and $60 million of matured debt guaranteed by Chevron Corporation in January of 1999 and 1998, respectively. These payments were recorded by the company as a reduction in its debt outstanding and in "Deferred compensation." In June 1999, the ESOP borrowed an additional $25 million, which is guaranteed by Chevron Corporation. This was recorded by the company as an increase in its debt outstanding and in "Deferred compensation."

Note 4. Operating Segments and Geographic Data

Chevron manages its exploration and production; refining, marketing and transportation; and chemicals businesses separately. The company's primary country of operation is the United States, its country of domicile. Activities in no other country meet the materiality requirements for separate disclosure.

Sales and other operating revenues by segments, including internal transfers, for the three- and nine-month periods ended September 30, 1999 and 1998, are presented in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Millions of Dollars	1999	1998	1999	1998
Exploration and Production				
United States	$ 1,147	$ 751	$ 2,610	$ 2,484
International	1,853	794	4,234	3,134
	3,000	1,545	6,844	5,618
Intersegment Elimination - United States	(577)	(362)	(1,299)	(1,148)
Intersegment Elimination - International	(879)	(201)	(1,967)	(1,239)
Total Exploration and Production	1,544	982	3,578	3,231
Refining, Marketing and Transportation				
United States	6,071	4,524	15,097	13,369
International	1,454	1,234	3,616	3,733
	7,525	5,758	18,713	17,102
Intersegment Elimination - United States	(107)	(56)	(255)	(177)
Intersegment Elimination - International	(3)	(4)	(11)	(13)
Total Refining, Marketing and Transportation	7,415	5,698	18,447	16,912
Chemicals				
United States	773	648	2,120	1,988
International	195	150	563	435
	968	798	2,683	2,423
Intersegment Elimination - United States	(45)	(32)	(125)	(89)
Intersegment Elimination - International	(1)	-	(1)	-
Total Chemicals	922	766	2,557	2,334
All Other				
United States	99	126	293	335
International	1	1	5	4
	100	127	298	339
Intersegment Elimination - United States	(15)	(12)	(40)	(36)
Intersegment Elimination - International	(1)	-	(3)	(1)
Total All Other	84	115	255	302
Sales and Other Operating Revenues				
United States	8,090	6,049	20,120	18,176
International	3,503	2,179	8,418	7,306
	11,593	8,228	28,538	25,482
Intersegment Elimination - United States	(744)	(462)	(1,719)	(1,450)
Intersegment Elimination - International	(884)	(205)	(1,982)	(1,253)
Total Sales and Other Operating Revenues	$ 9,965	$ 7,561	$24,837	$22,779

The company evaluates the performance of its operating segments on an after-tax basis, excluding the effects of debt financing interest expense or investment interest income, both of which are managed by Chevron Corporation on a worldwide basis. Corporate administrative costs and assets are not allocated to the operating segments; however, operating segments are billed for direct corporate services. Nonbillable costs remain as corporate center expenses. Net income by segment for the three- and nine-month periods ended September 30, 1999 and 1998 is presented in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Millions of Dollars	1999	1998	1999	1998
Exploration and Production				
United States	$ 233	$ 102	$ 378	$ 293
International	322	161	659	505
Total Exploration and Production	555	263	1,037	798
Refining, Marketing and Transportation				
United States	97	188	288	458
International	(21)	(46)	127	146
Total Refining, Marketing and Transportation	76	142	415	604
Chemicals				
United States	25	13	4	95
International	6	1	37	29
Total Chemicals	31	14	41	124
Total Segment Income	662	419	1,493	1,526
Interest Expense	(82)	(69)	(236)	(198)
Interest Income	17	14	44	46
Other	(15)	97	(40)	171
Net Income	$ 582	$ 461	$1,261	$1,545

Segment assets at September 30, 1999 and December 31, 1998, are presented in the following table. Segment assets do not include intercompany investments or intercompany receivables.

Millions of Dollars	September 30, 1999	December 31, 1998
Exploration and Production		
United States	$ 5,948	$ 6,026
International	13,787	10,794
Total Exploration and Production	19,735	16,820
Refining, Marketing and Transportation		
United States	8,112	8,084
International	3,698	3,559
Total Refining, Marketing and Transportation	11,810	11,643
Chemicals		
United States	3,228	3,045
International	916	828
Total Chemicals	4,144	3,873
Total Segment Assets	35,689	32,336
All Other		
United States	2,805	2,467
International	1,659	1,737
Total All Other	4,464	4,204
Total Assets - United States	20,093	19,622
Total Assets - International	20,060	16,918
Total Assets	$40,153	$36,540

Note 5. Summarized Financial Data - Chevron U.S.A. Inc.

At September 30, 1999, 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 Chevron Chemical Company LLC. Summarized financial information for Chevron U.S.A. Inc. and its consolidated subsidiaries is presented as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Millions of Dollars	1999	1998	1999	1998
Sales and other operating revenues	$8,182	$6,243	$20,481	$18,551
Costs and other deductions	7,918	5,965	20,142	17,826
Net income	213	240	421	483

Millions of Dollars	At September 30, 1999	At December 31, 1998
Current assets	$ 3,812	$ 3,227
Other assets	17,993	18,306
Current liabilities	5,398	3,809
Other liabilities	6,530	6,517
Net worth	9,877	11,207

The increase in "Current liabilities" since December 31, 1998 reflects the reclassification of a reserve of about $1 billion established for the Cities Service litigation from "Other liabilities" to "Current liabilities" and an increase in short-term debt. Within "Other liabilities," the reduction from this reclassification is offset by increases in other liability accounts. The primary cause of the reduction in "Net worth" shown above was a third quarter 1999 return of $2 billion of capital to Chevron Corporation in exchange for a loan.

Note 6. Summarized Financial Data - Chevron Transport Corporation Limited

Effective July 1, 1999, Chevron Transport Corporation, a Liberian corporation, was merged into Chevron Transport Corporation Limited (CTC), which assumed all of the assets and liabilities of Chevron Transport Corporation. CTC, a Bermuda 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 for CTC, 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Millions of Dollars	1999	1998	1999	1998
Sales and other operating revenues	$122	$149	$392	$439
Costs and other deductions	140	150	437	445
Net (loss) income	(20)	4	(31)	10

Millions of Dollars	At September 30, 1999	At December 31, 1998
Current assets	$ 182	$ 270
Other assets	782	982
Current liabilities	593	898
Other liabilities	273	284
Net worth	98	70

In August 1999, CTC's parent contributed an additional $59 million of paid-in capital to CTC.

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 September 30, 1999.

Note 7. 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 September 30,		Nine Months Ended September 30,	
Millions of Dollars	1999	1998(1)	1999	1998(1)
Gross revenues	$6,951	$3,852	$15,617	$12,407
Income before income taxes	148	16	666	606
Net income before cumulative effect of accounting change	35	(58)	378	369
Cumulative effect of accounting change	-	-	-	(50)
Net income	35	(58)	378	319

(1) 1998 amounts have been restated for the effects of Caltex's adoption of SOP 98-5, "Reporting on the Costs of Start-up Activities," effective January 1, 1998.

The increase in gross revenues for the three-month and nine-month periods is driven by higher sales volumes and prices in 1999.

Note 8 - Employee Termination Benefits and Other Restructuring Costs

The company recorded net before-tax restructuring charges of $180 million for the nine months ending September 30, 1999 - comprised of $197 million of charges for employee termination benefits offset by a net credit of $17 million for other items.

Accrual and payment activity for the employee termination benefits is presented in the following table:

Number of Employees	Termination Benefits Activity During 1999	Millions of Dollars (Before Tax)
	Accruals	
2,723	Second Quarter	$ 176
415	Third Quarter	21
3,138		197
(1,329)	Cash Payments	(86)
1,809	Balance at September 30	$ 111

The termination benefit charges for the nine-month period were classified $154 million as "Operating expense" and $43 million as "Selling, general and administrative expense." The staff reduction program is being implemented in all of the company's operating segments across several business functions. Employees affected are primarily U.S.-based. All employees must be separated by June 30, 2000.

Termination benefits for 2,742 of the 3,138 employees - accrued in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Plans and for Termination Benefits" - are payable from the funded assets of the company's U.S. and Canadian pension plans. Payments to other employees are from company funds.

Included in the net before-tax credit of $17 million for other restructuring items in the nine-month period was a net before-tax credit of $28 million in the third quarter. The credits included in these net amounts for both periods were associated mainly with restructuring-related pension settlement gains for payments made to terminated employees. These credits were partially offset by charges for employee and office relocations, lease termination penalties and other items. These before-tax charges for the third quarter and nine-month periods were $19 million and $43 million, respectively. Of the $43 million, approximately one third remained unpaid at the end of the third quarter. Charges and credits for these other restructuring costs were classified mainly as either "operating expense" or "selling, general and administrative expense." Items are either accrued or recognized as incurred under the guidelines of EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" or SFAS No. 88, as applicable.

The company's net income for nine months 1999 also included its $25 million share of a restructuring charge recorded by Caltex in the second quarter.

Note 9 - Income Taxes

"Income Tax Expense" for the third quarter and first nine months of 1999 was $525 million and $937 million, respectively, compared with $306 million and $855 million for the comparable 1998 periods. The effective income tax rate for 1999 year to date increased to 43 percent from 36 percent in the 1998 nine months. The increase in the effective tax rates in 1999 was primarily the result of a higher proportion of foreign income that is taxed at higher rates. Partially offsetting this increase in effective rates in 1999 were higher equity affiliates' after-tax earnings as a proportion of before-tax income and tax credits connected with the utilization of capital loss benefits. Prior period tax adjustments lowered the effective tax rate in 1998 nine months.

Note 10. Litigation

The company is a party, along with other oil companies, to numerous lawsuits and claims, including actions challenging oil and gas royalty and severance tax payments based on posted prices and actions related to the use of the chemical MTBE in certain oxygenated gasolines. Plaintiffs may seek to recover large and sometimes unspecified amounts, and some matters may remain unresolved for several years. It is not practical to estimate a range of possible loss for these litigation matters, and 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 result in any significant liability to the company in relation to its consolidated financial position or have a significant effect on its liquidity.

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 made by Gulf Oil Corporation, acquired by Chevron in 1984, to purchase Cities Service in 1982. A 1996 trial resulted in a judgment against the company of $742 million, including interest that continues to accrue while this matter is pending. The Oklahoma Supreme Court affirmed the lower court's decision in March 1999, and accordingly, the company recorded in its 1998 results a litigation reserve of $637 million after-tax, substantially all of which pertained to this lawsuit, for the judgment and accrued interest through December 1998. Interest was accrued subsequently and will continue to accrue until this matter is resolved. At September 30, 1999, the before-tax reserve balance was approximately $1 billion. In March 1999, the company filed a petition for rehearing in the Oklahoma Supreme Court on the issue of damages and requested oral argument. In June 1999, the Oklahoma Supreme Court denied the company's motion. In July, the Oklahoma Supreme Court granted a motion to stay the judgment pending the company's appeal to the U.S. Supreme Court. A petition for certiorari to the U.S. Supreme Court was filed in September. All briefs have been filed and the parties are now waiting for the U.S. Supreme Court to decide whether to grant certiorari. The ultimate outcome of this matter cannot be presently determined with certainty, and is dependent on the U.S. Supreme Court's evaluation of the company's petition.

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 certain types of 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 was enforceable. In August 1998, the judge ruled the patent was enforceable. The defendants filed an appeal in January 1999 and oral arguments were made before the court in July 1999. 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. Unocal continues to file for additional patents for alternate formulations. However, should the jury's findings and Unocal's patents 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 believes that its ultimate exposure in this matter will not materially affect its financial position or liquidity, although the costs of resolution from any unfavorable ruling could be material with respect to earnings in any given period.

Note 11. Other Contingencies and Commitments

The U.S. federal income tax and California income tax liabilities of the company have been settled through 1990 and 1991, respectively.

In June 1997, Caltex Corporation 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 believes the underlying excise tax claim is wrong and therefore the claim for penalties and interest is wrong. In May 1998, Caltex filed a complaint in the United States Court of Federal Claims asking the Court to hold that Caltex owes nothing on the IRS claim. A decision by the Court remains pending. In February 1999, Caltex renewed a letter of credit for $2.52 billion to the IRS that was required to pursue the claim. In May 1999, the IRS agreed to reduce the letter of credit, which is guaranteed by Chevron and Texaco, to $200 million.

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, chemical plants, 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 utilizes various derivative instruments to manage its exposure to price risk stemming from its integrated petroleum activities. All these instruments are commonly used in oil and gas trading activities and are relatively straightforward, involve little complexity and are of a short-term duration. Most of the activity in these instruments is intended to hedge a physical transaction; hence, gains and losses arising from these instruments offset, and are recognized concurrently with, gains and losses from the underlying transactions. The company believes it has no material market or credit risks to its operations, financial position or liquidity as a result of its commodities and other derivatives activities, including forward exchange contracts and interest rate swaps. Its control systems are designed to monitor and manage its financial exposures in accordance with company policies

and procedures. The results of operations and financial position of certain equity affiliates may be affected by their business activities involving the use of derivative instruments.

The company's operations, particularly oil and gas exploration and production, 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, Venezuela, Argentina and Thailand. The company's Caltex affiliates have significant operations in Indonesia, Korea, Australia, Thailand, the Philippines, Singapore, and South Africa. The company's Tengizchevroil affiliate operates in Kazakhstan.

Note 12. Issuance of New Accounting Standards

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). In June 1999, the FASB issued Statement No. 137, which deferred the effective date of FAS 133, making the statement effective for all fiscal quarters of fiscal years beginning after June 15, 2000, with earlier adoption encouraged. The company anticipates adoption of the provisions of FAS 133 effective January 1, 2001. The company and its affiliates are currently evaluating implementation of FAS 133 and the effects the Statement will have on its financial statements and disclosures.

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

Third Quarter 1999 Compared With Third Quarter 1998
And First Nine Months 1999 Compared With First Nine Months 1998

Financial Results

Net income for the third quarter of 1999 was $582 million ($0.88 diluted earnings per share), an increase of 26 percent from net income of $461 million ($0.70 diluted earnings per share) for the 1998 third quarter. In the 1999 quarter, net income included special charges of $120 million, compared with net benefits of $75 million in the 1998 third quarter. Special charges in the 1999 third quarter included asset write-downs of $79 million, $31 million for losses on asset dispositions and $10 million for environmental remediation. In the 1998 quarter, the company received $105 million of proceeds from several insurance settlements related to environmental cost recovery claims and recognized a gain of $18 million from the sale of a U.S. oil and gas property. These gains were partially offset by the company's $43 million share of the costs associated with the reorganization of management and administration functions of Caltex, the company's 50 percent-owned equity affiliate, and a provision of $5 million for environmental remediation. Excluding special items, 1999 third quarter earnings were $702 million, an 82 percent increase from earnings of $386 million in 1998.

Net income for the first nine months of 1999 was $1.261 billion ($1.91 diluted earnings per share), down from $1.545 billion ($2.35 diluted earnings per share) for the 1998 nine months. Net income for the year-to-date periods included net special charges of $206 million in 1999 and net special benefits of $103 million in 1998. Nine-month 1999 net income was reduced by charges for restructuring of $146 million, asset write-downs of $122 million, environmental remediation provisions of $96 million and regulatory issues of $23 million. These were partially offset by gains of $121 million from asset sales and the favorable effects of $60 million from prior-year tax adjustments. The 1998 nine-months benefited $190 million from tax adjustments and $80 million from claim settlements, partially offset by asset write-downs of $68 million, restructuring costs of $43 million, losses on asset sales of $38 million and environmental remediation provisions of $18 million. Excluding these special charges, nine month earnings were $1.467 billion in 1999 compared with $1.442 billion in the first nine months of 1998.

Net income also included foreign exchange losses of $7 million in the 1999 third quarter compared with losses of $26 million in the third quarter of 1998. Year to date, foreign exchange fluctuations reduced earnings $48 million in 1999 and increased earnings $24 million in 1998. Changes between periods occurred primarily in Caltex's Australian operations and in Chevron's Australian and Canadian exploration and production businesses.

Chevron's worldwide exploration and production (upstream) earnings, excluding special items, improved in the 1999 quarter, benefiting from higher crude oil prices and from increases in production in international areas. The company's average U.S. crude oil realizations of $18.11 per barrel in the third quarter 1999 were nearly $7 per barrel higher than the same period last year. Average U.S. natural gas realizations of $2.48 per thousand cubic feet were 56 cents higher than in the 1998 third quarter.

Chevron's refining, marketing and transportation (downstream) businesses suffered significantly lower earnings in the third quarter, compared with last year. The company's U.S. downstream business experienced narrower margins as the increases in crude oil prices outpaced refined products sales realizations. In addition, continuing repairs to operating units at the Richmond, California, refinery had an adverse impact on earnings. Earnings from the company's international downstream operations remained depressed in the third quarter 1999, primarily as earnings from the company's Caltex affiliate continued to be impacted by weak refined products margins in the Asia-Pacific region. In addition, in the third quarter 1999 the company recorded lower earnings from its international shipping operations.

Operating Environment and Outlook

Chevron's earnings are affected significantly by fluctuations in the price of crude oil and natural gas. The average spot price for West Texas Intermediate (WTI), a benchmark crude oil, was $21.73 per barrel for the quarter - the highest level since the first quarter of 1997 and 54 percent higher than the same period last year. For the first nine months of 1999, the average spot price of WTI was $17.58 per barrel, 18 percent higher than the same period last year. Crude oil prices remain at levels higher than last year, as the price of WTI averaged $22.64 per barrel during

October 1999. Average U.S. natural gas prices for the third quarter 1999 were significantly higher than last year's quarter. Chevron's average U.S. natural gas realizations increased 29 percent to $2.48 per thousand cubic feet.

Chevron's third quarter 1999 worldwide net oil equivalent production was 1.545 million barrels per day, an increase of 4 percent over the third quarter 1998. Liquids production from international operations continues to increase, up 3 percent in the third quarter to 792,000 barrels per day and 5 percent year to date, compared with the corresponding periods last year. The company expects international liquids production to increase during the fourth quarter 1999, primarily as a result of the acquisition of Petrolera Argentina San Jorge, an oil and gas exploration and production company in Argentina, late in September 1999.

The rise in crude oil and natural gas prices were the primary driver for higher comparative earnings for the company's exploration and production operations, offsetting increases in exploration expenses. While prices are expected to remain volatile during the fourth quarter 1999, they are likely to remain at levels exceeding last year's fourth quarter if cutbacks in OPEC and non-OPEC production continue.

Certain countries in which Chevron has producing operations have mandated crude oil production cuts to help boost sales prices of crude oil. To date, Chevron's production has not been materially affected by these reductions, and the company believes that in the current industry environment, the net effect of any curtailments directed by host countries would not be significant 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. In addition, civil unrest, political uncertainty and economic conditions may affect the company's producing operations. Community protests have disrupted the company's production in the past, most recently in Nigeria. The company continues to monitor developments closely in the countries in which it operates.

Higher prices for crude oil contributed to narrower margins in the downstream business, except on the U.S. West Coast where industry margins strengthened. Operational problems at the company's Richmond, California, refinery prevented Chevron from fully realizing the benefits of the higher west coast refined products margins. Refinery problems restricted production of oxygenated gasoline, mandated by California, making it necessary for the company to purchase products from third parties to meet its customers' requirements. The company estimates these refinery upsets adversely impacted third quarter earnings by about $40 million. U.S. downstream earnings in the fourth quarter 1999 will continue to be affected by lower production capacity at the Richmond refinery, although the impact is expected to be less than in the third quarter. Repairs to a fluid catalytic cracker were completed by mid-August 1999, but repairs to a hydrocracker are not expected to be completed before the end of 1999. The company has business interruption insurance coverage and expects to recover some of the losses attributable to the incidents at its Richmond refinery. In addition, the company continues to pursue business interruption and property damage claims for 1998 storm damages to its Pascagoula, Mississippi, refinery. The timing and amount of recovery from these claims are uncertain.

Caltex operations in the Far East, particularly Korea, continued to suffer from weak refined product margins -resulting from higher feedstock costs and competitive price discounting - and have failed to fully recover rising crude oil costs in the prices for refined products. Caltex may continue to be adversely affected by these conditions through the remainder of 1999 as the Asia-Pacific markets continue to experience surplus manufacturing capacity and related oversupply conditions.

Earnings of Chevron's chemicals operations are expected to remain depressed because of continued downward pressure on industry margins as higher feedstock costs are not yet being fully reflected in commodity chemical product prices. The low margins are a result of industry manufacturing over-capacity, higher prices for feedstocks and reduced Asian demand for U.S.-manufactured products.

Although the recent increases in crude oil and natural gas prices have improved the overall economic environment in which the company operates, Chevron remains focused on efforts to improve its efficiency. On a per-barrel basis, operating expenses, after adjustments for special items and operations that have been disposed of, were $5.01 per barrel for the first nine months, down about 7 percent from the 1998 comparable period. Excluding the costs associated with the company's growth components - international exploration and production and international chemicals - the company's cost structure declined about $400 million below last year.

Significant Developments

In September, Chevron acquired 100 percent of Petrolera Argentina San Jorge, an oil and gas exploration and producing company in Argentina. Included in this acquisition was an interest in the major export pipeline to the Atlantic coast of Argentina and exploration acreage in key petroleum basins in Argentina, Colombia, Ecuador, Peru, Bolivia and Chile. San Jorge's recent gross operated production reached 78,000 barrels of oil and 40 million cubic feet of gas per day. In October, this company announced a new oil discovery in the Rio Negro Province, Argentina. The discovery, the seventh since January 1999, tested 3,880 barrels per day of 39-degree API oil. Chevron holds a 37.5 percent interest in this discovery.

Also in October, Chevron took over operatorship in Thailand of Block B8/32, in which it acquired an approximate 52 percent interest earlier this year. Gross production of natural gas reached over 140 million cubic feet per day in late September, while production of liquids is expected to reach 30,000 barrels per day by the end of this year.

In the Caspian Sea area, gross liquids production at the company's Tengizchevroil joint venture in Kazakhstan averaged over 215,000 barrels per day in the third quarter, up from 183,000 barrels per day in last year's third quarter. Essential to the goal of expanding production from the Tengiz field to 700,000 barrels per day by 2010 is the completion of the pipeline under construction by the Caspian Pipeline Consortium, in which Chevron has a 15 percent interest. Commitments exceeding $1.5 billion for material purchases and contract services have been made to date to build this link from the Tengiz field to the Black Sea. Over $500 million has been expended on the project thus far. Pipeline completion is scheduled for 2001.

Chevron was appointed the Managing Sponsor of a six-company consortium that was selected by the Governments of Benin, Ghana, Nigeria, and Togo to develop the West African Gas Pipeline. This pipeline will be developed to link gas producers in Western Nigeria with power generation plants in the other countries, initially delivering an estimated 120 million cubic feet of natural gas per day. This pipeline will help reduce air pollution by reducing gas flaring associated with existing oil production in Nigeria and by delivering natural gas to replace more polluting fuels.

Chevron announced in September a significant natural gas discovery offshore Western Australia at the Geryon prospect. Geryon is operated by the West Australian Petroleum Pty. Ltd. Joint Venture, of which Chevron is a 25 percent participant.

In August, Chevron and two other partners announced they had reached agreement to jointly develop The Athabasca Oil Sands Project in Alberta, Canada, subject to final corporate approvals of each of the partners. The project is scheduled to begin producing 150,000 barrels of synthetic crude oil per day in 2002 and Chevron will have a 20 percent stake.

Year 2000 Problem

The Year 2000 problem is the result of computer systems and other equipment with embedded chips or processors using two digits, rather than four, to define a specific year and potentially being unable to process accurately certain data before, during or after 2000. This could result in system failures or miscalculations, causing disruptions to various activities and operations.

Chevron has established a corporate-level Year 2000 project team to coordinate the efforts of teams in the company's operating units and corporate departments to address the Year 2000 issue in three major areas: information technology, embedded systems and supply chain. Information technology includes the computer hardware, systems and software used throughout the company's facilities. Embedded systems exist in automated equipment and associated software, which are used in the company's exploration and production facilities, refineries, transportation operations, chemical plants and other business operations. Supply chain includes the third parties with which Chevron conducts business. The company also is monitoring the Year 2000 efforts of its equity affiliates and joint-venture partners. Progress reports on the Year 2000 project are presented regularly to the company's senior management and periodically to the Audit Committee of the company's Board of Directors.

The company is addressing the Year 2000 issue in three overlapping phases: (1) identification and assessment of all critical equipment, software systems and business relationships that may require modification or replacement prior to 2000; (2) resolution of critical items through remediation and testing of modifications, replacement, or

development of alternative business processes; and (3) development and testing of contingency and business continuation plans for critical items to mitigate any disruptions to the company's operations.

Chevron's plans called for all critical items to be addressed prior to 2000. By September 30, 1999 all three phases of Chevron's Year 2000 project - identification and assessment, remediation and testing, and contingency planning - - were essentially complete. Because of the scope of its operations, the company believes it is impractical to eliminate all potential Year 2000 problems before they arise. As a result, the company expects that for non-mission-critical items and those mission-critical items for which temporary "work arounds" have been developed, Year 2000 remedial efforts will continue into the year 2000.

In the normal course of business, the company has developed and maintains extensive contingency plans to respond to equipment failures, emergencies and business interruptions. However, contingency planning for Year 2000 issues is complicated by the possibility of multiple and simultaneous incidents, which could significantly impede efforts to respond to emergencies and resume normal business functions. Such incidents may be outside of the company's control, for example, if mission-critical third parties do not successfully address their own material Year 2000 problems.

The company has enhanced existing plans, where necessary, and in some cases developed new plans specifically designed to mitigate the impact on its operations of potential failures relating to the Year 2000 issue. These plans are designed to continue safe operations, protect the environment, protect the company's assets and enable the resumption of any interrupted operations in a timely and efficient manner. The company has dedicated significant resources toward validating that contingency plans developed in individual operating units are consistent and complementary across the company. Additionally, the company is implementing plans designed to mitigate the risk of supply outages occurring in its businesses that may result from potential increases in customer demand prior to January 1, 2000. In the third quarter 1999, the company successfully completed a test of its Corporate Year 2000 Information Center, which will monitor the Year 2000 status of the company's facilities around the world. A variety of potential Year 2000 scenarios were developed. The company tested processes and procedures to manage both the information flow and its responses to these different situations. As part of its contingency planning, the company will place emergency response teams at key locations around the world in late December and early January.

The company utilizes both internal and external resources in its Year 2000 efforts. The cumulative total cost to achieve Year 2000 compliance is currently estimated at $175 million, mostly for expense-type items, not all of which is incremental to the company's operations. Approximately $145 million had been spent through September 30, 1999. The majority the future expenditures will be incurred during the remainder of 1999 with some expenditures in 2000. The foregoing amounts include the company's share of expenditures by its major affiliates.

As part of the Securities and Exchange Commission's reporting requirements on the Year 2000 problem, companies must include a description of their "most reasonably likely worst-case scenarios" from potential Year 2000 issues. For Chevron, its business diversity is expected to reduce the risk of widespread disruptions to its worldwide operations from Year 2000-related incidents. The company does not expect unusual risks to public safety or to the environment to arise from potential Year 2000-related failures. While the company believes that the impact of any individual Year 2000 failure most likely will be localized and limited to specific facilities or operations, it is not yet able to fully assess the likelihood of significant business interruptions occurring in one or more of its operations around the world. Such interruptions could delay manufacturing and delivery of refined products and chemicals products by the company to customers. The company could also face interruptions in its ability to produce crude oil and natural gas. While not expected, failures to address multiple critical Year 2000 issues, including failures to implement appropriate contingency plans in a timely manner, could materially and adversely affect the company's results of operations or liquidity in any one period. The company is currently unable to predict the aggregate financial or other consequences of such potential interruptions.

The foregoing disclosure is based on the company's current expectations, estimates and projections, which could ultimately prove to be inaccurate. Because of uncertainties, the actual effects of Year 2000 problems on the company may be different from the company's current assessment. Factors that could affect the company's ability to be Year 2000 compliant by the end of 1999, many of which are outside its control, include: failures to achieve compliance by customers, suppliers, governmental entities and others, and failures by the company to identify all critical Year 2000 issues, or to develop appropriate contingency plans for all Year 2000 issues that ultimately may

arise. The foregoing disclosure is made pursuant to the Federal Year 2000 Information and Readiness Disclosure Act.

Other Contingencies and Significant 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 made by Gulf Oil Corporation, acquired by Chevron in 1984, to purchase Cities Service in 1982. A 1996 trial resulted in a judgment against the company of $742 million, including interest that continues to accrue while this matter is pending. The Oklahoma Supreme Court affirmed the lower court's decision in March 1999, and accordingly, the company recorded in 1998 results a litigation reserve of $637 million after-tax, substantially all of which pertained to this lawsuit, for the judgment and accrued interest through December 1998. Interest was accrued subsequently and will continue to accrue until this matter is resolved. At September 30, 1999, the before-tax reserve balance was approximately $1 billion. In March 1999, the company filed a petition for rehearing in the Oklahoma Supreme Court on the issue of damages and requested oral argument. In June 1999, the Oklahoma Supreme Court denied the company's motion. In July, the Oklahoma Supreme Court granted a motion to stay the judgment pending the company's appeal to the U.S. Supreme Court. A petition for certiorari to the U.S. Supreme Court was filed in September. All briefs have been filed and the parties are now waiting for the U.S. Supreme Court to decide whether to grant certiorari. The ultimate outcome of this matter cannot be presently determined with certainty, and is dependent on the U.S. Supreme Court's evaluation of the company's petition.

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In June 1997, Caltex Corporation 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 believes the underlying excise tax claim is wrong and therefore the claim for penalties and interest is wrong. In May 1998, Caltex filed a complaint in the United States Court of Federal Claims asking the Court to hold that Caltex owes nothing on the IRS claim. A decision by the Court remains pending. In February 1999, Caltex renewed a letter of credit for $2.52 billion to the IRS that was required to pursue the claim. In May 1999 the IRS agreed to reduce the letter of credit, which is guaranteed by Chevron and Texaco, to $200 million.

The company is a party to numerous lawsuits and claims, including, along with other oil companies, actions challenging oil and gas royalty and severance tax payments based on posted prices and others related to the use of the chemical MTBE in certain oxygenated gasolines. The company believes that the resolution of these matters will not materially affect its financial position or liquidity, although costs associated with their resolution could be material with respect to earnings in any given period.

The company utilizes various derivative instruments to manage its exposure to price risk stemming from its integrated petroleum activities. All these instruments are commonly used in oil and gas trading activities and are relatively straightforward, involve little complexity and are of a short-term duration. Most of the activity in these instruments is intended to hedge a physical transaction; hence, gains and losses arising from these instruments offset, and are recognized concurrently with, gains and losses from the underlying transactions. The company believes it has no material market or credit risks to its operations, financial position or liquidity as a result of its

commodities and other derivatives activities, including forward exchange contracts and interest rate swaps. Its control systems are designed to monitor and manage its financial exposures in accordance with company policies and procedures. The results of operations and financial position of certain equity affiliates may be affected by their business activities involving the use of derivative instruments.

The company's operations, particularly oil and gas exploration and production, can be affected by changing economic, regulatory and political environments in the various countries, including the United States, in which it operates. Political uncertainty and civil unrest may, at times, threaten the safety of employees and the company's continued presence in a country. Management carefully considers these factors when evaluating the level of current and future activity in such countries.

The company and its affiliates continue to review and analyze their operations and may close, abandon, sell, exchange, acquire or restructure assets to achieve operational or strategic benefits and to improve competitiveness and profitability. In addition, the company receives claims from, and submits claims to, customers, trading partners, host governments, contractors, insurers and suppliers. The amounts of these claims, individually and in the aggregate, may be significant and take lengthy periods to resolve. The company also suspends the costs of exploratory wells pending a final determination of the commercial potential of the related oil and gas fields. The ultimate disposition of these well costs is dependent on the results of future drilling activity and/or development decisions. If the company decides not to continue development, the costs of these wells are expensed. These activities, individually or together, may result in gains or losses in future periods.

Employee Staff Reductions and Restructurings

During the second quarter of 1999, Chevron began implementing a staff reduction program and other restructuring activities across the company. While the programs affect the activities of all the company's business segments, most of the net costs relate to the termination and relocation of U.S.-based employees.

For the nine-month 1999 period, net income included restructuring costs of $141 million, including termination benefits for approximately 3,100 employees. These restructuring costs include accrued employee termination benefits, restructuring-related pension settlement gains and other items. Also included is $25 million for Chevron's share of restructuring charges recorded by its Caltex affiliate. The net-income effect of these costs in millions of dollars and the estimated number of employees (excluding Caltex employees) to be terminated are presented by business segment in the following table:

Business Segment	Net Expense After Tax	Employees Affected
United States Exploration and Production	$ 24	652
International Exploration and Production	14	473
United States Refining, Marketing & Transportation	28	703
International Refining, Marketing & Transportation	33	101
Worldwide Chemicals	17	384
All Other	25	825
Total	$ 141	3,138

The staff reductions began in the second quarter 1999 and will be completed by the end of the second quarter 2000. The company will also continue to incur restructuring costs that benefit ongoing operations. In addition, actuarial gains will be recognized that are associated with payments made from the company's pension plans for the terminated employees. These items will be included in net income as they occur.

Review of Operations

Total revenues for the quarter were $10.2 billion, an increase of 32 percent from $7.7 billion in last year's third quarter. For the nine-month period, total revenues were $25.6 billion, up 10 percent from $23.3 billion in the comparable 1998 period. Revenue increases were mainly the result of higher sales realizations for refined products, crude oil and natural gas.

Total "Operating expenses" and "Selling, general and administrative" (SG&A) expenses, adjusted for special items, were $1.449 billion in the 1999 third quarter compared with $1.632 billion in last year's third quarter. For nine months, total operating expenses and SG&A expenses, excluding special items, declined $164 million to $4.557 billion despite an increase in crude oil production. The company continues to keep tight control over its operating expenses.

Third quarter 1999 "Depreciation, depletion and amortization" (DD&A) expenses of $767 million were $204 million higher than the 1998 third quarter. For the nine-month period, DD&A expenses of $1.966 billion were $292 million higher than the 1998 period. DD&A related to asset write-downs increased expenses by $156 million for the third quarter and $211 million for the first nine months of 1999.

"Income Tax Expense" for the third quarter and first nine months of 1999 was $525 million and $937 million, respectively, compared with $306 million and $855 million for the comparable 1998 periods. The effective income tax rate for 1999 year to date increased to 43 percent from 36 percent in the 1998 nine months. The increase in the effective tax rates in 1999 was primarily the result of a higher proportion of foreign income that is taxed at higher rates. Partially offsetting the increase in effective rates in 1999 were higher equity affiliates' after-tax earnings as a proportion of before-tax income and tax credits connected with the utilization of capital loss benefits. Prior period tax adjustments lowered the effective tax rate in 1998 nine months.

The following tables detail the company's net income by major operating area and selected operating data.

NET INCOME BY MAJOR OPERATING AREA

	Three Months Ended September 30,		Nine Months Ended September 30,	
Millions of Dollars	1999	1998	1999	1998(1)
Exploration and Production				
United States	$233	$102	$ 378	$ 293
International	322	161	659	505
Total Exploration and Production	555	263	1,037	798
Refining, Marketing and Transportation				
United States	97	188	288	458
International	(21)	(46)	127	146
Total Refining, Marketing and Transportation	76	142	415	604
Chemicals	31	14	41	124
Corporate and Other (2)	(80)	42	(232)	19
Net Income	$582	$461	$1,261	$1,545

(1) Restated for accounting changes effective January 1, 1998, the net effect of which was immaterial.

(2) Includes interest expense, interest income on cash and marketable securities, coal operations, corporate center costs, and real estate and insurance activities.

SELECTED OPERATING DATA (1),(2)

	Three Months Ended September 30, 1999	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998
U.S. Exploration and Production				
Net Crude Oil and Natural Gas Liquids Production (MBPD)	321	323	313	332
Net Natural Gas Production (MMCFPD)	1,664	1,703	1,659	1,765
Sales of Natural Gas (MMCFPD)	3,436	3,233	3,354	3,354
Sales of Natural Gas Liquids (MBPD)	127	113	127	126
Revenue from Net Production				
Crude Oil ($/BBL)	$18.11	$11.31	$14.20	$11.72
Natural Gas ($/MCF)	$ 2.48	$ 1.92	$ 2.06	$ 2.03
International Exploration and Production				
Net Crude Oil and Natural Gas Liquids Production (MBPD)	792	768	799	759
Net Natural Gas Production (MMCFPD)	929	636	867	613
Sales of Natural Gas (MMCFPD)	1,884	1,587	1,823	1,439
Sales of Natural Gas Liquids (MBPD)	64	57	56	58
Revenue from Liftings				
Liquids ($/BBL)	$19.63	$11.47	$15.11	$12.26
Natural Gas ($/MCF)	$ 1.89	$ 2.01	$ 1.83	$ 1.93
Other Produced Volumes (MBPD) (3)	92	96	97	93
U.S. Refining, Marketing and Transportation				
Sales of Gasoline (MBPD) (4)	680	681	664	657
Sales of Other Refined Products (MBPD)	677	638	641	597
Refinery Input (MBPD)	999	1,022	964	926
Average Refined Product Sales Price ($/BBL)	$29.48	$21.91	$25.43	$22.73
International Refining, Marketing and Transportation				
Sales of Refined Products (MBPD) (5)	892	791	902	805
Refinery Input (MBPD)	416	455	427	475
Chemical Sales and Other Operating Revenues (6)				
United States	$ 773	$ 648	$2,120	$1,988
International	194	150	562	435
Worldwide	$ 967	$ 798	$2,682	$2,423

(1) Includes equity in affiliates.
(2) MBPD = thousand barrels per day; MMCFPD = million cubic feet per day; BBL = barrel; MCF = thousand cubic feet
(3) Represents total field production under the Boscan operating service agreement in Venezuela.
(4) Includes branded and unbranded gasoline.
(5) 1998 volumes are restated to conform to 1999 presentation.
(6) Millions of dollars. Includes sales to other Chevron companies.

Worldwide exploration and production net income was $555 million in the third quarter of 1999, more than double the $263 million for the corresponding 1998 period. Net income of $1.037 billion in the first nine months of 1999 was 30 percent higher than the $798 million earned in the 1998 period. U.S. exploration and production third quarter 1999 net income was $233 million, more than twice the $102 million earned in last year's third quarter. Nine-month net income was $378 million in 1999, compared with $293 million earned in the 1998 nine months. Special items for the 1999 third quarter included write-downs of $45 million for oil and gas properties in the Gulf of Mexico. In addition to the third quarter write-downs, earnings in the 1999 nine months were reduced by special charges of $26 million for restructuring costs, $23 million for litigation and regulatory issues and $3 million for environmental remediation provisions. The 1998 quarter and year-to-date net income included special benefits of $18 million from the sale of an oil and gas property in the U.S. Gulf of Mexico. Excluding special items in all periods, 1999 third quarter earnings more than tripled to $278 million. Nine-month earnings were $475 million, compared with $275

million in 1998. The improved 1999 results were primarily the result of higher crude oil and natural gas prices and lower operating expenses.

The company's average 1999 third quarter U.S. crude oil realizations of $18.11 per barrel increased $6.80 over last year's third quarter. Average U.S. natural gas realizations of $2.48 per thousand cubic feet were 56 cents higher than the 1998 third quarter. On a year-to-date basis, 1999 crude oil realizations were $14.20 per barrel, 21 percent higher than the $11.72 per barrel obtained in 1998, and natural gas prices were $2.06 per thousand cubic feet, slightly higher than the $2.03 per thousand cubic feet obtained last year. The higher crude oil prices were primarily a result of production cutbacks by OPEC and non-OPEC producing countries.

Net U.S. liquids production averaged 321,000 barrels per day in the third quarter of 1999 and 313,000 barrels per day for the first nine months. In 1998, liquids production averaged 323,000 barrels per day in the third quarter and 332,000 barrels per day for the year-to-date period. Net U.S. natural gas production was 1.664 billion cubic feet per day in the 1999 third quarter and 1.659 billion cubic feet per day for nine months, compared with 1.703 billion cubic feet per day and 1.765 billion cubic feet per day, respectively, for the corresponding 1998 periods. The lower U.S. production of liquids and natural gas resulted from new production having been more than offset by property sales and normal field production declines in both the third quarter- and nine-month periods. Also a factor in the production volume change between periods was the adverse effect on third quarter 1998 production caused by September 1998 storms in the Gulf of Mexico.

International exploration and production net income for the 1999 third quarter was $322 million, double the $161 million earned in the third quarter of 1998. Net income of $659 million in the first nine months of 1999 was 30 percent more than the $505 million earned in the 1998 period. There were no special items in the third quarters of 1999 or 1998. There was no impact from special items on earnings in the 1999 nine months as a gain on an asset sale offset charges for restructuring costs. Earnings in the 1998 nine months were reduced a net $3 million when a loss related to an asset swap was mostly offset by favorable tax adjustments. The increase in 1999 earnings reflected significantly higher crude oil and natural gas prices and higher crude-oil liftings compared with the corresponding 1998 periods. Higher exploration expenses, including a $42 million write-off of an exploratory well in China, reduced earnings by about $70 million in the 1999 third quarter, compared with the 1998 quarter. For the nine-month periods, higher exploration expenses in 1999 partially offset the benefits of higher crude oil and natural gas prices by approximately $55 million.

The company's 1999 average third quarter international crude oil realizations of $19.63 per barrel increased $8.16, or 71 percent, compared with the 1998 quarter. Average third quarter international natural gas realizations of $1.89 per thousand cubic feet were 12 cents, or 6 percent, lower than in the third quarter of last year. On a year-to-date basis, 1999 crude oil realizations were $15.11 per barrel, 23 percent higher than the $12.26 per barrel obtained in 1998. Natural gas prices were $1.83 per thousand cubic feet, a decline of 5 percent from $1.93 per thousand cubic feet last year.

Net international liquids production of 792,000 barrels per day increased 24,000 barrels per day from last year's third quarter, and nine months production was 799,000 barrels per day compared with 759,000 barrels per day in 1998. The year-to-date production increases were primarily in Angola and Kazakhstan partially offset by declines in Australia and Nigeria.

Net natural gas production for the 1999 third quarter increased 46 percent to 929 million cubic feet per day, and increased 41 percent to 867 million cubic per day for nine months. The increases reflect higher production in the U.K. North Sea - where the Britannia Field began producing in August 1998; in Thailand - as a result of the company's Rutherford-Moran acquisition in early 1999; and in Kazakhstan and western Canada.

Earnings also included foreign exchange losses of $3 million in the 1999 third quarter compared with gains of $8 million in the third quarter of 1998. Year to date, foreign exchange fluctuations reduced earnings $31 million in 1999 and increased earnings $31 million in 1998. These changes occurred primarily in Chevron's Australian and Canadian businesses.

Worldwide refining, marketing and transportation operations reported net income of $76 million in the 1999 third quarter, about half of the $142 million earned in last year's third quarter. The 1999 nine-month net income was $415 million, a 31 percent decrease from the corresponding 1998 period. U.S. refining, marketing and

transportation net income was $97 million in the 1999 third quarter, compared with $188 million in the 1998 quarter. Nine-month net income for 1999 was $288 million compared with $458 million in the 1998 nine months. Net income for the third quarter of 1999 included special charges of $10 million for environmental remediation. There were no special items in the 1998 third quarter. On a year to date basis, 1999 net income was reduced by a net charge of $14 million. Provisions for environmental remediation ($65 million) and reorganization costs ($24 million), were partially offset by a gain on the sale of pipeline interests ($75 million). Nine-month 1998 results were reduced $13 million by environmental remediation provisions.

The company's refined products margins declined as raw material cost increases outpaced product realizations. In addition, unplanned unit shutdowns at the Richmond, California, refinery had an adverse impact on earnings. The hydrocracker is under repair from damages incurred in a March 1999 fire, and the fluid catalytic cracker was taken out of operation for repairs in the current quarter as well. Third quarter 1998 earnings were reduced by insurance deductible costs for damages to the Pascagoula, Mississippi, refinery and other facilities resulting from Hurricane Georges.

Total refined product sales volumes were 1.357 million barrels per day in the third quarter of 1999, up 3 percent from the comparable quarter last year. Year to date refined products sales volumes of 1.305 million barrels per day were up 4 percent from 1.254 million barrels per day last year. Chevron-branded motor gasoline sales also improved by 3 percent over last year's quarter to 559,000 barrels per day. Through the first nine months of this year, branded motor gasoline sales have increased 5 percent when compared with the same 1998 period.

The company's average refined product prices were $29.48 per barrel in the 1999 third quarter, compared with $21.91 in the 1998 quarter. Average refined product prices were $25.43 and $22.73 in the year-to-date periods of 1999 and 1998, respectively.

International refining, marketing and transportation operations incurred net losses of $21 million and $46 million in the third quarter 1999 and 1998, respectively. The net loss for the third quarter of 1999 included the company's $31 million share of Caltex's loss from the sale of its investment in the Japanese refiner, Koa Oil Company. The 1998 third quarter included the company's $43 million share of costs associated with the reorganization of Caltex's management and administration functions. Net income in the 1999 nine-month period was $127 million, compared with $146 million in the comparable period last year. In addition to the third quarter special item discussed above, the 1999 nine-month period included a special gain of $60 million for favorable Korean tax adjustments, partially offset by $30 million for restructuring charges attributable to both Caltex and Chevron operations. Results for the 1998 nine months included a special charge of $25 million for the company's share of the cumulative effect from Caltex's adoption of a new accounting standard, in addition to the third quarter special charge discussed above. Net income included foreign currency gains of $1 million in the third quarter 1999, compared with losses of $26 million in the 1998 quarter. 1999 nine-month earnings included foreign currency losses of $15 million, compared with gains of $2 million in the 1998 nine months.

Refined products trade sales volumes were 892,000 barrels per day in the third quarter 1999, up 13 percent from the comparable quarter last year. Year to date sales volumes were up about 12 percent to 902,000 barrels per day. In both periods, the increased volumes occurred primarily in Caltex's operations.

Net Income from Caltex operations contains the effects from special items, other non-recurring items, and foreign currency gains and losses. The following table identifies the effects of these items:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Millions of Dollars	1999	1998	1999	1998
Reported Net (loss)income	$(18)	$(58)	$ 97	$ 78
Less:				
Special items	(31)	(43)	(66)	(68)
Foreign currency gain(loss)	1	(28)	(11)	(1)
Inventory adjustments	14	-	78	-
Reversal of deferred income tax allowances	-	-	-	25
Adjusted Net (Loss)Income	$ (2)	$ 13	$ 96	$122

As indicated by the table above,adjusted net income from Caltex operations has declined in both 1999 periods, despite increased sales volumes primarily from trading of crude oil and refined products. This was primarily due to depressed refined products refining and sales margins in the Asia-Pacific region. In particular, results from Caltex's Korean operations suffered from lower refined products sales margins in the third quarter and first nine months of 1999, compared with the corresponding year-ago periods. The Asia-Pacific market continues to experience competitive price discounting and has failed to recover rising crude oil costs in the prices for refined products.

In addition to the decline in adjusted Caltex earnings in both periods shown above, earnings from the company's international shipping operations were $12 million lower in the third quarter 1999 and $25 million lower for 1999 nine months, compared with the corresponding periods last year.

Chemicals net income was $31 million in the 1999 third quarter, compared with $14 million in last year's third quarter. Net income for the first nine months of 1999 was $41 million compared with $124 million in 1998. There were no special items for the 1999 third quarter, but year-to-date charges of $43 million for asset write-offs, $28 million for environmental remediation and $20 million for restructuring charges reduced nine-month net income by $91 million. Net income for the third quarter and nine months of 1998 included charges of $5 million for environmental remediation provisions. Excluding special items in all periods, third quarter 1999 chemicals net income was $31 million, compared with $19 million in the 1998 quarter and $132 million compared with $129 million for the first nine months of 1999 and 1998, respectively. The increase in earnings excluding special charges for the third quarter was the result of improvements in margins for the company's major chemical products, primarily polyethylene, where higher selling prices improved margins despite a slight decline in sales volume. Additionally, operating expenses fell between periods.

All Other activities include coal operations, interest expense, interest income on cash and marketable securities, real estate and insurance activities and corporate center costs. These activities incurred net charges of $80 million in the third quarter of 1999, compared with income of $42 million in the comparable prior-year quarter. The third quarter of 1999 included a special charge for an adjustment to the carrying value of the company's coal assets, which are currently under negotiation for sale. In the 1998 quarter, the company recognized special gains of $105 million reflecting proceeds from several settlements with various insurers related to environmental cost recovery claims.

Year-to-date charges were $232 million in 1999, compared with net income of $19 million in last year's first nine months. Special items included in nine month 1999 results included an asset sale gain of $60 million and restructuring charges of $29 million, in addition to the third quarter write-down of the coal assets. Special items of $174 million in the first nine months of 1998 included favorable prior-year income tax related adjustments of $137 million and asset write-offs of $68 million in addition to the third quarter special gains.

Excluding special items, ongoing charges from activities other than coal in the third quarter of 1999 were $53 million compared with $82 million last year. Income tax benefits and gains associated with pension plan activity in 1999 were partially offset by higher net interest expense. Charges for nine months were $258 million compared with $191 million last year. Higher charges in the 1999 nine months were primarily the result of higher interest expense on higher debt levels in 1999. The net costs in 1998 included recoveries of certain prior-year claims and lower costs of variable components of employee compensation plans. Third quarter coal earnings, excluding special items, were $7 million compared with $19 million in the 1998 quarter. Year-to-date earnings, excluding special items, were $29 million compared with $37 million in 1998.

Liquidity and Capital Resources

Cash and cash equivalents totaled $703 million at September 30, 1999 - a $134 million increase from year-end 1998. In addition to cash from operations, increases in long- and short-term debt funded the company's capital expenditures and dividend payments to shareholders.

On October 27, 1999, Chevron declared a quarterly dividend of 65 cents per share, an increase of 4 cents a share from the preceding quarter.

In March 1999, Chevron purchased the Rutherford-Moran Oil Corporation and another interest in Block 8/32, offshore Thailand, for approximately 1.1 million shares of its treasury stock, $57 million in cash and the assumption

of outstanding debt of $341 million. Concurrent with the purchase, $202 million of that debt was retired and the remaining $139 million was called and retired in April 1999. The company financed these retirements through an increase in short-term debt.

In September 1999, the company completed the acquisition of Petrolera Argentina San Jorge, a privately-held oil and gas exploration and production company in Argentina. This acquisition was financed with a combination of cash and an increase in short-term debt.

The company's debt and capital lease obligations totaled $8.317 billion at September 30, 1999, up $759 million or 10 percent from $7.558 billion at year-end 1998. Newly issued long-term debt and capital lease obligations for nine months 1999 totaled $728 million. This increase was primarily due to $620 million of long-term debt issued in July by the company's Employee Stock Ownership Plan (ESOP) at an average rate of 7.42% and guaranteed by Chevron Corporation. The proceeds from the issuance of debt were paid to Chevron Corporation in exchange for Chevron's assumption of the existing ESOP 8.11% long-term debt of $620 million. Chevron used the cash proceeds to reduce existing short-term debt, primarily commercial paper. The additions to long-term debt were partially offset by scheduled and unscheduled long-term debt repayments of $81 million and a scheduled non-cash retirement in January of ESOP debt of $70 million. These changes in long-term debt exclude the assumption and retirement of long-term debt included in the Rutherford-Moran transaction. There was a net increase of $182 million in short-term debt (excluding the current portion of long-term debt due for repayment in 12 months or less), primarily commercial paper and short-term debt assumed in acquisitions, from year-end 1998.

Although the company benefits from lower interest rates on short-term debt, its proportionately large amount of short-term debt has kept its ratio of current assets to current liabilities at relatively low levels. This ratio was .75 at September 30, 1999, down from .88 at year-end 1998. A major factor in this reduction is an increase in current liabilities of $2.675 billion. This increase was primarily due to the June 1999 reclassification from noncurrent to current of an accrual of about $1 billion established in 1998 for the Cities Service litigation, an increase of $620 million in third-party accounts payable balances in line with the 1999 increases in crude oil and refined products prices, the increase in short-term debt and an increase in the current portion of long-term debt. Interest will continue to accrue on the amount of the judgment in the Cities Service case until the matter is resolved. The company continues to pursue the Cities Service matter in the courts.

The company's short-term debt, consisting primarily of commercial paper and the current portion of long-term debt, totaled $6.185 billion at September 30, 1999. This amount includes $2.725 billion with termination dates beyond one year 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.

At October 31, 1999, Chevron had $3.750 billion in committed credit facilities with various major banks, $2.725 billion of which had termination dates beyond one year.

The company's debt ratio (total debt : total debt plus stockholders' equity) was 32 percent at September 30, 1999, about the same as at year-end 1998. 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 October, the company issued $500 million of new 6.625% long-term debt. The newly issued debt will mature in 2004. The cash proceeds from the debt issue were used to reduce existing short-term debt, primarily commercial paper. This debt issue reduced the company's existing "shelf" registrations on file with the Securities and Exchange Commission to $800 million from $1.3 billion at December 31, 1998.

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. To date, the company has purchased 6.4 million shares at a cost of about $484 million under the repurchase program. There has been no activity under that program in 1999.

Worldwide capital and exploratory expenditures for the first nine months of 1999, including the company's share of affiliates' expenditures, totaled $4.781 billion, up 25 percent from $3.815 billion spent in the first nine months of

1998. Expenditures for international exploration and production activities in the 1999 period were $3.024 billion or about 63 percent of total expenditures, reflecting the company's continued emphasis on increasing international oil and gas production. 1999 expenditures include two significant acquisitions in the international exploration and production segment - Petrolera Argentina San Jorge, acquired in the third quarter 1999, and the Rutherford-Moran Oil Corporation, acquired in the first quarter 1999. The company's other segments in the aggregate have incurred lower expenditures in 1999, compared with 1998, as the company restricts spending in these areas to fund its international exploration and production prospects. Spending outside the United States accounted for 70 percent of total expenditures in nine months 1999, compared with 50 percent in 1998. The C&E expenditures for the full year 1999 in the international exploration and production segment will be dependent upon, among other factors, the ability of our partners, some of which are national petroleum companies, to fund their share of project expenditures.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

A. Cities Service Co. Litigation

Item 3A of the company's Annual Report on Form 10-K for the period ended December 31, 1998 and Item 1 of the company's Amended Quarterly Report for the period ended June 30, 1999 are hereby updated as follows:

A petition for certiorari to the U.S. Supreme Court was filed in September. All briefs have been filed with the Court and the parties are now waiting for the Court to decide whether to grant certiorari.

B. El Paso Refinery - Generation of Benzene

Item 3C of the company's Annual Report on Form 10-K for the period ended December 31, 1998 is hereby updated as follows:

Chevron has agreed to settle this matter by paying $200,000 for a one-year vehicle scrappage program in the El Paso/Sunland Park, New Mexico/Ciudad Juarez, Mexico area as a supplemental environmental project. Chevron also agreed to an order setting forth the details of the supplemental environmental project under the terms of a resolution by the Texas Natural Resource Conservation Commission on August 31, 1999. No civil penalties were paid as part of the settlement.

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

None

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

(1) A Current Report on Form 8-K was filed by the company on September 28, 1999. In this report, Chevron filed a press release announcing the acquisition of 100 percent of Petrolera Argentina San Jorge, an oil and gas exploration and production company in Argentina.

(2) A Current Report on Form 8-K was filed by the company on September 28, 1999. In this report, Chevron filed a press release issued by its affiliate Caltex Corporation, announcing that Caltex has sold 97.2 percent of its 50 percent equity interest in KOA Oil Co. Ltd. to Nippon Mitsubishi Oil Corporation.

(3) A Current Report on Form 8-K was filed by the company on September 30, 1999. In this report, Chevron filed two press releases announcing executive changes at the corporation.

(4) A Current Report on Form 8-K was filed by the company on October 8, 1999. In this report, Chevron filed an exhibit replacing information set forth under Exhibit 25.1 in Chevron Corporation's Registration Statement on Form S-3 (No. 33-58463).

(5) A Current Report on Form 8-K was filed by the company on October 15, 1999. In this report, Chevron filed as an exhibit (Exhibit 4.1), the First Supplemental Indenture between Chevron Corporation and The Chase Manhattan Bank, as Trustee, dated October 13, 1999.

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 November 4, 1999

/s/ S.J. Crowe
S. J. Crowe, Comptroller
(Principal Accounting Officer and Duly Authorized Officer)

Exhibit 12

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

(Dollars in Millions)

	Nine Months Ended September 30,	Year Ended December 31,				
	1999	1998	1997	1996	1995	1994
Net Income (1)	$ 1,261	$1,339	$ 3,256	$2,607	$ 930	$ 1,693
Income Tax Expense	1,082	658	2,428	2,624	1,094	1,322
Distributions (Less Than) Greater Than Equity in Earnings of Less Than 50% Owned Affiliates	(154)	(72)	(70)	29	(5)	(3)
Minority Interest	3	7	11	4	-	3
Previously Capitalized Interest Charged to Earnings During Period	29	35	28	24	47	32
Interest and Debt Expense	392	492	405	471	557	453
Interest Portion of Rentals (2)	131	187	167	158	148	156
Earnings before Provisions for Taxes and Fixed Charges	$ 2,744	$2,646	$ 6,225	$ 5,917	$ 2,771	$ 3,656
Interest and Debt Expense	$ 392	$ 492	$ 405	$ 471	$ 557	$ 453
Interest Portion of Rentals (2)	131	187	167	158	148	156
Capitalized Interest	6	39	82	108	141	80
Total Fixed Charges	$ 529	$ 718	$ 654	$ 737	$ 846	$ 689
Ratio of Earnings to Fixed Charges	5.19	3.68	9.52	8.03	3.28	5.31

(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.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
THE COMPANY'S BALANCE SHEET AT SEPT.30, 1999 AND INCOME STATEMENT FOR THE
NINE MONTHS ENDED SEPT.30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY
REFERENCE TO SUCH FINANCIAL STATEMENTS AND THEIR RELATED FOOTNOTES.

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9-MOS
DEC-31-1999
SEP-30-1999
703
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