UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1997   Commission file number 1-27

TEXACO INC.
(Exact name of the registrant as specified in its charter)

Delaware	74-1383447
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2000 Westchester Avenue White Plains, New York	10650
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (914) 253-4000

Texaco Inc. (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, and (2) HAS BEEN subject to such filing requirements for the past 90 days.

As of October 31, 1997, there were outstanding 529,018,839 shares of Texaco Inc. Common Stock - par value $3.125.

PART I - FINANCIAL INFORMATION

TEXACO INC. AND SUBSIDIARY COMPANIES
STATEMENT OF CONSOLIDATED INCOME
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996

(Millions of dollars, except per share amounts)

	(Unaudited)			
	For the nine months ended September 30,		For the three months ended September 30,	
	1997	1996	1997	1996
REVENUES				
Sales and services	$33,630	$31,777	$10,834	$10,901
Equity in income of affiliates, interest, asset sales and other	988	852	259	196
	34,618	32,629	11,093	11,097
DEDUCTIONS				
Purchases and other costs	26,324	24,526	8,355	8,399
Operating expenses	2,184	2,105	740	721
Selling, general and administrative expenses	1,219	1,205	427	406
Maintenance and repairs	260	266	89	88
Exploratory expenses	306	243	114	84
Depreciation, depletion and amortization	1,145	1,068	388	364
Interest expense	309	328	106	107
Taxes other than income taxes	365	361	97	129
Minority interest	54	50	17	17
	32,166	30,152	10,333	10,315
Income before income taxes	2,452	2,477	760	782

Provision for income taxes	411	968	270	348
NET INCOME	$ 2,041	$ 1,509	$ 490	$ 434
Preferred stock dividend requirements	$ (42)	$ (43)	$ (14)	$ (14)
Net income available for common stock	$ 1,999	$ 1,466	$ 476	$ 420
Per common share (dollars)(a)				
Net income	$ 3.84	$ 2.81	$ .91	$ .80
Cash dividends paid	$ 1.30	$ 1.225	$ .45	$ .425
Average number of common shares outstanding for computation of earnings per share (thousands) (a)	520,356	521,451	520,745	521,515

(a) Reflects two-for-one stock split, effective September 29, 1997.

See accompanying notes to consolidated financial statements.

TEXACO INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 1997 AND DECEMBER 31, 1996

(Millions of dollars)

	September 30, 1997 (Unaudited)	December 31, 1996
ASSETS		
Current Assets		
Cash and cash equivalents	$ 451	$ 511
Short-term investments - at fair value	48	41
Accounts and notes receivable, less allowance for doubtful accounts of $22 million in 1997 and $34 million in 1996	3,999	5,195
Inventories	1,537	1,460
Deferred income taxes and other current assets	283	458
Total current assets	6,318	7,665
Investments and Advances	5,439	4,996
Properties, Plant and Equipment - at cost	35,291	33,988
Less - accumulated depreciation, depletion and amortization	21,198	20,577
Net properties, plant and equipment	14,093	13,411
Deferred Charges	965	891
Total	$26,815	$26,963
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 521	$ 465
Accounts payable and accrued liabilities		
Trade liabilities	2,527	3,472
Accrued liabilities	1,291	1,333
Estimated income and other taxes	1,205	914
Total current liabilities	5,544	6,184
Long-Term Debt and Capital Lease Obligations	5,116	5,125
Deferred Income Taxes	808	795
Employee Retirement Benefits	1,208	1,236
Deferred Credits and Other Noncurrent Liabilities	1,873	2,593
Minority Interest in Subsidiary Companies	649	658
Total	15,198	16,591
Stockholders' Equity		
Market Auction Preferred Shares	300	300
ESOP Convertible Preferred Stock	459	474
Unearned employee compensation and benefit plan trust	(376)	(378)
Common stock (authorized: 700,000,000 shares, $3.125 par value; 548,586,834 shares issued - See Note 5)	1,714	1,714
Paid-in capital in excess of par value	616	630
Retained earnings	9,628	8,292
Currency translation adjustment	(102)	(65)
Unrealized net gain on investments	40	33
	12,279	11,000
Less - Common stock held in treasury, at cost	662	628
Total stockholders' equity	11,617	10,372
Total	$26,815	$26,963

See accompanying notes to consolidated financial statements.

TEXACO INC. AND SUBSIDIARY COMPANIES
CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996
(Millions of dollars)

	(Unaudited) For the nine months ended September 30, 1997	1996
OPERATING ACTIVITIES		
Net income	$2,041	$1,509
Reconciliation to net cash provided by (used in) operating activities		
Depreciation, depletion and amortization	1,145	1,068
Deferred income taxes	196	108
Exploratory expenses	306	243
Minority interest in net income	54	50
Dividends from affiliates, greater than (less than) equity in income	(272)	141
Gains on asset sales	(295)	(49)
Changes in operating working capital	15	36
Other - net	(144)	(55)
Net cash provided by operating activities	3,046	3,051
INVESTING ACTIVITIES		
Capital and exploratory expenditures	(2,506)	(2,001)
Proceeds from sale of discontinued operations, net of cash and cash equivalents sold	--	344
Proceeds from sales of assets	756	99
Sales (purchases) of leasehold interests	(503)	231
Purchases of investment instruments	(910)	(1,390)
Sales/maturities of investment instruments	913	1,436
Other - net	(57)	21
Net cash used in investing activities	(2,307)	(1,260)
FINANCING ACTIVITIES		
Borrowings having original terms in excess of three months		
Proceeds	427	125
Repayments	(216)	(250)
Net decrease in other borrowings	(156)	(481)
Purchases of common stock	(74)	(59)
Dividends paid to the company's stockholders		
Common	(676)	(638)
Preferred	(32)	(34)
Dividends paid to minority shareholders	(64)	(49)
Net cash used in financing activities	(791)	(1,386)
CASH AND CASH EQUIVALENTS		
Effect of exchange rate changes	(8)	(3)
Increase (decrease) during period	(60)	402
Beginning of year	511	501
End of period	$ 451	$ 903

See accompanying notes to consolidated financial statements.

TEXACO INC. AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Discontinued Operations

On February 29, 1996, Texaco completed the disposition of its operations classified as discontinued operations by completing the sale of its worldwide lubricant additives business to Ethyl Corporation for $136 million in cash and a three-year note with a face amount of $60 million.

Revenues for the discontinued operations totaled $33 million for the first two months of 1996, representing activities through the sale date.

Discontinued operations had no significant impact on the 1996 results.

Note 2. Inventories

The inventories of Texaco Inc. and consolidated subsidiary companies were as follows:

	As of	
	September 30, 1997	December 31, 1996
	(Unaudited)	
	(Millions of dollars)	
Crude oil	$ 378	$ 296
Petroleum products and petrochemicals	891	904
Other merchandise	46	58
Materials and supplies	222	202
Total	$1,537	$1,460

Note 3. Contingent Liabilities

Information relative to commitments and contingent liabilities of Texaco Inc. and subsidiary companies is presented in Notes 14 and 16, pages 63-64 and 67, respectively, of Texaco Inc.'s 1996 Annual Report to Stockholders.

With respect to the U.S. Internal Revenue Service (IRS) claims discussed in Note 16, page 67, of Texaco Inc.'s 1996 Annual Report to Stockholders, on April 21, 1997, the U.S. Supreme Court decided not to review the decisions of the U.S. Court of Appeals for the Fifth Circuit and the U.S. Tax Court in the so-called "Aramco Advantage" case. As a result of this decision by the Supreme Court, Texaco recognized an after-tax earnings benefit of $488 million in the first quarter 1997, representing the refund of the balance of deposits made to the IRS in previous years for potential tax claims and accrued interest. In August 1997, Texaco received approximately $770 million, which represents substantially all amounts recoverable by the company.

In the company's opinion, while it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities and commitments, including lawsuits, claims, guarantees, taxes and regulations, the aggregate amount of such liability in excess of financial reserves is not anticipated to be materially important in relation to the consolidated financial position or results of operations of Texaco Inc. and its subsidiaries.

Note 4. Caltex Group of Companies

Summarized unaudited financial information for the Caltex Group of Companies, owned 50% by Texaco and 50% by Chevron Corporation, is presented below and is reflected on a 100% Caltex Group basis:

	For the nine months ended September 30,		For the three months ended September 30,	
	1997	1996	1997	1996
	(Millions of dollars)			
Gross revenues	$13,217	$13,385	$ 4,090	$ 4,225
Income before income taxes	$ 859	$ 1,945	$ 220	$ 221
Net income	$ 556	$ 1,082	$ 170	$ 93

On April 2, 1996, Caltex Petroleum Corporation ("Caltex") completed the sale of its 50% interest in Nippon Petroleum Refining Company, Limited to its partner Nippon Oil Company for approximately $2 billion. Caltex' net income for the second quarter of 1996 included a gain of $621 million associated with this sale.

Effective April 1, 1997, Caltex' 40% interest in its Bahrain refining joint venture (Bapco) was sold to the government of the State of Bahrain at approximately net book value.

On June 17, 1997, Caltex received a claim from the IRS for $292 million in excise taxes, plus penalties and interest. The IRS claim relates to crude oil sales to Japanese customers beginning in 1980. Prior to 1980, Caltex directly supplied crude oil to its Japanese customers. In 1980, a Caltex subsidiary, Caltex Trading and Transport Corporation, also became a contractual supplier of crude oil to the Japanese customers. The IRS position is that this was a transfer of property, and thus taxable. Caltex is challenging the claim and fully expects to prevail, since the addition of another supplying company was not a taxable event. Additionally, Caltex believes the claim is based on an overstated value. Finally, Caltex disagrees with the imposition and calculation of interest and penalties. Just as Caltex believes the underlying excise tax claim is wrong, Caltex also believes the related claim for approximately $140 million in penalties is equally wrong and the IRS claim for almost $1.6 billion in interest charges is flawed. Caltex believes that the likelihood that it will pay these charges is remote.

Note 5. Stockholders' Equity

On July 25, 1997, the company's Board of Directors approved a two-for-one split of the company's common stock, effective September 29, 1997. All data presented in this Form 10-Q reflect the impact of the stock split.

The Board's action followed the approval by shareholders at the company's 1997 Annual Meeting to increase the number of authorized common shares to 700,000,000 and halve the par value to $3.125 per share.

Note 6. Subsequent Event - Acquisition of Monterey Resources, Inc.

On November 4, 1997, the shareholders of Monterey Resources, Inc. approved the merger of Monterey with Texaco, in a transaction valued at $1.4 billion. Under the terms of the merger, Monterey shareholders received 0.3471 shares of Texaco common stock for each share of Monterey common stock. As a result, Texaco issued approximately 19 million additional shares of Texaco common stock. In addition, Texaco assumed Monterey's existing debt of approximately $300 million.

The merger will be recorded by Texaco as a purchase business combination for accounting and financial reporting purposes. The pro forma effect of the merger on revenues, consolidated net income and net income per share of Texaco common stock for nine months, 1997 and prior periods is not material.

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In the determination of preliminary and unaudited financial statements for the nine-month and three-month periods ended September 30, 1997 and 1996, Texaco's accounting policies have been applied on a basis consistent with the application of such policies in Texaco's financial statements issued in its 1996 Annual Report to Stockholders. In the opinion of Texaco, all adjustments and disclosures necessary to present fairly the results of operations for such periods have been made. These adjustments are of a normal recurring nature. The information is subject to year-end audit by independent public accountants. Texaco makes no forecasts or representations with respect to the level of net income for the year 1997.

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

RESULTS OF OPERATIONS

Total worldwide net income for Texaco Inc. and subsidiary companies for the third quarter of 1997 was $490 million, or $.91 per share, as compared with $434 million, or $.80 per share, for the third quarter of 1996. Total net income for the first nine months of 1997 was $2,041 million, or $3.84 per share, as compared with $1,509 million, or $2.81 per share, for the first nine months of 1996. Per share amounts reflect the two-for-one stock split, effective September 29, 1997. Both nine month periods included special items.

For the first nine months of 1997, net income before special items was $1,422 million, or $2.65 per share, as compared with $1,285 million, or $2.38 per share, for the first nine months of 1996.

Significantly improved downstream results and upstream production gains were key contributors to strong third quarter 1997 earnings. During the third quarter of 1997:

- Net income rose 13 percent to $490 million.
- Worldwide production rose three percent.
- Branded gasoline sales in the U.S. increased six percent.
- Quarterly dividend increased six percent to $.45 per share.
- Year-to-date capital and exploratory expenditures grew 34 percent to $3.0 billion.

The solid third quarter performance reflects the momentum that Texaco is building. Downstream earnings significantly improved in the third quarter this year. Increased refinery throughput and higher gasoline sales volumes complemented higher margins. Upstream earnings for the third quarter were below last year due to the impacts of lower crude prices and higher exploratory activities. However, these factors were partially offset by higher production in the Partitioned Neutral Zone, the addition of production from the U.K. Captain field and higher U.S. natural gas prices.

Two major upstream initiatives announced during the third quarter demonstrate Texaco's commitment to enhance shareholder value. Texaco continues its efforts to strengthen its competitive position in the global energy market. Texaco acquired a 20 percent interest in the giant Karachaganak field in Kazakstan and on November 4, 1997, completed the merger with the California heavy oil producer, Monterey Resources, Inc. Each will add significantly to the company's growing worldwide production and reserve base. The two-for-one stock split and the six percent quarterly common stock dividend increase are further evidence of Texaco's continued confidence in its ability to grow earnings and cash flow.

Results for 1997 and 1996 are summarized in the following table. Details on special items are included in the functional analysis which follows this table.

	(Unaudited)			
	For the nine months ended September 30,		For the three months ended September 30,	
	1997	1996	1997	1996
	(Millions of Dollars)			
Net income before special items	$1,422	$1,285	$ 490	$ 434
Gains on major asset sales	174	224	-	-
Financial reserves for various issues	(43)	-	-	-
U.S. tax issue	488	-	-	-
	619	224	-	-
Total net income	$2,041	$1,509	$ 490	$ 434

OPERATING EARNINGS

PETROLEUM AND NATURAL GAS

EXPLORATION AND PRODUCTION

United States

Exploration and production earnings in the U.S. for the third quarter of 1997 were $232 million, as compared with $262 million for the third quarter of 1996. For the nine month periods of 1997 and 1996, earnings were $732 million and $772 million, respectively. Results for 1997 included a second quarter special charge of $43 million for the establishment of financial reserves for royalty and severance tax issues. Excluding the special charge, results for the nine months of 1997 totaled $775 million.

In the U.S. upstream, third quarter 1997 earnings were below last year's level as the benefits of higher natural gas prices could not offset lower crude oil prices and higher operating expenses associated with increased activities. Average realized crude oil and natural gas prices for the third quarter of 1997 were $16.56 per barrel and $2.13 per thousand cubic feet (MCF); $1.37 per barrel lower and $.11 per MCF higher than 1996. Ample worldwide supply levels led to the weaker crude oil prices.

Earnings before special items for nine months of 1997 were slightly above 1996. Higher realized commodity prices offset lower gas trading results and higher expenses associated with increased operating and exploratory activities. Average realized crude oil and natural gas prices for nine months of 1997 were $17.71 per barrel and $2.28 per MCF; $.47 per barrel and $.20 per MCF higher than 1996. Production gains from new and existing fields, particularly in the Gulf of Mexico and Louisiana, offset declines from maturing fields.

International

Exploration and production earnings outside the U.S. for the third quarter of 1997 were $103 million, as compared with $132 million for the third quarter of 1996. For the nine month periods of 1997 and 1996, earnings were $499 million and $365 million, respectively. Results for 1997 included second quarter special gains of $161 million from the sales of a 15 percent interest in the Captain Field in the U.K. North Sea, an interest in Canadian gas properties and an interest in an Australian pipeline system. Excluding these special gains, results for the nine month period of 1997 totaled $338 million.

In the international upstream, third quarter and nine months 1997 earnings before special items were below 1996 levels. Improved production only partly offset the cost of Texaco's expanded exploration programs, lower gas trading results in the U.K. and lower crude prices. Average realized crude oil prices were $16.88 per barrel for the third quarter and $17.79 per barrel for the nine months 1997; $2.55 and $.85 per barrel below 1996 prices.

Production in 1997 increased 10 percent over last year. New production from the Captain field in the U.K. North Sea and record production in the Partitioned Neutral Zone contributed to the increase. Also, new activities coming onstream late in 1996 in the Bagre field offshore Angola and in the Danish North Sea led to higher liquids production this year. Natural gas production in 1997 benefited from a full nine months of operations at the Dolphin field in Trinidad and from the Chuchupa "B" field in Colombia.

Results for the third quarter and nine months of 1997 included noncash currency benefits of $13 million and $26 million, respectively, due to the weakening of the Pound Sterling versus the U.S. dollar relating to deferred income taxes, compared to minimal charges in 1996.

MANUFACTURING, MARKETING AND DISTRIBUTION

United States

Manufacturing, marketing and distribution earnings in the U.S. for the third quarter of 1997 were $132 million, as compared with $94 million for the third quarter of 1996. For the nine month periods of 1997 and 1996, earnings were $238 million and $242 million, respectively. Results for 1997 included a second quarter special gain of $13 million from the sale of credit card operations. Excluding the special gain, results for the nine months of 1997 were $225 million.

In the U.S. downstream, strong gasoline demand bolstered third quarter 1997 margins. Gulf Coast sour crude cracking margins also were higher in the third quarter of 1997, maintaining the strength shown throughout the year. Improved refinery operations and higher gasoline sales volumes also benefited 1997 results.

During the first nine months of 1997, Gulf Coast sour crude cracking margins were higher than last year. However, weaker West Coast margins in the first half of the year contributed to the lower earnings for the nine months of 1997 versus the same period in 1996. Last year, regional refining problems and new California gasoline formulation requirements caused a supply disruption resulting in margin increases that peaked in the second quarter of 1996. In 1997, competitive pressures and increased costs dampened West Coast margins; however, third quarter margin increases resulted in a modest recovery. Additionally, the impact of refinery fires late in 1996 and early 1997 at the Los Angeles, California refinery resulted in property damage and processing unit downtime in the first quarter of 1997. Lower crude oil trading margins and clean-up costs from the May pipeline break in Lake Barre, Louisiana also contributed to the decline in 1997 earnings.

International

Manufacturing, marketing and distribution earnings outside the U.S. for the third quarter of 1997 were $134 million, as compared with $37 million for the third quarter of 1996. For the nine month periods of 1997 and 1996, earnings were $370 million and $433 million, respectively. Results for 1996 included a second quarter special gain of $224 million for Caltex' sale of its interest in a Japanese affiliate, including the tax portion of the sales proceeds distributed to the shareholders. Excluding the special gain, results for the nine months of 1996 totaled $209 million.

In the international downstream, the strong 1997 earnings before special items reflected higher manufacturing and marketing results. The refining segment experienced improved margins and lower expenses. Improved U.K. marketing results reflected a recovery from significantly depressed 1996 margins. Increased sales volumes and stronger marketing margins in Latin America also contributed to the higher earnings. Lower results in Scandinavia, primarily from competitive pressures in the Norwegian marketplace, partly offset these improvements.

In the Caltex area of operations, third quarter and nine months 1997 benefited from higher earnings in Korea through improved petrochemical results, refining margins and higher refined product sales. Currency devaluations, notably in Thailand, Malaysia and the Philippines, have caused an erosion in third quarter marketing margins due to the inability to fully recover feedstock costs. Prices are being raised to restore margins as quickly as market forces and regulations permit. In the third quarter, favorable balance sheet currency translations caused by the devaluations more than offset related product margin declines.

NONPETROLEUM

Nonpetroleum earnings for the third quarter of 1997 were $3 million, as compared with $6 million for the third quarter of 1996. For the nine month periods of 1997 and 1996, earnings were $16 million and $11 million, respectively.

CORPORATE/NONOPERATING RESULTS

Corporate and nonoperating charges for the third quarter of 1997 were $114 million, as compared with charges of $97 million for the third quarter of 1996. Corporate and nonoperating earnings for the nine months of 1997 were $186 million, as compared with charges of $314 million for the nine months of 1996. Results for 1997 included a first quarter special benefit of $488 million associated with the "Aramco Advantage" U.S. tax case. Excluding this benefit, corporate and nonoperating charges totaled $302 million for the nine months of 1997.

During the third quarter 1997, corporate expenses increased with the introduction of a new advertising campaign. Comparative nine months 1997 results benefited from reduced interest expense due to lower debt levels and slightly lower interest rates. Additionally, 1997 included higher gains on sales of marketable securities held for investment by insurance operations.

LIQUIDITY AND CAPITAL RESOURCES

Texaco's cash, cash equivalents and short-term investments were $499 million at September 30, 1997, as compared with $552 million at year-end 1996. Cash from operations totaled $3.05 billion and included the receipt of the IRS refund.

During 1997, cash from operations, together with proceeds from the sale of nonstrategic assets of $756 million, exceeded outlays for Texaco's significantly higher capital and exploratory program of $2.5 billion and the payment of common, preferred and minority interest dividends of $772 million.

At September 30, 1997, Texaco's ratio of total debt to total borrowed and invested capital was 31.5%, as compared with 33.6% at year-end 1996. At September 30, 1997, Texaco's long-term debt included $1,056 million of debt scheduled to mature within one year, which the company has both the intent and the ability to refinance on a long-term basis. The company maintained a revolving credit facility with commitments of $1.5 billion, which was unused at both September 30, 1997 and at year-end 1996.

The company issued $150 million of 7.09% Noncallable Notes Due 2007 in the first quarter and $200 million of 3.50% Cash-Settled Convertible Notes Due 2004 in the third quarter. Concurrently with the issuance of the Cash-Settled Convertible Notes, the company entered into an arrangement that converts its interest cost into a LIBOR-based floating rate and limits Texaco's cost of conversion to the face amount of these Notes. Proceeds from these offerings were used for working capital, retirement of existing debt and other general corporate purposes.

During the first nine months of 1997, the company purchased $74 million of common stock under the $500 million common stock repurchase program announced in 1995. This brings total purchases under this program to $237 million. The company will continue repurchasing shares from time to time based on market conditions.

During the first nine months of 1997, the company completed the following sales:

- In March, Texaco exercised an option to terminate a lease arrangement and obtained ownership of the assets used in its propylene oxide/methyl tertiary butyl ether (PO/MTBE) business. Concurrent with this transaction, Texaco sold the PO/MTBE business to a Huntsman Corporation affiliate for cash and preferred stock. The cash proceeds of $512 million were used to substantially offset the cost of exercising the option. The preferred stock, with a stated value of $65 million, is mandatorily redeemable in eleven years.

- During April, the company sold a 15% interest in its U.K. North Sea Captain Field to an affiliate of Korea Petroleum Development Corporation for approximately $210 million. Of this total amount, $20 million was received during the first quarter of 1996.

- In April, the company sold its interests in certain producing operations in Canada for approximately $80 million.

- In May, the company sold its credit card services unit, including its portfolio of proprietary credit card accounts receivable, for approximately $300 million.

On August 12, 1997, Texaco repurchased certain equipment leasehold interests in conjunction with a sale/leaseback arrangement for $522 million, which was less than the sales proceeds previously received.

On July 25, 1997, Texaco's Board of Directors approved a two-for-one split of the company's common stock, effective September 29, 1997. The company also increased its quarterly dividend on its common stock to 45 cents per share from 42.5 cents per share, on a split basis, representing an increase of 5.9 percent.

On November 4, 1997, the shareholders of Monterey Resources, Inc. approved the merger of Monterey with Texaco. (See Note 6, Subsequent Event - Acquisition of Monterey Resources, Inc. for additional information on this transaction.) As a result of the merger, Texaco issued approximately 19 million additional shares of Texaco common stock and assumed Monterey's existing debt of approximately $300 million.

The company considers its financial position sufficient to meet its anticipated future financial requirements.

EMPLOYEE SEVERANCE PROGRAM

On October 30, 1996, Texaco announced a companywide realignment and consolidation of its operations designed to enhance the company's ability to grow existing and new businesses. An after-tax provision of $56 million was recorded in the fourth quarter of 1996 to cover the costs of employee separations, including employees of affiliates. Through September 30, 1997, approximately 870 employees have been terminated with a related commitment to severance payments of $39 million after-tax. Of this commitment, payments of $30 million have been made and charged against the reserve. The remaining reserve balance will be used for ongoing employee separation benefits relating principally to affiliates, for which Texaco is responsible.

NEW ACCOUNTING STANDARD

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) 128, Earnings per Share. Under SFAS 128, companies currently required to report primary and fully diluted earnings per share (EPS), will instead report basic and diluted EPS, respectively. Currently, primary EPS considers the average number of common shares outstanding and the potential dilution that would result if conversion rights associated with certain outstanding securities were exercised. Fully diluted EPS considers all potentially dilutive securities. Basic EPS, which will replace primary EPS, does not consider any potential dilution. Diluted EPS is essentially similar to fully diluted EPS.

Texaco must adopt SFAS 128 for its fiscal year 1997 financial statements and, at that time, restate the per share amounts of prior periods. Amounts to be reported as basic and diluted EPS in accordance with the new Statement will not differ significantly from previously reported primary and fully diluted EPS.

CAPITAL AND EXPLORATORY EXPENDITURES

Capital and exploratory expenditures, including equity in such expenditures of affiliates, were $3,023 million for the first nine months of 1997, as compared to $2,252 million for the same period of 1996.

Increased U.S. exploration and production expenditures in 1997 reflected the continued focus on strategic projects both onshore and offshore, especially in the deepwater Gulf of Mexico. Platform construction and development drilling is underway in the Petronius and Arnold fields while delineation drilling continues in the Fuji and Gemini prospects. Additionally, enhanced oil recovery efforts in California and drilling and development programs in the traditional offshore shelf area and onshore increased investments. Construction continued during the third quarter on a jointly-owned natural gas pipeline and processing complex in the Gulf Coast area.

Internationally, exploration and production expenditures in 1997 were 30 percent higher than last year. During the third quarter 1997, Texaco acquired a 20 percent interest in Kazakstan's giant Karachaganak oil and gas field. One of the largest oil and gas fields in the world, the Karachaganak field holds huge quantities of recoverable reserves. Development work in Indonesia continued, including expenditures for enhanced oil recovery installations. In the U.K., North Sea activities in the Galley and Mariner fields moved forward while work in the Erskine field neared completion with initial production starting in early November, 1997. Exploration activities expanded with significant spending in China, Indonesia and Nigeria.

Downstream expenditures outside the U.S. showed a significant increase in marketing investments for facilities and service station reimaging throughout the Asia-Pacific area by Texaco's affiliate, Caltex Petroleum Corporation. Marketing investments throughout Latin America also increased as compared to 1996.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to the discussion of Contingent Liabilities in Note 3 to the Consolidated Financial Statements of this Form 10-Q, Item 1 of Texaco Inc.'s Forms 10-Q for the quarterly periods ended March 31, 1997 and June 30, 1997 and to Item 3 of Texaco Inc.'s 1996 Annual Report on Form 10-K, which are incorporated herein by reference.

Item 5. Other Information

	(Unaudited) For the nine months ended September 30, 1997	1996	For the three months ended September 30, 1997	1996
	(Millions of dollars)			
FUNCTIONAL NET INCOME				
Operating earnings				
Petroleum and natural gas				
Exploration and production				
United States	$ 732	$ 772	$ 232	$ 262
International	499	365	103	132
Total	1,231	1,137	335	394
Manufacturing, marketing and distribution				
United States	238	242	132	94
International	370	433	134	37
Total	608	675	266	131
Total petroleum and natural gas	1,839	1,812	601	525
Nonpetroleum	16	11	3	6
Total operating earnings	1,855	1,823	604	531
Corporate/Nonoperating	186	(314)	(114)	(97)
Total net income	$2,041	$1,509	$ 490	$ 434
CAPITAL AND EXPLORATORY EXPENDITURES - INCLUDING EQUITY IN AFFILIATES				
Exploration and production				
United States	$1,272	$ 894	$ 491	$ 273
International	990	762	444	312
Total	2,262	1,656	935	585
Manufacturing, marketing and distribution				
United States	246	234	94	78
International	486	345	178	144
Total	732	579	272	222
Other	29	17	18	8
Total, including equity in affiliates	$3,023	$2,252	$1,225	$ 815
Texaco Inc. and subsidiary companies				
Exploratory expenses included above:				
United States	$ 122	$ 112	$ 46	$ 45
International	184	131	68	39
Total	$ 306	$ 243	$ 114	$ 84

	(Unaudited)			
	For the nine months ended September 30,		For the three months ended September 30,	
	1997	1996	1997	1996
OPERATING DATA - INCLUDING INTERESTS IN AFFILIATES				
Exploration and Production				
United States				
Net production of crude oil and natural gas liquids (000 BPD)	387	388	391	393
Net production of natural gas - available for sale (000 MCFPD)	1,686	1,680	1,722	1,708
Total net production (000 BOEPD)	668	668	678	678
Natural gas sales (000 MCFPD)	3,570	3,100	3,312	3,059
Natural gas liquids sales - (including purchased LPGs) (000 BPD)	189	208	189	191
Average U.S. crude (per bbl)	$17.71	$17.24	$16.56	$17.93
Average U.S. natural gas (per mcf)	$ 2.28	$ 2.08	$ 2.13	$ 2.02
Average WTI (Spot) (per bbl)	$20.83	$21.30	$19.78	$22.41
Average Kern (Spot) (per bbl)	$14.81	$14.92	$14.30	$14.41
International				
Net production of crude oil and natural gas liquids (000 BPD)				
Europe	116	115	118	115
Indonesia	148	143	150	146
Partitioned Neutral Zone	94	75	97	79
Other	67	62	64	65
Total	425	395	429	405
Net production of natural gas - available for sale (000 MCFPD)				
Europe	197	182	176	162
Colombia	168	117	190	124
Other	88	66	79	77
Total	453	365	445	363
Total net production (000 BOEPD)	501	456	503	466
Natural gas sales (000 MCFPD)	562	456	536	450
Natural gas liquids sales - (including purchased LPGs) (000 BPD)	98	95	107	74
Average International crude (per bbl)	$17.79	$18.64	$16.88	$19.43
Average U.K. natural gas (per mcf)	$ 2.68	$ 2.56	$ 2.55	$ 2.55
Average Colombia natural gas (per mcf)	$ 1.04	$ .94	$ .95	$ .97

	(Unaudited)			
	For the nine months ended September 30,		For the three months ended September 30,	
	1997	1996	1997	1996
OPERATING DATA - INCLUDING INTERESTS IN AFFILIATES				
Manufacturing, Marketing and Distribution				
United States				
Refinery input (000 BPD)				
Subsidiary	415	405	420	417
Affiliate - Star Enterprise	334	320	339	325
Total	749	725	759	742
Refined product sales (000 BPD)				
Gasolines	511	499	525	515
Avjets	95	127	103	122
Middle Distillates	217	214	222	217
Residuals	82	65	102	70
Other	115	133	109	132
Total	1,020	1,038	1,061	1,056
International				
Refinery input (000 BPD)				
Europe	337	336	329	334
Affiliate - Caltex	400	368	379	340
Latin America/West Africa	59	64	60	68
Total	796	768	768	742
Refined product sales (000 BPD)				
Europe	496	481	508	496
Affiliate - Caltex	564	602	545	555
Latin America/West Africa	408	397	440	408
Other	62	61	66	39
Total	1,530	1,541	1,559	1,498

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- -- (11) Computation of Earnings Per Share of Common Stock of Texaco Inc. and Subsidiary Companies.

- -- (12) Computation of Ratio of Earnings to Fixed Charges of Texaco on a Total Enterprise Basis.

- -- (20) Copy of Texaco Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (including portions of Texaco Inc.'s Annual Report to Stockholders for the year 1996) and a copy of Texaco Inc.'s Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 1997 and June 30, 1997, as previously filed by the Registrant with the Securities and Exchange Commission, File No. 1-27.

- -- (27) Financial Data Schedule.

(b) Reports on Form 8-K:

During the third quarter of 1997, the Registrant filed Current Reports on Form 8-K for the following events:

1. July 17, 1997 (date of earliest event reported: July 16, 1997)

   Item 5. Other Events -- reported that Texaco, Saudi Aramco and Shell Oil Company signed a memorandum of understanding to combine their Eastern and Gulf Coast U.S. refining and marketing businesses.

2. July 22, 1997 (date of earliest event reported: July 22, 1997)

   Item 5. Other Events -- reported that Texaco issued an Earnings Press Release for the second quarter 1997.

3. July 25, 1997 (date of earliest event reported: July 25, 1997)

   Item 5. Other Events -- reported that Texaco's Board of Directors approved a two-for-one split of Texaco's Common Stock effective September 29, 1997. Also reported that the Board voted to increase the quarterly dividend to 90 cents per share (on a pre-split basis) from 85 cents per share.

4. August 19, 1997 (date of earliest event reported: August 18, 1997)

   Item 5. Other Events -- reported that Texaco and Monterey Resources, Inc. announced that they had signed an agreement to merge in a transaction valued at $1.4 billion.

SIGNATURES

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.

Texaco Inc.
(Registrant)

By: R.C. Oelkers
(Vice President and Comptroller)

By: R.E. Koch
(Assistant Secretary)

Date: November 13, 1997

EXHIBIT 11

TEXACO INC. AND SUBSIDIARY COMPANIES
COMPUTATION OF EARNINGS PER SHARE OF COMMON STOCK(a)
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996

(Millions of dollars, except per share amounts)

	(Unaudited) For the nine months ended September 30,		For the three months ended September 30,	
Primary Net Income Per Common Share	1997	1996	1997	1996
Net income	$ 2,041	$ 1,509	$ 490	$ 434
Less: Preferred stock dividend requirements	(42)	(43)	(14)	(14)
Primary net income available for common stock	$ 1,999	$ 1,466	$ 476	$ 420
Average number of primary common shares outstanding for computation of earnings per share (thousands)	520,356	521,451	520,745	521,515
Primary net income per common share	$ 3.84	$ 2.81	$ .91	$ .80
Fully Diluted Net Income Per Common Share				
Net income	$ 2,041	$ 1,509	$ 490	$ 434
Less: Preferred stock dividend requirements of non-dilutive and anti-dilutive issues and adjustments to net income associated with dilutive securities	(16)	(18)	(6)	(6)
Fully diluted net income	$ 2,025	$ 1,491	$ 484	$ 428
Average number of primary common shares outstanding for computation of earnings per share (thousands)	520,356	521,451	520,745	521,515
Additional shares outstanding assuming full conversion of dilutiveconvertible securities into common stock (thousands):				
Convertible debentures	287	292	287	290
Convertible Preferred Stock				
Series B ESOP	18,228	18,893	18,000	18,695
Series F ESOP	1,135	1,178	1,126	1,159
Other	294	125	229	237
Average number of fully diluted common shares outstanding for computation of earnings per share (thousands)	540,300	541,939	540,387	541,896
Fully diluted net income per common share	$ 3.75	$ 2.75	$ .90	$ .79

(a) Reflects two-for-one stock split, effective September 29, 1997.

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
OF TEXACO ON A TOTAL ENTERPRISE BASIS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND
FOR EACH OF THE FIVE YEARS ENDED DECEMBER 31, 1996 (a)

(Millions of dollars)

	For the Nine Months Ended September 30, 1997	Years Ended December 31, 1996	1995	1994	1993	1992
Income from continuing operations, before provision or benefit for income taxes and cumulative effect of accounting changes effective 1-1-92 and 1-1-95	$2,600	$3,450	$1,201	$1,409	$1,392	$1,707
Dividends from less than 50% owned companies more or (less) than equity in net income	(9)	(4)	1	(1)	(8)	(9)
Minority interest in net income	54	72	54	44	17	18
Previously capitalized interest charged to income during the period	28	27	33	29	33	30
Total earnings	2,673	3,545	1,289	1,481	1,434	1,746
Fixed charges:						
Items charged to income:						
Interest charges	397	551	614	594	546	551
Interest factor attributable to operating lease rentals	97	129	110	118	91	94
Preferred stock dividends of subsidiaries guaranteed by Texaco Inc	26	35	36	31	4	-
Total items charged to income	520	715	760	743	641	645
Interest capitalized	16	16	28	21	57	109
Interest on ESOP debt guaranteed by Texaco Inc	5	10	14	14	14	18
Total fixed charges	541	741	802	778	712	772
Earnings available for payment of fixed charges (Total earnings + Total items charged to income)	$3,193	$4,260	$2,049	$2,224	$2,075	$2,391
Ratio of earnings to fixed charges of Texaco on a total enterprise basis	5.90	5.75	2.55	2.86	2.91	3.10

(a) Excludes discontinued operations.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TEXACO INC.'S FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

9-MOS
DEC-31-1997
JAN-1-1997
SEP-30-1997
451
48
4,021
22
1,537
6,318
35,291
21,198
26,815
5,544
5,116
0
631
1,420
9,566
26,815
33,630
34,618
26,324
28,508
3,349
0
309
2,452
411
2,041
0
0
0
2,041
3.84
3.75

THE EARNINGS PER SHARE (EPS) INFORMATION REFLECTS THE IMPACT OF A TWO-FOR-ONE SPLIT OF THE COMPANY'S COMMON STOCK, EFFECTIVE SEPTEMBER 29, 1997.