UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
Form 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999 — Commission file number 1-27

T e x a c o I n c .

(Exact name of 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $3.125	New York Stock Exchange Chicago Stock Exchange The Stock Exchange, London Antwerp and Brussels Exchanges Swiss Stock Exchange
Rights to Purchase Series D Junior Participating Preferred Stock	New York Stock Exchange
Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B*	New York Stock Exchange
6 7/8% Cumulative Guaranteed Monthly Income Preferred Shares, Series A*	New York Stock Exchange
8 1/2% Notes, due February 15, 2003**	New York Stock Exchange
8 5/8% Debentures, due June 30, 2010**	New York Stock Exchange
9 3/4% Debentures, due March 15, 2020**	New York Stock Exchange

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* Issued by Texaco Capital LLC and the payments of dividends and payments on liquidation or redemption are guaranteed by Texaco Inc.
** Issued by Texaco Capital Inc. and unconditionally guaranteed by Texaco Inc.

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 and (2) has been subject to such filing requirements for the past 90 days.

No disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting common stock of Texaco Inc. held by non-affiliates at the close of business on February 29, 2000 based on the New York Stock Exchange composite sales price, was approximately $26,222,000,000.

As of February 29, 2000, there were 553,126,475 outstanding shares of Texaco Inc. Common Stock.

Documents incorporated by reference
(to the extent indicated herein)

	Part of Form 10-K
Texaco Inc. Annual Report to Stockholders for the year 1999................................	I, II
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PART I
TEXACO INC.

Items 1 and 2. Business and Properties

DEVELOPMENT AND DESCRIPTION OF BUSINESS

Texaco Inc. was incorporated in Delaware on August 26, 1926, as The Texas Corporation. Its name was changed in 1941 to The Texas Company and in 1959 to Texaco Inc. It is the successor to a corporation incorporated in Texas in 1902. When we use the term "Texaco Inc." in this Form 10-K and in the documents we have incorporated by reference into this Form 10-K, we mean Texaco Inc., a Delaware corporation. We use terms such as "Texaco," "company," "organization," "unit," "we," "us," "our," and "its" for convenience only. These terms may mean either Texaco Inc. and its consolidated subsidiaries or Texaco Inc.'s subsidiaries and affiliates, either individually or collectively.

Texaco Inc. and its subsidiary companies, together with affiliates owned 50% or less, represent a vertically integrated enterprise principally engaged in the worldwide exploration for and production, transportation, refining and marketing of crude oil, natural gas liquids, natural gas and petroleum products, power generation and gasification.

INDUSTRY REVIEW OF 1999

Introduction

International petroleum market conditions changed dramatically during 1999. Over the first few months, crude oil prices were very weak. While economic activity and oil demand were beginning to show signs of increasing, oil supplies were excessive. Then, in April, the Organization of Petroleum Exporting Countries (OPEC) along with other oil producing countries cut output sharply. Oil prices increased and remained strong over the balance of the year.

The increase in crude oil prices boosted revenues from crude oil operations. However, higher crude oil costs, together with other factors such as excess gasoline and distillate stocks, tended to hurt the financial performance of refineries in most markets.

Review of 1999

After slowing sharply in 1998 due to a severe global economic crisis, the rate of world economic growth increased last year. Growth accelerated from a meager 2.3% in 1998 to 2.9% in 1999.

Economic activity varied among regions. The U.S. economy continued to grow at a strong pace with low inflation, due in part to a technology-led surge in labor productivity. Economic expansion in Western Europe also picked up in the second half of the year, benefiting from increased domestic demand and the favorable impact of a weak euro currency on exports.

World economic expansion was reinforced by the beginning of economic recovery in Asia. Several of the key economies in the Asian region, including South Korea, Malaysia, the Philippines, Singapore and Thailand sustained solid economic upturns in 1999. Other regional economies, such as Hong Kong, also turned around. Similarly, Japan, the world's second largest economy, showed signs of emerging from its worst downturn in the post-war period. This improvement was due to extraordinarily low interest rates and increased government spending. However, consumer demand had yet to recover.

The Latin American region, which was hard hit earlier in the year, also began to grow again toward year-end. This renewed growth was propelled by turnarounds in Brazil, Mexico, Argentina and Chile. Moreover, world commodity prices started to rebound from the low levels which resulted from the 1998 economic crisis. This, in turn, spurred economic growth in other areas, particularly the oil producing countries of the Middle East and Africa. In addition, the Russian economy turned upward after many years of decline. This improvement was due to factors such as higher oil prices, increased agricultural output and the substitution of domestically produced goods for imports.

This rebound in economic activity led to a significant increase in the demand for petroleum products worldwide. During 1999, consumption averaged 75.5 million barrels per day (BPD), a 1.3 million BPD, or 1.7% gain over the prior year. This growth, however, was not evenly distributed among regions.

- In the more advanced economies, oil demand rose by 700,000 BPD, boosted by the U.S. and to a lesser extent by Japan
- In the less developed countries, Asian oil demand recovered from its 1998 slump and rose by 500,000 BPD, while growth in Latin America exceeded 100,000 BPD
- Demand in Eastern Europe rose by 100,000 BPD but was offset by an equal decline in the former Soviet Union
- In other regions, demand registered no growth.

Demand growth alone may have been insufficient to boost prices. Consequently, OPEC and some non-OPEC producers agreed to cut production. Oil output from these countries, which had been cut twice during 1998, was scaled back further during the early part of 1999 by an additional 1.8 million BPD -- bringing the total reduction to a significant 4 million BPD.

The production curtailment and the resultant tightening balance between supply and demand caused the price of crude oil to soar from its depressed 1998 and early 1999 levels. The market price of West Texas Intermediate (WTI) averaged $19.31 per barrel, an increase of 34% from the prior year. During the final months of 1999, oil prices reached their highest levels in several years and continued to increase in early 2000.

Near-Term Outlook

We expect global economic expansion to accelerate from 2.9% in 1999 to a 3.7% gain this year, reflecting several factors:

- Continued, but slower, gains in the United States as the Federal Reserve moves to moderate growth by raising interest rates
- Continued economic expansion in Western Europe
- Further strengthening in the developing world, particularly the developing nations of Asia and Latin America
- Continued low growth in Russia.

On the other hand, the outlook for the large Japanese economy remains clouded by the apparent inability of the economy to grow without strong government spending. Private demand must eventually substitute for government spending if the recovery is to be sustained. Furthermore, Japanese export growth could be jeopardized by a pronounced appreciation in the value of the yen. Accordingly, we expect the Japanese economy to register only minimal growth this year.

With the increase in global economic activity, the demand for crude oil will be greater. An increase in worldwide oil consumption of about 1.6 million BPD is expected. Non-OPEC production should recover considerably and may boost output to levels close to the one million BPD mark. OPEC may therefore choose to relax its quotas and increase production.

The crude oil price outlook is highly uncertain. In the past, high crude oil prices have often encouraged OPEC to increase production sharply, causing prices to drop. Higher petroleum demand and a potential weakening in crude oil costs could benefit downstream margins.

WORLDWIDE OPERATIONS

Our worldwide operations encompass three main businesses:

- Upstream (exploration and production)
- Downstream (refining, marketing and distribution)
- Global Gas and Power.

In the following pages, we discuss each of these businesses and technology.

UPSTREAM

Higher prices boosted our upstream financial performance significantly even though worldwide production of crude oil and natural gas was down by some 6%. However, as a result of continuing cost savings initiatives and the restructuring of our worldwide upstream organization, our cash operating expenses decreased by 7% in 1999. More importantly, we made key moves in 1999 to shift our upstream portfolio to high-margin, high-impact projects. In 1999:

- The appraisal well at Agbami in Nigeria confirmed a major discovery
- We acquired a 45% interest in the Malampaya gas project in the Philippines
- We increased our stake in the Hamaca project in Venezuela from 20% to 30%
- We acquired an interest in six deepwater blocks in Brazil
- Our worldwide reserve replacement of 111%, excluding purchases and sales, enabled us to achieve our highest year-end reserve total in 15 years
- Our worldwide finding and development cost was a competitive $4.37 per barrel of oil equivalent (BOE)
- We announced a program to sell producing properties that no longer fit our business strategy. We will sell over 100,000 BOE of daily production, enabling us to focus on high-margin, high return projects.

Exploration

The year 1999 saw a continuation of our efforts to focus our worldwide exploration program on a few key regions. West Africa continues to be a focus area, following our 1998 discoveries at Agbami and Nnwa in Nigeria. We continue to pursue attractive exploration acreage in both Nigeria and Angola. In addition, we have gained an excellent position in the opening of Brazil's deepwater basins. The U. S. Gulf of Mexico and Australia also continue to be key focus areas.

West Africa

The appraisal well to our 1998 discovery in Nigeria Block OPL-216, named Agbami, exceeded our expectations and we believe the structure contains significant potential recoverable reserves. Texaco's share of this resource is expected to be greater than 50% based on contracts that have production-sharing type terms.

Located in the central Niger Delta region, approximately 70 miles offshore, the appraisal well was drilled in 4,800 feet of water and encountered over 500 net feet of oil pay in multiple zones. One of the intervals tested at a rate of 10,000 barrels of oil per day of light, sweet crude. It is believed to be among the largest single finds in deepwater West Africa.

We hold significant exploration acreage (approximately 2.7 million gross acres) in this deepwater trend off Nigeria. In addition to Block 216, we hold interests in Blocks 213, 215, 217 and 218, and we continue to evaluate new blocks as they become available. Our plans are to drill wells in all five of these blocks in 2000. We are well positioned to expand resource finds in this exciting new play.

In Angola, we hold an interest in approximately 4.7 million gross acres. Included in this total are Blocks 1, 9, 20 and 22, all of which are in their exploration period. We plan to drill two exploration wells in Angola in 2000.

Brazil

In order to continue finding significant new resources, we must acquire new lease positions in developing exploration plays.

At Brazil's First License Round in Rio de Janeiro in June 1999, we were the successful bidder on three deepwater blocks, consisting of a 100% interest in BM-C-5 (Campos Basin), a 100% interest in BM-S-2 (Santos Basin), and a 32% interest in BM-ES-2 (Espirito Santo Basin). We acquired about 3.2 million gross acres in the sale.

In addition to the License Round, we negotiated an interest in two exploration blocks with Petrobras, consisting of a 42.5% interest in BC-4 (Campos Basin) and a 20% interest in BS-4 (Santos Basin). In addition to the exploration blocks, we obtained a 42.5% interest in the Frade development (immediately east of Block BC-4), which contains a discovered reserve opportunity. As a result, we acquired about 2.9 million gross acres.

Gulf of Mexico

We have the fourth largest acreage position in the deepwater Gulf of Mexico, where we hold about 2.4 million gross acres. We consider the Gulf of Mexico as one of our prime exploration focus areas. In 2000, we plan to drill up to five wells. The program will be focused on the highly prospective deepwater area that has yielded several significant industry discoveries.

Australia

We continue to build a large gas resource base in Western Australia, where we currently hold 7.6 million gross acres. During 1999, we had two discoveries in Block WA-267-P at water depths greater than 3,500 feet. Geryon Well No. 1 revealed over 300 feet of net gas pay in three high-quality reservoir zones. Orthrus Well No. 1 found over 150 feet of net gas pay in a high-quality interval. We hold a 25% interest in Block WA-267-P, which is located north-northwest of the Gorgon complex. We plan to drill up to five exploration wells in 2000 in Blocks WA-267-P and WA-268-P, including Urania Well No. 1, a discovery announced in early 2000.

Development

Our upstream strategy is centered on the development of high-margin, high-impact reserves. Results of this shift started to be realized in 1999.

Agbami

Following the successful appraisal of the Agbami discovery well, we began engineering studies to develop this resource. Due to the water depth (greater than 4,500 feet of water), development concepts will include a floating production, storage and offloading unit (FPSO). Pre-qualification of contractors has begun for the FPSO and other items involving long lead times. We project that initial production will begin before 2004 and early estimates of plateau production rates range from 150,000 to 200,000 barrels of oil per day (100% basis).

Malampaya

In October, we signed an agreement to acquire a 45% interest in the Malampaya Deep Water Natural Gas Project from Shell. The Malampaya field is located just northwest of the Philippine Island of Palawan. During 1999, we added 140 million BOE to our proved reserve base, which increased our international gas reserve base by 30%. The project is scheduled to deliver first gas by the end of 2001. We expect that our share of production will reach 240 million cubic feet per day by 2003.

The Malampaya development was designed as an integrated natural gas-to-power project. Texaco's interest in the project only includes the installation and operation of the deepwater gas field along with the onshore gas plant. Under a 22-year supply agreement, the Malampaya Natural Gas Project will provide gas to three new gas turbine power plants on Luzon Island (total generation capacity of 7,100 megawatts). Other supply contracts are being contemplated.

Construction of the field facilities is underway. In addition, the drilling of five development wells is planned for 2000.

Hamaca

During 1999, we increased our equity in the Hamaca Project from 20% to 30%. The Hamaca Project is located in Venezuela's Orinoco Belt. It encompasses some 657 square kilometers and is believed to contain significant quantities of recoverable oil. The project consists of field development, which includes wells and production facilities, a pipeline to the port of Jose on the northern coast, and an upgrader plant. The upgrader plant will process the 16-degree API crude into a high-value 26 degree API oil. We anticipate that the project will produce up to 190,000 barrels of upgraded crude per day (100% basis) by 2004.

Karachaganak

During 1999, we reached agreement with the Government of the Republic of Kazakhstan to amend the Karachaganak Final Production Sharing Agreement to allow for the construction of a 460-kilometer pipeline from Bolshoi-Chagan to Aytrau, Kazakhstan. The pipeline will link to the Caspian Pipeline Consortium pipeline and it is expected that it will ultimately provide the liquid transportation capability needed to increase production to 195,000 barrels of hydrocarbon liquids and 1.1 billion cubic feet of gas per day (100% basis). Presently, Karachaganak is producing approximately 65,000 barrels of hydrocarbon liquids and 340 million cubic feet of gas per day.

Karachaganak is a world-class oil and natural gas field located in northwest Kazakhstan. The field was discovered in 1979 and contains significant quantities of recoverable oil and natural gas. The field will be developed in phases to match the capacity of export pipelines as they become available. The Government of the Republic of Kazakhstan approved our entry into the project in 1997. Texaco's interest in the field is 20%.

North Buzachi

The successful conclusion of the pilot phase and the first lifting of crude at the North Buzachi field occurred during 1999. North Buzachi is located 120 miles north of the Caspian port city of Aktau, and contains significant quantities of recoverable oil and natural gas. We acquired our interest in 1998 and are operator of the project with a 65% interest.

During this initial pilot phase, four wells were drilled, completed and placed in production. The primary purpose of the pilot project was to test the productivity of the reservoir. The tests exceeded expectations. An additional benefit was the testing of available export routes, which were also successful. Further studies will ascertain the percentage of recovery that is possible in the field.

Captain Expansion in the U. K. North Sea

During 1999, we began construction of the facilities for the Captain Expansion Project. The project is expected to increase production capacity from the Captain field from 60,000 barrels of oil per day to 100,000 barrels of oil per day (100% basis). The expansion project involves the development of the eastern half of the Captain reservoir that was left undeveloped during the initial phase. The project consists of the installation of a subsea facility, the addition of a "bridge-linked platform" and the drillng of some development wells. We hold an 85% interest in the Captain field.

Gulf of Mexico

During 1999, construction began on a production module for the Petronius project to replace the module that was dropped and sank during installation in December 1998. Production was originally scheduled to begin in mid-1999. The new module will be installed during the spring of 2000, and production is expected to commence by the fourth quarter.

The Petronius field is located 130 miles southeast of New Orleans in 1,750 feet of water. The project consists of the installation of a compliant tower platform, production and water injection facilities, a gas export pipeline, and the completion of 14 development wells (six pre-drilled and eight new wells). Plateau production will be up to 60,000 barrels of oil per day and 100 million cubic feet of gas per day (100% basis). Our share of the field is 50%.

Other

Construction of facilities has begun or will begin soon on the following three developments in the North Sea:

- The Jade gas development was sanctioned by the U.K. Government in January 2000. The field is located in U.K. Block 30/2c in 250 feet of water. First production is scheduled for the fourth quarter of 2000 and the plateau production rate is expected to be 180 million cubic feet of gas per day and 16,000 barrels of condensate per day (100% basis). We have a 19.9% interest in the project.

- The Elgin-Franklin development is expected to begin production during 2000. The field is located in U.K. Blocks 22/30b, 22/30c, and 29/5b in 300 feet of water. Plateau production is expected to be 440 million cubic feet of gas per day and 125,000 barrels of condensate per day (100% basis). Our share of the development is 3.9%.

- In 1999, we and our partners began development of the Halfdan field, which was discovered earlier in the year. The field, originally called Nana, is located adjacent to the Dan and Gorm fields in the Danish sector of the North Sea. The field's close proximity to infrastructure is allowing for its rapid development and we expect production from the expanded facilities by 2001. Our share of the development is 15%.

In China, development of the Qinhuangdao 32-6 field began in 1999. The field lies in 65 feet of water approximately 155 miles southeast of Beijing in the Bohai Bay. The development includes six platforms drilling about 170 wells over the next 2 1/2 years, a floating oil storage vessel, and an offshore mooring and offloading facility for export. We expect the field to start up in late 2001 with plateau production rates of 60,000 barrels of oil per day (100% basis). We entered the development in 1998 with a 24.5% interest.

In Indonesia, development of the South Natuna Sea Block B Gas Project began in 1999. The project consists of the development of six offshore gas fields, including the associated wells, platforms, floating facilities, pipelines and a 28-inch, 300-mile gas transmission line to Singapore. First production is expected in 2001. Our share of the development is 25%. In 1999, Indonesia and Singapore executed the West Natuna Gas Sales Agreement, which marks the first international, conventional natural gas sales from Indonesia.

Production

Our worldwide production of crude oil and natural gas declined by approximately 6% in 1999 to 1.2 million barrels of oil equivalent per day. U.S. production accounted for some 52% of total worldwide production, as compared to 55% in 1998. The production decline was most pronounced in the domestic areas due to natural field declines, asset sales and reduced investment in mature properties consistent with our focus on capital efficiency. International production was 579,000 BOE per day.

California

In 1999, California production was level with 1998 at 169,000 BOE per day. Kern River continues to produce more than 100,000 barrels of oil per day for Texaco after celebrating its 100th year in May. Early in 1999, we traded our interest in six fields and two gas plants where we had a small interest for Aera Energy's interest in the Kern River field.

Gulf of Mexico

Production from the Gemini subsea development began in July 1999. The field is located in Mississippi Canyon Blocks 292 and 247, approximately 90 miles southeast of New Orleans, Louisiana. Situated in 3,400 feet of water, the field is one of the first subsalt deepwater developments in the Gulf of Mexico. The field has produced at rates up to 200 million cubic feet per day of gas (100% basis). We operate the field and have a 60% interest.

North Sea

Despite operational problems early in the year at the Captain and Erskine fields, the North Sea provided 191,000 barrels of oil equivalent per day in 1999. Production in Denmark was flat with 1998 while the U.K. sector was down 10%. Mechanical problems with the separation equipment on the Captain FPSO accounted for most of the shortfall.

Indonesia

During 1999, production from Indonesia was 152,000 barrels of oil per day, down about 8% compared to 1998. Most of our Indonesia production comes from P.T. Caltex Indonesia (CPI), an exploration and production company owned 50% each by Texaco and Chevron. CPI operates under production-sharing contracts in Central Sumatra. We had lower production volumes as higher prices reduced our lifting entitlements for cost recovery under these production-sharing contracts.

Partitioned Neutral Zone

During 1999, production from the Partitioned Neutral Zone increased almost 15%, to 124,000 barrels per day of crude oil. The increase was due to new wells drilled mainly at the Wafra and South Umm Gudair fields.

Reserves

We replaced 111% of our worldwide combined oil and gas production in 1999, excluding purchases and sales. When purchases and sales are included, production replacement jumps to 137%. We also increased our worldwide gas reserves by 25%. Our overall reserve base grew by 4% to just over 4.8 billion BOE, our highest level since 1984. This increased the average life of our reserves to 10.3 years, the longest reserve life in over 20 years.

As a result of our strategy to focus on high-margin, high-impact projects, reserves are growing faster internationally than in the U.S. Our U.S. reserves remained relatively flat at approximately 2.5 billion BOE. Approximately 49% (2.3 billion BOE) of worldwide reserves are now located in international areas. International production replacement for 1999 was 124%, excluding purchases and sales. However, including the effects of purchases and sales (primarily the Malampaya acquisition), production replacement increases to 186%.

Capital and Exploratory Expenditures

During 1999, our upstream capital and exploratory expenditures were $2.7 billion. We spent approximately $900 million in the U.S. and $1.8 billion internationally. Our 1999 finding and development costs were $4.12 per BOE in the U.S. and $4.56 per BOE internationally. As we change the nature of our portfolio, there could be larger variations in our year-to-year finding and development costs. However, on a three-year or five-year moving average, we expect to stay very competitive. In fact, on a worldwide basis, our 1997-1999 average finding and development cost was $3.80 per BOE and our 1995-1999 average was $3.88 per BOE.

We project our spending for 2000 on upstream projects to be $3.2 billion. Our spending profile reflects the shift to high-margin, high-impact projects. Spending on major development projects will increase to $1.5 billion. Exploration spending will remain at approximately $500 million for 2000.

SUPPLEMENTARY EXPLORATION AND PRODUCTION INFORMATION

The following tables provide supplementary information concerning the oil and gas exploration, development and production activities of Texaco Inc. and consolidated subsidiaries, as well as our equity in CPI, a 50%-owned affiliate operating in Other Eastern Hemisphere. Supplemental oil and gas information required by Statement of Financial Accounting Standards No. 69, "Disclosures About Oil and Gas Producing Activities," is incorporated herein by reference from pages 57 through 62 of our 1999 Annual Report to Stockholders.

Reserves Reported to Other Agencies

We provide information concerning recoverable, proved oil and gas reserve quantities to the U.S. Department of Energy and to other governmental bodies annually. Such information is consistent with the reserve quantities presented in Table I, Net Proved Reserves, beginning on page 57 of our 1999 Annual Report to Stockholders.

Average Sales Prices and Production Costs--Per Unit

Information concerning average sales prices and production costs on a per unit basis is incorporated herein by reference from page 61 of our 1999 Annual Report to Stockholders.

Delivery Commitments

During 2000, we expect that our net production of natural gas will approximate 2.1 billion cubic feet per day. This estimate is based upon our past performance and on our assumption that such gas quantities can be produced under operating and economic conditions existing at December 31, 1999. We did not factor in possible future changes in prices or world economic conditions into this estimate. These expected production volumes, together with the normal related supply arrangements, are sufficient to meet our anticipated delivery requirements under contractual arrangements. Over the last three years, approximately 31% of our proved developed natural gas reserves in the U.S. were covered by long-term sales contracts. These agreements are primarily priced at market.

Oil and Gas Acreage

Thousands of acres	As of December 31, 1999 Gross	Net
Producing		
Texaco Inc. and Subsidiaries		
United States	3,076	1,739
Other Western Hemisphere	59	28
Europe	342	125
Other Eastern Hemisphere	2,201	991
Total	5,678	2,883
Equity in Affiliate	210	105
Total worldwide	5,888	2,988
Undeveloped		
Texaco Inc. and Subsidiaries		
United States	8,054	5,805
Other Western Hemisphere	19,597	12,014
Europe	6,123	2,281
Other Eastern Hemisphere	36,375	19,470
Total	70,149	39,570
Equity in Affiliate	1,746	873
Total worldwide	71,895	40,443
Total oil and gas acreage	77,783	43,431

Number of Wells Capable of Producing*

Oil wells	As of December 31, 1999 Gross	Net
Texaco Inc. and Subsidiaries		
United States	34,934	17,683
Other Western Hemisphere	689	230
Europe	236	69
Other Eastern Hemisphere	1,678	648
Total	37,537	18,630
Equity in Affiliate	5,085	2,543
Total worldwide**	42,622	21,173
Gas wells		
Texaco Inc. and Subsidiaries		
United States	7,785	3,516
Other Western Hemisphere	33	17
Europe	55	9
Other Eastern Hemisphere	54	11
Total	7,927	3,553
Equity in Affiliate	55	28
Total worldwide**	7,982	3,581

* Producible well counts include active wells and wells temporarily shut-in. Consistent with general industry practice, injection or service wells and wells shut-in that have been identified for plugging and abandonment have been excluded from the number of wells capable of producing.

** Includes 522 gross and 172 net multiple completion oil wells and 25 gross and 19 net multiple completion gas wells.

Oil, Gas and Dry Wells Completed

	1999 Oil	1999 Gas	1999 Dry	1998 Oil	1998 Gas	1998 Dry	1997 Oil	1997 Gas	1997 Dry
	For the years ended December 31,								
Net exploratory wells*									
Texaco Inc. and Subsidiaries									
United States	3	15	10	14	14	26	32	22	35
Other Western Hemisphere	--	1	2	--	2	2	1	--	1
Europe	--	--	--	--	--	1	4	--	1
Other Eastern Hemisphere	2	2	4	4	4	2	1	3	5
Total	5	18	16	18	20	31	38	25	42
Equity in Affiliate	--	--	--	3	--	--	2	--	--
Total worldwide	5	18	16	21	20	31	40	25	42
Net development wells									
Texaco Inc. and Subsidiaries									
United States	345	100	7	585	106	14	769	165	23
Other Western Hemisphere	9	--	--	109	3	--	107	1	3
Europe	2	4	--	21	2	--	6	3	--
Other Eastern Hemisphere	58	6	1	38	27	--	45	1	--
Total	414	110	8	753	138	14	927	170	26
Equity in Affiliate	219	--	--	271	--	--	143	1	--
Total worldwide	633	110	8	1,024	138	14	1,070	171	26

* Exploratory wells which identify oil and gas reserves, but have not resulted in recording of proved reserves pending further evaluation, are not considered completed wells. Reserves which are identified by such wells are included in Texaco's proved reserves when sufficient information is available to make that determination. This is particularly applicable to deep water exploratory areas which may require extended time periods to assess, such as the U.K. sector of the North Sea and in the deepwater U.S. Gulf of Mexico.

Additional Well Data

	Wells in the process of drilling Gross	Wells in the process of drilling Net	Pressure Maintenance Installations in operation
	As of December 31, 1999		
Texaco Inc. and Subsidiaries			
United States	83	72	333
Other Western Hemisphere	1	--	21
Europe	6	1	12
Other Eastern Hemisphere	21	7	258
Total	111	80	624
Equity in Affiliate	5	3	8
Total worldwide	116	83	632

DOWNSTREAM

Texaco International Marketing and Manufacturing

Our Texaco International Marketing and Manufacturing (TIMM) unit sells high-quality fuel, lubricant and convenience products in over 60 countries throughout Latin America, the Caribbean, Europe and West Africa. TIMM also has four refineries located in the United Kingdom, the Netherlands, Panama and Guatemala.

Our downstream business faced a difficult year in 1999 because of low margins resulting from rising crude prices, high product inventories, and the pervasive surplus of refining capacity. It was also a year of slow to negative economic growth and currency devaluation in Brazil and some Latin American countries. However, the resilience of our portfolio of businesses in Europe and Latin America enabled us to weather the storm very competitively.

In the Caribbean and Latin America, we are a market leader. Fuel market shares are as high as 25% in most Caribbean and Central American countries, and one-fourth of our worldwide lubricant sales are in Latin America. The largest business is in Brazil, where sales are over 46 million barrels per year and our market share is 13.6% in retail fuels and 22% in lubricants. We have over 3,200 service stations in Brazil. Although petroleum growth in Brazil was negative in 1999, it is expected to rebound in 2000.

We have over 500 service stations in the Andean Region, which is composed of Colombia, Ecuador, Peru and Venezuela. Excluding Venezuela, retail market share in the region is 16% and lubricant market share is 21%. In Venezuela, we are positioned to expand in the retail sector as privatization takes hold and the timing and economics become more favorable.

In 1999, our business in Brazil and the Andean Region was significantly impacted by the economic recession and currency devaluation. To mitigate the effects of these problems, we took prompt actions, such as significant reductions in capital expenditures and expenses. In addition, we took steps to reduce our overall currency exposure in Latin America. In 1999, capital expenditures in South America were limited primarily to retail maintenance, environmental compliance and improvements in our distribution and manufacturing infrastructure.

Economic forecasts for Brazil and the Andean region for the year 2000 are improved over 1999. Economically, Brazil is in better condition to react to tight global monetary conditions than it was a year ago. In the Andean region, country views are mixed. Of the four countries in the region, only Peru had positive real GDP growth last year. All of the other countries suffered through a severe economic recession. All are expected to recover somewhat this year, aided by higher commodity prices. However, there is still much uncertainty surrounding their economies.

In the Caribbean and Central America, we operate in 34 countries through a network of over 1,300 service stations. The countries in this region were not significantly affected by the economic crisis in South America and Asia. Petroleum demand growth is projected to be about 3% per year. In this region, we have built on our excellent market share by investing in areas with the greatest potential. We will continue to grow by aligning ourselves with suppliers, major industrial customers, and other oil companies where we can capture infrastructure efficiencies.

In 1999, refined product sales volumes in Latin America and West Africa, including our trading operations, increased almost 7%, led by our Caribbean and Central American operations. Throughout our marketing area, we achieved a $.43 per barrel expense reduction compared to 1998 as a result of our cost savings initiatives.

The Latin America manufacturing segment consists of two equity refineries - -- one in Escuintla, Guatemala, with a crude capacity of 16,000 barrels per day, and the other in Bahia Las Minas, Panama, with a crude capacity of 60,000 barrels per day. The Panama refinery manufactures finished products for local sales, canal sales, and export markets, while the Guatemala refinery supplies only internal country requirements.

We continue to maximize returns from our substantial retail properties by increasing non-fuel retail income. One of our most successful non-fuel retail initiatives has been the development of the Star Mart(R) convenience store brand. We now have close to 250 Star Mart convenience stores throughout Latin America and the Caribbean and over 550 in Europe. Growth of the Star Mart concept has paralleled the strong growth of the regional economies and the increase in disposable income, making the convenience store concept more appealing to consumers. Non-fuel income represents a strategic growth opportunity for our international areas.

In Europe, we have focused on regional markets, with our assets concentrated in the United Kingdom, Ireland and the Benelux countries. We also have a 50% interest in Hydro Texaco, a Scandinavian marketing joint venture with Norsk Hydro. In addition, we market lubricants in all other major European countries, ranking among the top ten lubricant marketers. We are the number one supplier of lubricants and coolants to original equipment manufacturers in Europe. Our lubricants group recently started two joint ventures: one in Romania and one with Tyumen Oil in Russia. Both joint ventures are expected to expand our lubricant presence in Eastern Europe.

During the past two years, the U.K. market has recovered somewhat from the effects of price wars triggered by the aggressive growth of hypermarkets. With the stabilization of margins, we are growing our market share, primarily through the acquisition of dealers and asset swaps. In exchange for Texaco retail assets in Poland and Greece, we will receive Shell retail assets in the U.K. The Poland asset swap has been completed and the Greek asset swap is near completion. The addition of these assets will increase our U.K. retail market share from 8.2% to 10.0%. Our commercial sales business has expanded by more than 50% and now shows a more balanced portfolio of end-users, equity distributors, authorized distributors, resellers and spot sales. Our total gasoline market share in the U.K. has more than doubled from 7.5% in 1996 to 15.5% in 1999. Our lubricants division has made similar progress with a 41% increase in volume since 1997. A major factor in this increase is that 50% of all vehicles leaving U.K. assembly lines are being filled with our lubricants. All of our progress is the result of focused strategy, organizational efficiencies, reduced costs and increased customer focus.

In our other European retail markets, we have double-digit market share and a strong presence. In Ireland, we have over 330 stations and a 17% market share. In the Benelux countries, we have over 1,000 stations and an 11% market share. In our Scandinavian joint venture, Hydro Texaco has over 930 stations and an 18% market share. Our strategies for these highly competitive markets are to grow the non-fuel and lubricant income, to reduce costs, and to optimize the network.

In Europe, we have an interest in two refineries with a total capacity for Texaco of 328,000 barrels per day. We own the Pembroke refinery in Wales, U. K., which has the largest Fluid Catalytic Cracker and Alkylation units in Europe. It is one of the most modern and advanced refineries in Europe with very high motor gasoline yields and qualities. This refinery, with a crude capacity of 200,000 barrels a day, supplies our marketing requirements in the United Kingdom and Ireland, and also exports its high-quality gasoline to other parts of the world. It has a highly skilled, talented and innovative workforce, which provides competitive strength in the areas of health and safety performance and overall plant reliability. Pembroke has also aggressively reduced its costs as well, lowering its break-even margin by more than $.50 per barrel during the past two years.

We also own a 31% interest in the 380,000-barrel-per-day Nerefco refinery in Rotterdam, a joint venture with British Petroleum. This refinery provides the main supply to our Netherlands marketing operations and, due to its excellent location in Rotterdam harbor, is a key supplier to the Rotterdam fuel market and to the German light products market. Both Pembroke and Nerefco are well positioned to economically comply with the European Union's fuel specifications for the year 2000 and beyond.

U.S. Downstream Alliances

Our U.S. downstream operations include the operations of Equilon Enterprises LLC and Motiva Enterprises LLC. Equilon and Motiva jointly own Equiva Trading Company, which functions as the trading unit for both companies. They also jointly own Equiva Services LLC, which provides common financial, administrative, technical and other operational support to both companies.

The formation of the U. S. Downstream Alliances created the opportunity to capture synergies and measurable business improvement initiatives. During the two years since the formation of the Alliances, the companies have remained focused on identifying and implementing the synergies as quickly as possible. Such an effort has enabled Equilon and Motiva, along with Equiva Trading and Equiva Services, to realize combined pre-tax cost savings and synergies in excess of $800 million, surpassing the Alliances' goal a full year ahead of schedule.

The combination of Equilon and Motiva is the largest retail gasoline marketer in the U.S., having approximately a 15% share of the domestic gasoline market. The two companies have nine refineries with a combined capacity of about 1.6 million barrels per day and interests in about 30,600 miles of pipelines and distribute gasoline through about 23,700 retail outlets.

Equilon Enterprises LLC

Equilon was formed and began operations in January 1998 as a joint venture between Texaco and Shell. Equilon, which is headquartered in Houston, Texas, combines major elements of Texaco's and Shell's western and midwestern U.S. refining and marketing businesses and their nationwide transportation and lubricants businesses. We own 44% and Shell owns 56% of the company.

Equilon refines and markets gasoline and other petroleum products under both the Texaco and Shell brand names in all or parts of 32 states. Equilon is the seventh largest refining company in the U.S. with five refineries located in:

- Anacortes, Washington
- Bakersfield, California
- Martinez, California
- Los Angeles, California
- Wood River, Illinois

Equilon owns or has interests in 76 crude oil and product terminals. It is estimated to be the fifth largest retail gasoline marketer in the U.S., distributing products through approximately 9,700 service stations. Equilon has an estimated 6.8% share of the national gasoline market and an estimated 13.1% share of the gasoline market in its geographic area.

During 1999, Equilon continued to integrate the operations that it acquired when the company was formed. Equilon Lubricants sold its Metairie (Louisiana) blending plant and shut down its base oil plant at Wood River (Illinois) during the year. In addition, as part of its refining system restructuring, Equilon sold its El Dorado, Kansas, refinery to Frontier Oil Corporation in November 1999 and expects to sell its Wood River, Illinois, refinery in 2000. In December 1999, Equilon purchased 12 product terminals, primarily located in the Midwest, further strengthening its

distribution assets. Equilon began to implement plans that will enable it to restructure and strengthen its retail marketing system over the next several years. It also began a major initiative to improve supply chain management and to leverage the combined strength of Equilon and Motiva in supply acquisition.

Motiva Enterprises LLC

Motiva was formed and began operations in July 1998 as a joint venture among Shell, Texaco and Saudi Refining, Inc., a corporate affiliate of Saudi Aramco. Motiva combines Texaco's and Saudi Aramco's interests and major elements of Shell's eastern and Gulf Coast U.S. refining and marketing businesses. Texaco and Saudi Refining, Inc., each owns 32.5% and Shell owns 35% of Motiva. Texaco's and Saudi Aramco's interests in these businesses were previously conducted by Star Enterprise, a joint-venture partnership owned 50% by Texaco and 50% by Saudi Refining, Inc.

Motiva refines and markets gasoline and other petroleum products under the Shell and Texaco brand names in all or part of 26 states and the District of Columbia, providing product to almost 14,000 Shell- and Texaco-branded retail outlets. Motiva has an estimated 8.0% share of the national gasoline market and an estimated 16.7% market share in its geographic area.

Motiva is the sixth largest refiner in the U.S., capable of refining about 849,000 barrels a day. Motiva's refineries are located in:

- Convent, Louisiana
- Delaware City, Delaware
- Norco, Louisiana
- Port Arthur, Texas.

Motiva also owns or has interests in 49 product terminals.

In 1999, Motiva continued to undertake actions to identify and capture synergies. These efforts included the hydrotreater realignment at the Convent, Louisiana, refinery, a gasoline additives synergy, consolidation of the marketing staff, marketing retailer rent program standardization, and the reduction of insurance expense. Additional savings were realized through the coordinated procurement of certain hydrocarbon and non-hydrocarbon supplies.

Equiva Trading Company

Equiva Trading provides supply and trading services for Equilon, Motiva and other affiliates of Texaco and Shell. In addition, Equiva Trading conducts a large and growing trading activity on behalf of Equilon. Equiva Trading buys and sells in excess of 7 million barrels of hydrocarbons per day in the physical markets, making it one of the largest petroleum supply and trading organizations in the world. Specific lines of business include acquisition, sales and trades of domestic and international crude oil and products; lease crude oil acquisition and marketing; marine chartering; and risk management support and services.

Equiva Services LLC

Equiva Services provides common services to both Equilon and Motiva in areas such as brand management, retail operations, accounting, tax, treasury, information technology, safety, health and environment. Combining these common services, rather than having a separate service organization for each company, is one way that Equilon and Motiva are capturing the synergies of combination despite different ownership.

Caltex Corporation

Caltex Corporation is jointly owned 50% each by Texaco and Chevron. Caltex operates in approximately 55 countries in Asia, Africa, the Middle East, New Zealand and Australia. Caltex refines crude oil and markets petroleum and convenience products through its subsidiaries and affiliates, and is also involved in distribution, shipping, storage, supply and trading operations. Caltex sales of crude oil and petroleum products were 1.8 million barrels per day in 1999.

Caltex has been an active participant in the Asia-Pacific region for many years. The region is comprised of mature and developing markets. Caltex has followed strategies to compete in each of these markets. It competes aggressively in mature markets such as Hong Kong, Singapore, South Korea, Australia and New Zealand; and in developing countries such as Malaysia, Thailand, and the Philippines. Caltex is also actively pursuing opportunities in countries where demand is expected to grow significantly, such as Vietnam, Laos, Cambodia, Sri Lanka, India, and portions of Central and East Africa.

Caltex is also active in the Middle East and eastern and southern Africa. In South Africa, Caltex has been a brand leader in gasoline, diesel and lubricants sales for many years, with about 1,100 retail outlets. Caltex also operates a major refinery in Capetown, South Africa.

Caltex has interests in 11 fuel refineries with equity refining capacity of 850,000 barrels per day. Additionally, it has interests in two lubricant refineries, 17 lubricating oil blending plants and a network of ocean terminals and depots. Caltex continues to be a major supplier of refined products through its interests in large refineries in South Korea, Singapore and Thailand, where its Star refinery began to achieve significant economic benefits through synergies resulting from an operating alliance with a neighboring Shell refinery.

Caltex conducts international crude oil and petroleum product logistics and trading operations from the South East Asia region oil hub in Singapore, providing 24-hour service to the Caltex system and to third parties that require crude oil, feedstocks, base oils and refined products.

Caltex and its affiliates maintain a strong marketing presence through a network of 7,800 retail outlets, of which 4,500 are branded as Caltex. It also operates over 850 convenience stores, of which 650 are Star Marts. In addition to retail initiatives, Caltex has created specialized business units that are helping Caltex' operating companies position themselves for larger shares of the high-growth markets for lubricating oils and greases, aviation fuels, and LPG. An affiliate in South Korea is a major supplier of polypropylene, benzene, toluene and paraxylene to Korea's petrochemical industry.

In 1999, Caltex completed a structural reorganization, changing from a geographic to a functional organizational structure. The new organization is flatter, and has improved channels of communication to manage and allocate resources more effectively. Caltex restructured its executive leadership team and relocated its corporate center from Dallas, Texas, to Singapore to be closer to its main operating areas. Caltex is already experiencing efficiencies from this new structure and anticipates future improvements.

The year 1999 was an extremely difficult one for Caltex' South East Asian marketing operations. Consumer fuel demand recovered slowly following the 1997 Asian economic crisis, partly due to rapidly escalating international crude oil and refined product prices during the year. The market was oversupplied, demand growth was slow, and margins were under constant pressure. Caltex' response has been to maintain its focus on the factors that it can control - revenue enhancement, operating cost control and working capital reduction. Activities in East Africa and the Middle East were generally less significantly affected by the Asian economic crisis, and continued to provide reasonable returns throughout 1999.

Refining margins in 1999 were at their lowest level in more than 10 years, due to worldwide oversupply of capacity, which was partly a result of the economic disruption in many Asian countries. However, the operating performance of Caltex' refineries has continued to improve, mitigating the effect of low margins to the extent possible. This was accomplished by focusing on full utilization of assets, incident-free operation, cost reductions, cost-effective investments and initiatives to improve efficiency and maintain the integrity of the refining assets. Additionally, as part of its refining system restructuring, Caltex sold its 50% interest in Koa Oil Company, Limited, a Japanese refining company.

To achieve top competitive performance in each market, Caltex' business strategies are to:

- improve the financial performance of its established business operations
- selectively grow in emerging markets
- increase non-fuel earnings through convenience stores
- continue to focus on retail marketing in preferred areas
- pursue initiatives to further reduce operating expenses and boost margins.

Fuel and Marine Marketing LLC (FAMM)

FAMM was formed and began operations in November 1998 as a joint venture between Texaco and Chevron. FAMM, which is headquartered in White Plains, New York, combines the worldwide residual fuel and marine lubricants marketing businesses of both companies. We own 69% and Chevron owns 31% of the venture.

FAMM has annual sales of 158 million barrels of fuel and 70 million gallons of marine lubricants. FAMM is a leading supplier of marine fuels, lubricants, coolants and industrial fuels, serving customers in over 400 ports and over 100 countries worldwide. FAMM's industrial customers include power plants throughout the world. During 1999, FAMM was successful in integrating the two companies and capturing the anticipated synergies and cost savings.

GLOBAL GAS AND POWER

Our Global Gas and Power operations include the marketing of natural gas and natural gas liquids, gas processing plants, pipelines, power generation plants, gasification licensing and equity plants, and our hydrocarbons-to-liquids and fuel cell technology units. During 1999, responsibility for these activities was combined under a single senior executive, forming the Global Gas and Power segment. We can leverage our expertise in all aspects of fuels management and power project development and operations to bring forward projects utilizing a wide array of fuels.

Global Gas Marketing

Texaco Natural Gas - North America (TNG) is a fully integrated midstream organization that offers a wide range of services including gas gathering, processing, transportation, storage, sales and purchases, and risk management for natural gas and natural gas liquids. TNG's primary objective is to grow shareholder worth by extracting value across the entire energy value chain - from the wellhead to the burner tip.

The majority of TNG's assets are strategically located in the U.S. Gulf Coast area. TNG owns and/or operates one of the largest producer-owned gas pipeline systems in the U.S. consisting of more than 2,150 miles of pipe with over 50 interconnects to other intrastate and interstate pipelines. The system is comprised of three pipeline companies: Sabine Pipeline Company, Bridgeline Holdings, L.P., and Discovery Gas Transmission LLC.

Sabine Pipeline features an open-access interstate natural gas pipeline that extends from Port Arthur, Texas, to the Henry Hub near Erath, Louisiana. The Henry Hub is the official delivery mechanism for the New York Mercantile Exchange's natural gas futures contracts. This is due in large part to Sabine's reputation for service, flexibility, and reliability.

Effective March 1, 2000, Texaco and Enron Corp. formed a joint venture, Bridgeline Holdings, L. P., that combines their regional marketing services, intrastate pipelines and gas storage assets in southeast Louisiana. The new venture, to be headquartered in Houston, Texas, will have combined facilities consisting of more than 1,000 miles of transmission and distribution pipeline, 7 billion cubic feet (BCF) of salt dome storage capacity, with an additional 6 BCF in development and 33,050 horsepower of compression. Bridgeline Holdings expects to have sales of more than 1 BCF of natural gas per day. We own 60% and Enron owns 40% of the new venture.

Bridgeline Holdings has physical connections with many of the major industrial companies, including some of the largest petrochemical, refining, ammonia and gas-fired electric utility firms in the world. With interconnects to pipelines from the Gulf of Mexico, customers are presented with access to abundant offshore supplies. The system also includes excellent delivery access to several interstate and intrastate pipelines that connect to the Northeast, Southeast and Mid-continent regions. In addition, the combined capabilities and interconnections of Bridgeline Holding's gas storage facilities at Sorrento and Napoleonville will substantially increase the flexibility and range of services that will be available to customers. The storage capacity will provide the flexibility to meet many gas needs, including emergency back-up, needle and seasonal peaking, winter/summer price hedging and gas future hedging.

Discovery Gas Transmission, a major natural gas gathering and transmission pipeline in the offshore waters of the Gulf of Mexico, adds significant value from this key area in the Gulf. The 30-inch pipeline stretches 105 miles into the Gulf with numerous laterals to deepwater drilling fields and provides crucial capacity to a currently under-served area. The project also includes a gas processing plant in Larose, Louisiana, giving Gulf Coast producers a convenient means for gathering, processing, and transporting gas to market. In addition, Discovery has installed a 42,000-barrel-a-day fractionator at the site of our Paradis gas processing plant. We hold a one-third ownership interest in Discovery with partners, Williams Companies and British-Borneo.

In addition to the Larose gas processing plant, TNG operates four natural gas processing plants located in South Louisiana, which have a combined capacity of 1.2 billion cubic feet a day. TNG also has an ownership interest in two other plants. These assets strategically position TNG to take advantage of the significant influx of natural gas, which we expect from deepwater developments in the Gulf of Mexico.

TNG also has substantial natural gas liquid (NGL) assets in the state of Louisiana. We recently constructed the Texaco Expanded NGL Distribution System (TENDS) to further leverage our strategic position in South Louisiana and take advantage of increasing volumes of gas coming on shore from deepwater developments. This system integrates newly constructed and purchased pipelines with our existing assets. The result is an integrated bi-directional natural gas liquid pipeline, fractionation, and underground storage system with a combined pipeline length of about 500 miles, extending from Lake Charles to Alliance, Louisiana. The TENDS project has already provided a platform for expansion of our Louisiana infrastructure through numerous new connections and opportunities.

The NGL Marketing Group transports and markets NGLs throughout the world, although its primary focus is North America. With sales averaging nearly 300,000 barrels a day, TNG is one of the largest marketers of NGLs in the industry. Marketing of propane to wholesale customers in the U.S. has provided a significant financial contribution for many years.

In Ferndale, Washington, the NGL Marketing Group operates the largest NGL import/export terminal on the West Coast. This facility includes 750,000 barrels of storage for butane and propane. Drawing on product from Canada and local refineries, this terminal provides strategic access to markets including the Pacific Rim.

The Gas Marketing Group markets 3.2 billion cubic feet per day of equity and third party gas to major North American utilities, industrial customers, and other marketing/trading companies. TNG ensures that we receive the highest netback price for its equity production as well as optimizing pipeline capacity. This unit provides customized and comprehensive risk management and other financial tools to enable customers and suppliers to structure deals consistent with their specialized needs. TNG also leases natural gas storage in strategic locations to take advantage of price arbitrage as well as handle production fluctuations. Further, TNG provides fuels management services to a number of our cogeneration partnerships.

Internationally, during March 1999, we completed the sale of our United Kingdom retail gas marketing business and exited this low margin market. We exited our U. K. wholesale gas marketing business in late 1998.

Gasification

Our gasification technology converts a wide variety of hydrocarbon feedstocks into a synthesis gas (syngas) comprised of hydrogen and carbon monoxide. The syngas can be used as a feedstock for other chemical processes or as a fuel for use in a gas turbine to produce power. We license this technology, develop and invest in projects using the technology, and operate gasification facilities.

Recognized as the world leader in gasification technology, our proprietary Texaco Gasification Process (TGP) has been licensed to 69 plants under development, under construction or in operation in the refining, chemical and power generation sectors worldwide. Syngas production at these facilities exceeds 5.1 billion standard cubic feet per day. TGP projects that have recently been, or are soon to be, completed include:

- In Florida, Tampa Electric Company is licensing our integrated gasification combined-cycle (IGCC) technology for its 250-megawatt coal-fired power plant.

- In China, there are currently nine TGP plants in operation and three under construction, each producing syngas for chemical production. TGP's success in China led to the signing of a multi-plant agreement with Sinopec and the former Ministry of Chemical Industry to retrofit an additional nine plants that are currently using competitive technology.

- The $350 million Delaware Clean Power Project at Motiva's Delaware City Refinery will use TGP in the world's cleanest process for producing power (steam and electricity) from petroleum coke.

- In Italy, three refineries are constructing large, world-class IGCC power plants (we have taken a 24% equity interest in one of them). These TGP units will enable the refineries to convert high-sulfur residues into higher-value products such as hydrogen, electricity and steam that are used within the refineries or sold, if surplus to the refineries' needs. TGP will provide these refineries with wider flexibility with respect to crude selection, which can provide substantial financial savings, while minimizing wastes at these plants.

Power Generation

Our power business includes conventional power generation and cogeneration of power and steam from a single facility. We also develop, operate and invest in power projects.

Cogeneration is a process that produces two useful forms of energy from a single fuel, such as natural gas. The energy products are thermal energy, such as steam, and electric power. Whether applied in a refinery or to steamflood a heavy oil field, cogeneration boosts profitability by improving efficiency. In the narrower context of producing oil, cogeneration is the most efficient way to generate the steam required for steamflooding.

To date, our largest U.S. cogeneration operations have burned natural gas to produce heat for steamflooding our Kern River oil field in California while simultaneously generating electricity. We are now adding to the list of 10 cogeneration facilities we presently operate with our partners in the U.S. These facilities produce enough electricity to power more than one million homes. Including projects under construction or development in which we have an equity share, our cogeneration and conventional power portfolio exceeds 2,000 megawatts.

A major new project is in Indonesia, where subsidiaries of Texaco and Chevron and a private partner are building the largest cogeneration plant of its kind. The $190 million, 300-megawatt gas-fired plant will supply power and steam for use in steamflooding the Duri field in Indonesia's Central Sumatra.

A key new gas turbine combined cycle power project in Thailand is nearing completion of construction. Developed with our partners Banpu and Edison Mission, this $400 million, 700-megawatt gas-fired plant will help to meet the growing power demands of a rapidly expanding economy.

Through our gasification and cogeneration businesses, we are currently involved in power projects, either directly or indirectly, that will produce over 8,500 megawatts of power.

Texaco Energy Systems Inc.

Texaco Energy Systems Inc. (TESI) was created in 1999 to explore opportunities to broaden our energy portfolio. Leveraging the strength of a global corporation, TESI is developing businesses related to fuel cells, hydrocarbons-to-liquids (HTL), and alternate fuels. As a technology-based company, we plan to apply energy expertise and proprietary technologies to make these emerging energy businesses a reality.

With the creation of the new division, we systematically began evaluating opportunities in the fuel cell industry. We sought to determine whether we could leverage our recognized industry leadership in fuel processing and feed conversion into a joint-venture opportunity with a fuel cell supplier. That investigation led us to:

- Create a Fuel Cell Technology Center at our Bellaire office complex;
- Begin the installation of an actual fuel cell to power part of the office complex load (which complex incidentally houses our major computing center); and
- Further investments in the area of feed conversion at our Montebello Technology Center.

HTL technology makes possible the conversion of low-value carbon-bearing material such as stranded gas and heavy oil/petroleum coke from producing operations and refineries into high-quality diesel fuel as well as specialty products. The technology consists of syngas generation followed by conversion into liquids through the Fischer-Tropsch process. Our world-renowned gasification technology is a leading synthesis gas generating technology especially for liquid and solid feedstocks.

We currently have agreements with more than one Fischer-Tropsch technology provider to ensure that the best technology is available for commercial deployment. The clean, high-quality diesel has high potential for use as a blending component with conventional refinery diesel. Such a blend, at least initially because of the limited availability of Fischer-Tropsch diesel, would be best suited for dedicated fleets in cities that are out of environmental compliance. Fischer-Tropsch diesel has the potential to be used also as a fuel for fuel cells. HTL is being evaluated as a potential solution for our natural gas production in Nigeria and for petroleum coke production from our Hamaca heavy oil upgrader in Venezuela.

In 1999, TESI led a team of major industrial companies that was awarded a contract from the U.S. Department of Energy. The contract calls for the team to design an Early Entrance Co-Production plant for the production of electricity and high-quality diesel fuel using a combination of our proprietary gasification and Rentech Inc.'s Fischer-Tropsch technologies.

TECHNOLOGY

Technology drives growth in our industry --and we are generating new technology and capturing greater value through fast, effective applications of technology. Below are a few key examples of how we are applying our technologies to create increased value.

Ultra-deepwater Drilling

We are active in the development of Mudlift Drilling Technology, the largest single advancement in offshore drilling technology since the development of semi-submersible drilling rigs. The application of this technology will make offshore drilling in water depths beyond 10,000 feet a reality. This technology will reduce the cost of casing programs and allow greater productivity per well in water depths greater than 3,000 feet. It will also increase the safety of our drilling operations. This technology holds the key to making many deepwater developments economically feasible since it has the potential to reduce our costs by up to $10 million per well.

Stimulating Production - Encapsulated Acid

We have developed and are commercializing a wellbore stimulation technique that will result in a vast improvement in oil and gas production rates and additional recovery of reserves from hydrocarbon formations. This will increase the profitability of our oil and gas fields in the United States, the Middle East, Kazakhstan and the U. K. North Sea. However, increased performance is only part of the story.

In environmentally sensitive areas around the world (such as the U.K. North Sea), the use of conventional acid treatment systems has been severely curtailed due to environmental concerns. Our new wellbore stimulation technology is unique because it uses a "food grade" acid, which eliminates many of the concerns associated with the conventional acid treatment systems. This new technology will allow us to greatly improve the performance of our oil and gas reservoirs, while further demonstrating our environmental stewardship.

Heavy Oil Upgrading

We have a comprehensive oil-upgrading technology program aimed at developing and applying methods to enhance the value of our oil assets. The program targets oils that are heavy and contain significant amounts of sulfur, metals and acid, or that have low value with respect to benchmark crudes.

Our strategy is to develop and apply upgrading technologies at the producing site to capture extra value from heavy crude production. For example, we have developed technology for effective sulfur removal and API gravity upgrading of heavy crude oil. During 1999, this technology was particularly effective in pilot testing with Middle Eastern crudes such as Arab Heavy, Ratawi and Eocene. In the case of the Eocene crude, it was effective in reducing sulfur content from 4.5% to 0.3%, while upgrading the crude oil from 20 degree API to 35 degree API.

We are also focusing on the development of a radical new technology for sulfur and metals removal and for API upgrading. This includes low pressure and temperature sulfur oxidation technology and biodesulfurization. When commercialized, these new technologies will result in significant additional value.

Hydocarbons/Gas to Liquids Technology

During 1999, we applied a "technology portfolio" approach to develop conversion technologies for both natural gas and low-value hydrocarbon products. The primary objective of this program is to develop technologies to convert remote natural gas resources to valuable middle distillates and increase the commercial value of these assets. The portfolio approach includes both in-house research and partnerships with various corporations and universities. We have established partnerships with Syntroleum Corp. and Rentech Inc. to advance the catalyst-based technologies to commercial viability. Through the Syntroleum venture, we are currently involved in a pilot test utilizing a promising new catalyst.

Furthermore, we have been selected by the U.S. Department of Energy for multiple programs to develop conversion technologies employing our proprietary gasification process. The coupling of our gasification technology with new gas-to-liquids technology should provide an integral process that will improve the economics of the project and make more effective use of the total energy resources.

Extended-life Coolants

Our commitment to advances in our downstream business is exemplified by the success of our extended-life motor-vehicle coolants. These products, which our scientists formulated from mixtures of carboxylic acids, increase protection capability for heavy-duty vehicles by up to 600,000 miles and keep cars going strong for at least 150,000 miles without a change. Today, our extended-life coolants are in new cars built by General Motors in the United States and by Ford, Volkswagen and Renault in Europe and in Caterpillar heavy-duty engines worldwide.

Leading Lubricant Technology

Our lubricant technology is an industry leader in delivering products to automotive manufacturers that foster higher fuel economy and reduced environmental emissions, while extending equipment life and service intervals. We have pioneered advances in both Havoline passenger car engine and transmission lubrication, as well as Ursa Heavy Duty truck oils. This technology is currently used by a wide range of Original Equipment Manufacturers and their customers around the world, including the Ford Group, Renault, Nissan, Volvo, General Motors and Daimler Chrysler. Our most recent noteworthy addition is Toyota, which selected Texaco lubricant technology for its newly constructed engine, transmission and vehicle manufacturing plants throughout Europe.

Technology Services Via the Internet

To provide our marine customers with up-to-date analytical results, comments and recommendations on the condition of the lubricants being used aboard their vessels, we have implemented a program that provides a quick, direct transmission of test results from Texaco's Ghent laboratory via the Internet. Customers can also access historical analysis data for all individual equipment onboard the vessel. FAMM, our fuel and marketing joint venture with Chevron Corporation, successfully launched this program in October 1999. On a yearly basis, some 45,000 sample analyses will be transmitted electronically to customers. The program, called FAST (FAMM Analysis Service Trending), will lower handling and reporting costs, while providing better and faster service to customers.

Technology Leadership

In 1999, we implemented a new model for technology development, commercialization and value growth. This model continues our focus on extracting value from technology through its application to Texaco's resources. It also provides for added value from further development and application of these technologies beyond the scope of our current business focus.

During 1999, we and our partners formed two new companies that will help to promote the broader development of two of Texaco's outstanding technologies.

The first of these companies is Alto Technology, a wholly owned subsidiary that will further develop and commercialize the TEEMS (Texaco Energy and Environmental Multispectral Imaging Spectrometer) remote sensing technology. The market opportunities for this unique technology extend beyond the business focus of Texaco operations and include agriculture, land management and ecological activities.

Alto Technology will continue to provide Texaco with remote sensing capability to help us identify potential oil deposits in environmentally sensitive areas, as we have previously done in the United States, Colombia, the Partitioned Neutral Zone and Indonesia.

Similarly, we formed Magic Earth, LLC to further develop and expand the applications of Texaco's 3-D visualization technology. We will continue to use this technology to help discover large reserves and improve recovery from existing fields. Texaco holds a substantial interest in Magic Earth and will participate in defining the future direction of this revolutionary technology.

Through the formation of Magic Earth, our 3-D visualization efforts will be expanded into other industries, and will lead to new technology products and applications from which our company can benefit.

ADDITIONAL INFORMATION CONCERNING OUR BUSINESS

Research Expenditures

Worldwide expenditures of Texaco Inc. and subsidiary companies for research, development and technical support amounted to approximately $96 million in 1999, $138 million in 1998 and $147 million in 1997.

Environmental Expenditures

Information regarding capital environmental expenditures of Texaco Inc. and subsidiary companies, including equity in affiliates, during 1999, and projections for 2000 and 2001, for air, water and solid waste pollution abatement, and related environmental projects and facilities, is incorporated herein by reference from pages 28 and 29 of Texaco Inc.'s 1999 Annual Report to Stockholders.

Employees

The number of employees of Texaco Inc. and subsidiary companies as of December 31, 1999 totaled 18,443 and as of December 31, 1998 totaled 24,628.

Sales to Significant Affiliates

Sales by Texaco Inc. and subsidiary companies to significant affiliates totaled $4,839 million in 1999, $4,169 million in 1998 and $3,633 million in 1997.

Geographical Financial Data

Information regarding geographical financial data of Texaco Inc. and subsidiary companies appears in Note 1, Segment Information, on pages 38 and 39 of Texaco Inc.'s 1999 Annual Report to Stockholders.

Stock Repurchase Program

On March 20, 2000, we announced that we will resume our $1 billion common stock repurchase program. The program was suspended in 1998, with $474 million of common shares repurchased. We intend to purchase shares of our stock, subject to market conditions, through open market purchases or privately negotiated transactions.

Incorporation by Reference

We have incorporated some data and information appearing in our 1999 Annual Report to Stockholders into Items 1, 2, 3, 5, 6, 7, 8 and 14 of this Form 10-K. No other data and information in our Annual Report to Stockholders is incorporated by reference into, or filed as part of, this Annual Report on Form 10-K.

FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT OUR BUSINESS

This Form 10-K may contain or incorporate by reference to other documents "forward-looking statements" that are based on our current expectations, estimates, projections, beliefs and assumptions about our company and the industries in which we operate. We use words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," "potential," and similar expressions to identify such forward-looking statements. Section 27A of the Securities Act of 1933 protects us from liability in private actions under the Securities Act based on "forward-looking statements" which later prove to be inaccurate. We have based our forward-looking statements on a number of assumptions, any or all of which could ultimately prove to be inaccurate. We cannot predict with any certainty the overall effect of changes in these assumptions on our business. Following are some of the important factors that could change these assumptions and that could adversely affect our business:

Business Risks

- incorrect estimation of reserves
- inaccurate seismic data
- mechanical failures
- decreased demand for motor fuels, natural gas and other products
- above-average temperatures
- pipeline failures
- oil spills
- worldwide and industry economic conditions
- inaccurate forecasts of crude oil, natural gas and petroleum product prices
- increasing price and product competition
- higher costs, expenses and interest rates
- the outcome of pending and future litigation and governmental proceedings
- continued availability of financing
- strikes and other industrial disputes.

Laws, Regulations and Legislation. In the U.S. and other countries in which we operate, various laws and regulations that affect the petroleum industry are either now in force, in standby status or under consideration, dealing with such matters as:

- production restrictions
- import and export controls
- price controls
- crude oil and refined product allocations
- refined product specifications
- environmental, health and safety regulations
- retroactive and prospective tax increases
- cancellation of contract rights and concessions by host governments
- expropriation of property
- divestiture of operations
- foreign exchange rate changes and restrictions as to convertibility of currencies
- tariffs and other international trade restrictions.

Euro Conversion. Factors that could alter the financial impact of our euro conversion include:

- changes in current governmental regulations and interpretations of such regulations
- unanticipated implementation costs
- the effect of the euro conversion on product prices and margins.

We have no obligation to publicly update our forward-looking statements, whether they become inaccurate as a result of new information, future events or otherwise.

Item 3. Legal Proceedings

Litigation--We have provided information about legal proceedings pending against Texaco Inc. and subsidiary companies in Note 15, "Other Financial Information, Commitments and Contingencies - Litigation" on page 55 of our 1999 Annual Report to Stockholders. Note 15 is incorporated here by reference.

The Securities and Exchange Commission (SEC) requires us to report proceedings that were instituted or contemplated by governmental authorities against us under laws or regulations relating to the protection of the environment. None of these proceedings is material to our business or financial condition. Following is a brief description of those proceedings that were either pending as of December 31, 1999, or settled during the fourth quarter of 1999.

- On June 9, 1992, the U.S. Environmental Protection Agency (EPA), Region VI, served an administrative complaint on Texaco Chemical Company (TCC). The complaint alleges that TCC violated the State Implementation Plan at its Port Neches, Texas chemical plant. We sold TCC to Huntsman Corporation on April 21, 1994, and, by agreement, we retained obligations applicable to events occurring at the plant prior to the closing date. The EPA is seeking civil penalties of $149,000.We are contesting liability.

- On December 28, 1992, the EPA, Region VI served an administrative complaint on TCC. The complaint alleged hazardous waste, PCB, release notification and reporting violations at TCC's Port Neches chemical plant. The EPA is seeking civil penalties of $3.8 million and corrective action. We are contesting liability and agreed with the EPA to consolidate this complaint with the June 9, 1992 complaint, described above. The consolidated matter is pending before an EPA administrative law judge.

- In March 1998, the U.S. Department of Justice (DOJ) filed a complaint against us regarding spills of oil and produced water at the Aneth Producing Field in Utah in violation of the Clean Water Act. The DOJ is seeking a penalty of approximately $2.3 million. We are contesting liability.

- On November 24, 1999, Texaco California Inc. (TCI) and the San Joaquin Valley Unified Air Pollution Control District (SJVUAPCD) settled a series of notices of violation filed in August 1999 by the SJVUAPCD. The notices alleged improper storage of organic material in tanks having a true vapor pressure in excess of 1.5 psia without vapor control. Under the settlement, TCI paid a penalty of $56,000 and agreed to sample and test materials in the tanks on a periodic basis. TCI also agreed to install vapor recovery on various facilities in the Midway-Sunset Field in Kern County, California.

- In December 1999, the SJVUAPCD issued 37 Notices of Violation to TCI alleging various permit violations, primarily in connection with a project to refurbish, replace, and expand the number of steam generators used in the Midway-Sunset Field in Kern County, California. It is possible that the agency might seek penalties in excess of $100,000.

- In December 1999, the DOJ notified us that it would file a complaint alleging that the Aneth gas plant, located near Montezuma Creek, Utah, violated Clean Air Act regulations when renovation work was done on the plant in 1991 and when asbestos-containing debris was cleaned up after an explosion in December 1997. The notice also alleged the Aneth Producing Field in Utah violated section 304 of the Emergency Planning and Community Right-to-Know Act for failing to provide proper notice to emergency response authorities about releases of sulfur dioxide in December 1997. The DOJ is expected to seek more than $100,000 in penalties. We are contesting liability.

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

Not applicable.

Executive Officers of Texaco Inc.

The executive and other elected officers of Texaco Inc. as of March 6, 2000 are:

Name	Age	Position
Peter I. Bijur	57	Chairman of the Board and Chief Executive Officer
Patrick J. Lynch	62	Senior Vice President and Chief Financial Officer
John J. O'Connor	53	Senior Vice President
Glenn F. Tilton	51	Senior Vice President
William M. Wicker	50	Senior Vice President
Bruce S. Appelbaum	52	Vice President
Eugene G. Celentano	61	Vice President
James F. Link	55	Vice President
James R. Metzger	52	Vice President
Robert C. Oelkers	55	Vice President
Deval L. Patrick	43	Vice President and General Counsel
Elizabeth P. Smith	50	Vice President
Robert A. Solberg	54	Vice President
Janet L. Stoner	51	Vice President
Michael N. Ambler	63	General Tax Counsel
George J. Batavick	52	Comptroller
Ira D. Hall	55	Treasurer
Michael H. Rudy	56	Secretary

For more than five years, each of the above listed officers of Texaco Inc., except for Messrs. Wicker, O'Connor, Patrick and Hall, has been actively engaged in the business of Texaco Inc. or one of its subsidiary or affiliated companies.

Effective August 1, 1997, Mr. Wicker joined Texaco as a Senior Vice President of Texaco Inc. for Corporate Development. During the eight years prior to joining Texaco, Mr. Wicker had been with First Boston and Credit Suisse First Boston, most recently as the Managing Director and Co-Head of the Global Energy Group for Credit Suisse First Boston.

Effective January 1, 1998, Mr. O'Connor joined Texaco as a Senior Vice President of Texaco Inc. and President of Worldwide Exploration and Production. Prior to joining Texaco, Mr. O'Connor, since 1994, was Chief Executive Officer of BHP Petroleum in Melbourne, Australia, the oil and gas exploration division of Broken Hill Proprietary Company, Ltd. Mr. O'Connor also was a Director of Broken Hill Proprietary Company, Ltd.

Effective February 8, 1999, Mr. Patrick joined Texaco as Vice President and General Counsel. Prior to joining Texaco, Mr. Patrick had been a partner with the Boston law firm of Day Berry & Howard LLP since 1997. Mr. Patrick was also Assistant Attorney General of the United States and chief of the U.S. Justice Department's Civil Rights Division from 1994-97, where he was responsible for enforcing federal laws prohibiting discrimination.

Effective June 1, 1998, Mr. Hall joined Texaco as General Manager of Alliance Management. He was elected Treasurer of Texaco Inc. effective October 1, 1999. Prior to joining Texaco, Mr. Hall had been with International Business Machines (IBM) Corporation since 1985. Mr. Hall held a series of positions with IBM including Director of International Operations, Treasurer of IBM (US), Controller of IBM World Trade Corporation and Chairman and Chief Executive Officer of IBM WTC Insurance Corporation.

There are no family relationships among any of the officers of Texaco Inc.

PART II

The following information, contained in Texaco Inc.'s 1999 Annual Report to Stockholders, is incorporated herein by reference. Page references are to the paper document version of Texaco Inc.'s 1999 Annual Report to Stockholders, as provided to stockholders:

Form 10-K Item		Texaco Inc. 1999 Annual Report to Stockholders Page Reference
Item 5.	Market for the Registrant's Common Equity and Related Stockholder Matters	68 (a)
Item 6.	Selected Financial Data	
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Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	14-29
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Item 8.	Financial Statements and Supplementary Data	
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	Consolidated Balance Sheet	33
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	Statement of Consolidated Non-owner Changes in Equity	36
	Statement of Consolidated Cash Flows	37
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	Report of Independent Public Accountants	56
	Supplemental Oil and Gas Information	57-62
	Selected Quarterly Financial Data	64
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Not applicable.

(a) Only the data and information provided under the caption "Common Stock-Market and Dividend Information" is deemed to be filed as part of this Annual Report on Form 10-K.

PART III

The following information, contained in Texaco Inc.'s Proxy Statement dated March 14, 2000 relating to our 2000 Annual Meeting of Stockholders, is incorporated herein by reference. Except as indicated under Items 10, 11, 12 and 13, no other data and information appearing in this Proxy Statement are deemed to be filed as part of this Annual Report on Form 10-K. Page references are to the paper document version of Texaco Inc.'s 2000 Proxy Statement, as provided to stockholders:

Form 10-K Item		Texaco Inc. March 14, 2000 Proxy Statement Page Reference
Item 10.	Directors and Executive Officers of the Registrant	
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PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

The following information, contained in Texaco Inc.'s 1999 Annual Report to Stockholders, is incorporated herein by reference. Page references are to the paper document version of Texaco Inc.'s 1999 Annual Report to Stockholders, as provided to stockholders:

(a) The following documents are filed as part of this report:

1. Financial Statements (incorporated by reference from the indicated pages of Texaco Inc.'s 1999 Annual Report to Stockholders):	Texaco Inc. 1999 Annual Report to Stockholders Page Reference
Description of Significant Accounting Policies	30-31
Statement of Consolidated Income for the three years ended December 31, 1999	32
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2. Financial Statement Schedules

We have included on page 34 of this Annual Report on Form 10-K Financial Statement Schedule II, Valuation and Qualifying Accounts.

We have filed as part of this Annual Report on Form 10-K the following sets of financial statements, for which we use the equity method of accounting:

- Caltex Group of Companies Combined Financial Statements
- Equilon Enterprises LLC Consolidated Financial Statements
- Motiva Enterprises LLC Financial Statements.

Financial statements and schedules of certain affiliated companies have been omitted in accordance with the provisions of Rule 3.09 of Regulation S-X.

Financial Statement Schedules I, III, IV and V are omitted as permitted under Rule 4.03 and Rule 5.04 of Regulation S-X.

3. Exhibits

-- (3.1) Copy of Restated Certificate of Incorporation of Texaco Inc., as amended to and including August 4, 1999, including Certificate of Designations, Preferences and Rights of Series D Junior Participating Preferred Stock and Series G, H, I and J Market Auction Preferred Shares, filed as Exhibit 3.1 to Texaco Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999, dated August 12, 1999, incorporated herein by reference, SEC File No. 1-27.

-- (3.2) Copy of By-Laws of Texaco Inc., as amended to and including April 27, 1999, filed as Exhibit 3.2 to Texaco Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999, dated May 14, 1999, incorporated herein by reference, SEC File No. 1-27.

-- (4.1) Form of Amended Rights Agreement, dated as of March 16, 1989, as amended as of April 28, 1998, between Texaco Inc. and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, filed as Exhibit I, pages 40 through 78, of Texaco Inc.'s proxy statement dated March 17, 1998, incorporated herein by reference, SEC File No. 1-27.

-- (4.2) Instruments defining the rights of holders of long-term debt of Texaco Inc. and its subsidiary companies are not being filed, since the total amount of securities authorized under each of such instruments does not exceed 10 percent of the total assets of Texaco Inc. and its subsidiary companies on a consolidated basis. Texaco Inc. agrees to furnish a copy of any instrument to the Securities and Exchange Commission upon request.

--(10(iii)(a)) Form of severance agreement between Texaco Inc. and elected officers of Texaco Inc., filed as Exhibit 10(iii)(a) to Texaco Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998, dated March 25, 1999, incorporated herein by reference, SEC File No. 1-27.

--(10(iii)(b)) Employment agreement dated December 30, 1997, between Texaco Inc. and Mr. John J. O'Connor, Senior Vice President of Texaco Inc., filed as Exhibit 10(iii)(b) to Texaco Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998, dated March 25, 1999, incorporated herein by reference, SEC File No. 1-27.

--(10(iii)(c)) Employment agreements dated July 18, 1997, between Texaco Inc. and Mr. William M. Wicker, Senior Vice President of Texaco Inc., filed as Exhibit 10(iii)(c) to Texaco Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998, dated March 25, 1999, incorporated herein by reference, SEC File No. 1-27.

--(10(iii)(d)) Texaco Inc.'s 1997 Stock Incentive Plan, incorporated herein by reference to Appendix A, pages 39 through 44 of Texaco Inc.'s proxy statement dated March 27, 1997, SEC File No. 1-27.

--(10(iii)(e)) Texaco Inc.'s 1997 Incentive Bonus Plan, incorporated herein by reference to Appendix A, pages 45 and 46 of Texaco Inc.'s proxy statement dated March 27, 1997, SEC File No. 1-27.

--(10(iii)(f)) Texaco Inc.'s Stock Incentive Plan, incorporated herein by reference to pages A-1 through A-8 of Texaco Inc.'s proxy statement dated April 5, 1993, SEC File No. 1-27.

--(10(iii)(g)) Texaco Inc.'s Stock Incentive Plan, incorporated herein by reference to pages IV-1 through IV-5 of Texaco Inc.'s proxy statement dated April 10, 1989 and to Exhibit A of Texaco Inc.'s proxy statement dated March 29, 1991, SEC File No. 1-27.

--(10(iii)(h)) Description of Texaco Inc.'s Supplemental Pension Benefits Plan, incorporated herein by reference to pages 8 and 9 of Texaco Inc.'s proxy statement dated March 17, 1981, SEC File No. 1-27.

--(10(iii)(i)) Description of Texaco Inc.'s Revised Supplemental Pension Benefits Plan, incorporated herein by reference to pages 24 through 27 of Texaco Inc.'s proxy statement dated March 9, 1978, SEC File No. 1-27.

--(10(iii)(j)) Description of Texaco Inc.'s Revised Incentive Compensation Plan, incorporated herein by reference to pages 10 and 11 of Texaco Inc.'s proxy statement dated March 13, 1969, SEC File No. 1-27.

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

-- (12.2) Definitions of Selected Financial Ratios.

-- (13) Copy of those portions of Texaco Inc.'s 1999 Annual Report to Stockholders that are incorporated herein by reference into this Annual Report on Form 10-K.

-- (21) Listing of significant Texaco Inc. subsidiary companies and the name of the state or other jurisdiction in which each subsidiary was organized.

-- (23.1) Consent of Arthur Andersen LLP.

-- (23.2) Consent of KPMG LLP.

-- (23.3) Consent of Independent Accountants of Equilon Enterprises LLC.

-- (23.4) Consent of Independent Accountants of Motiva Enterprises LLC.

-- (24) Powers of Attorney for the Directors and certain Officers of Texaco Inc. authorizing, among other things, the signing of Texaco Inc.'s Annual Report on Form 10-K on their behalf.

-- (27) Financial Data Schedule.

(b) Reports on Form 8-K

During the fourth quarter of 1999, Texaco Inc. filed a Current Report on Form 8-K relating to the following event:

1. October 25, 1999

Item 5. Other Events -- reported that Texaco issued an Earnings Press Release for the third quarter and first nine months of 1999.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders, Texaco Inc.:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements included in Texaco Inc. and subsidiary companies' annual report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated February 24, 2000. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in Item 14 is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

New York, N.Y.
February 24, 2000

Texaco Inc. and Subsidiary Companies
Schedule II - Valuation and Qualifying Accounts
For the Years Ended December 31, 1999, 1998 and 1997
(In Millions of Dollars)

Description	Balance at Beginning of Year	Additions-Charged to Costs and Expenses	Deductions	Balance at End of Year
Year ended December 31, 1999				
1998 Employee Termination Benefits	$100	$ 48	$121*	$ 27
1996 Employee Termination Benefits	$ 12	$ --	$ 4	$ 8
Maintenance and Repairs - Major Facilities	$ 40	$ 45	$ 59	$ 26
Year ended December 31, 1998				
1998 Employee Termination Benefits	$ --	$115	$ 15	$100
1996 Employee Termination Benefits	$ 20	$ --	$ 8	$ 12
Maintenance and Repairs - Major Facilities	$120	$ 36	$116	$ 40
Year ended December 31, 1997				
1996 Employee Termination Benefits	$ 72	$ 10	$ 62	$ 20
Maintenance and Repairs - Major Facilities	$103	$135	$118	$120

* Includes cash payments of $109 million and transfers to long-term obligations of $12 million.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the Town of Harrison, State of New York, on the 24th day of March, 2000.

Texaco inc.
(Registrant)

MICHAEL H. RUDY
By ....
(MICHAEL H. RUDY)
Secretary

Attest:

CALLI P. CHECKI
By ....
(CALLI P. CHECKI)
Assistant Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

PETER I. BIJUR .... Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

PATRICK J. LYNCH .... Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

GEORGE J. BATAVICK .... Comptroller
(Principal Accounting Officer)

Directors:

A. CHARLES BAILLIE
PETER I. BIJUR
MARY K. BUSH
EDMUND M. CARPENTER
MICHAEL C. HAWLEY
FRANKLYN G. JENIFER
SAM NUNN
CHARLES H. PRICE, II
CHARLES R. SHOEMATE
ROBIN B. SMITH
WILLIAM C. STEERE, JR.
THOMAS A. VANDERSLICE

MICHAEL H. RUDY
By ....
(MICHAEL H. RUDY)
Attorney-in-fact for the above-named officers and directors

March 24, 2000

CALTEX GROUP OF COMPANIES
COMBINED FINANCIAL STATEMENTS

December 31, 1999

CALTEX GROUP OF COMPANIES
COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1999

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Note: Financial statement schedules are omitted as permitted by Rule 4.03 and Rule 5.04 of Regulation S-X.

CALTEX GROUP OF COMPANIES
GENERAL INFORMATION

The Caltex Group of Companies (Group) is jointly owned 50% each by Chevron Corporation and Texaco Inc. (collectively, the Stockholders) and was created in 1936 by its two owners to produce, transport, refine and market crude oil and petroleum products. The Group is comprised of the following companies:

- Caltex Corporation, a company incorporated in Delaware with its corporate headquarters in Singapore, that, through its many subsidiaries and affiliates, conducts refining, transporting, trading, and marketing activities in the Eastern Hemisphere;

- P. T. Caltex Pacific Indonesia, an exploration and production company incorporated and operating in Indonesia; and,

- American Overseas Petroleum Limited, a company incorporated in the Bahamas.

A brief description of each company's operations and other items follows. All reported amounts are in U.S. dollars.

Caltex Corporation (Caltex)

Through its subsidiaries and affiliates, Caltex operates in approximately 55 countries, principally in Africa, Asia, the Middle East, New Zealand and Australia. These geographic areas comprise a broad diversity of mature, developing, and emerging markets. At the end of 1999, it had total assets of $7.9 billion, sales of 1.8 million barrels of crude oil and petroleum products per day, and total revenues of $13.8 billion for the year. Caltex is involved in all aspects of the downstream business: marketing, refining, distribution, transportation, storage, supply and trading operations; the corporation is also active in the petrochemical business through its affiliate in Korea. At year-end 1999, Caltex had more than 7,200 employees.

The majority of refining and certain marketing operations are conducted through joint ventures. Caltex has equity interests in 11 refineries with equity refining capacity of approximately 850,000 barrels per day. Additionally, it has interests in two lubricant refineries, 17 lubricant blending plants, and a network of ocean terminals and depots. Caltex also has an interest in a fleet of vessels, and owns or has equity interests in numerous pipelines. Caltex conducts international crude oil and petroleum product logistics and trading operations from a subsidiary in Singapore.

P. T. Caltex Pacific Indonesia (CPI)

CPI holds a Production Sharing Contract (PSC) in Central Sumatra through the year 2021. CPI also acts as operator in Sumatra for eight other petroleum contract areas, with 33 fields, which are jointly held by Chevron and Texaco. At the end of 1999, CPI had total assets of $2.4 billion, which generated total revenues of $1.1 billion for the year. Exploration is pursued over an area comprising 18.3 million acres with production established in the giant Minas and Duri fields, along with smaller fields. Gross production from fields operated by CPI for 1999 was over 746,000 barrels of crude oil per day. CPI entitlements are sold to its Stockholders, who use them in their systems or sell them to third parties. At year-end 1999, CPI had approximately 5,900 employees, all located in Indonesia.

American Overseas Petroleum Limited (AOPL)

AOPL and its subsidiary provide services for CPI and manage certain exploration, production operations, and geothermal and power generation projects in Indonesia in which Chevron and Texaco have interests, but not necessarily jointly. At year-end 1999, AOPL had approximately 213 employees, of which 8% were located in the United States.

Supplemental Market Risk Disclosures

The Group uses various derivative financial instruments for hedging and trading purposes. These instruments principally include interest rate and/or currency swap contracts, forward and option contracts to buy and sell foreign currencies, and commodity futures, options, swaps and other derivative instruments. Hedged market risk exposures include certain portions of assets, liabilities, future commitments and anticipated sales. Positions are adjusted for changes in the exposures being hedged. Since the Group hedges only a portion of its market risk exposures, exposure remains on the unhedged portion. The Notes to the Combined Financial Statements provide additional data relating to derivatives and applicable accounting policies.

Debt and debt-related derivatives

The Group is exposed to interest rate risk on its short-term and long-term debt with variable interest rates (approximately $2.2 billion and $2.0 billion, before the effects of related net interest rate swaps of $0.4 billion and $0.5 billion, at December 31, 1999 and 1998, respectively). The Group seeks to balance the benefit of lower cost variable rate debt, having inherent increased risk, with more expensive, but lower risk fixed rate debt. This is accomplished through adjusting the mix of fixed and variable rate debt, as well as the use of derivative financial instruments, principally interest rate swaps.

Based on the overall interest rate exposure on variable rate debt and interest rate swaps at December 31, 1999 and 1998, a hypothetical change in the interest rates of 2% would change net income by approximately $25 million and $21 million in 1999 and 1998, respectively.

Crude oil and petroleum product derivatives

The Group uses established petroleum futures exchanges, as well as "over-the-counter" instruments, including futures, options, swaps, and other derivative products to hedge a portion of the market risks associated with its crude oil and petroleum product purchases and sales. The Group also enters into derivative contracts as part of its crude oil and petroleum product trading activities.

The Group had net open petroleum derivative sales contracts of approximately $127 million at December 31, 1999, and net open petroleum derivative purchase contracts of approximately $68 million at December 31, 1998. As a sensitivity for these contracts, a hypothetical 10% change in crude oil and petroleum product prices would change net income by approximately $9 million and $5 million in 1999 and 1998, respectively.

Currency-related derivatives

The Group is exposed to foreign currency exchange risk in the countries in which it operates. To hedge against adverse changes in foreign currency exchange rates against the U.S. dollar, the Group sometimes enters into forward exchange and options contracts. Depending on the exposure being hedged, the Group either purchases or sells selected foreign currencies. The Group had net foreign currency purchase contracts of approximately $279 million and $370 million at December 31, 1999 and 1998 respectively, to hedge certain specific transactions or net exposures including foreign currency denominated debt. A hypothetical 10% change in exchange rates against the U.S. dollar would not result in a net material change in the Group's operating results or cash flows from the derivatives and their related underlying hedged positions in 1999 or 1998.

CALTEX GROUP OF COMPANIES
GENERAL INFORMATION

New Accounting Standard

Statement of Financial Accounting Standards No. 133 (SFAS No. 133), "Accounting for Derivative Instruments and Hedging Activities", was issued by the Financial Accounting Standards Board (FASB) in 1998. SFAS No. 133 establishes new accounting rules and disclosure requirements for derivative instruments and hedge transactions. In June 1999, the FASB issued SFAS No. 137, which deferred the effective date of SFAS 133. The Group will adopt SFAS No. 133 effective January 1, 2001, and is currently assessing the effects of adoption on its results of operations and financial position.

Year 2000 Compliance

The Group and its subsidiaries and affiliates experienced no major disruptions or other system or equipment problems resulting from the Year 2000 (Y2K) issue. During the year 1999 and the first few weeks of 2000, the Group, including its share of affiliates, spent approximately $17 million on Y2K issues, bringing the total spent since 1998 to approximately $32 million. The Group does not anticipate spending any significant additional funds on Y2K related activities.

Independent Auditors' Report

To the Stockholders
The Caltex Group of Companies:

We have audited the accompanying combined balance sheets of the Caltex Group of Companies as of December 31, 1999 and 1998, and the related combined statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1999, all expressed in United States of America dollars. These combined financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Caltex Group of Companies as of December 31, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the combined financial statements, the Group changed its method of accounting for start-up costs in 1998 to comply with the provisions of the AICPA's Statement of Position 98-5 - "Reporting on the Costs of Start-up Activities".

KPMG

Singapore
February 7, 2000

CALTEX GROUP OF COMPANIES
COMBINED BALANCE SHEET

ASSETS

	As of December 31, (Millions of U.S. Dollars)	
	1999	1998
Current assets:		
Cash and cash equivalents, including time deposits of $12 in 1999 and $17 in 1998	$ 225	$ 178
Marketable securities	117	106
Accounts and notes receivable, less allowance for doubtful accounts of $43 in 1999 and $31 in 1998:		
Trade	1,048	629
Affiliates	541	256
Other	132	194
	1,721	1,079
Inventories:		
Crude oil	170	167
Petroleum products	427	418
Materials and supplies	26	26
	623	611
Deferred income taxes	19	-
Total current assets	2,705	1,974
Investments and advances:		
Equity in affiliates	2,127	2,254
Miscellaneous investments and long-term receivables, less allowance of $24 in 1999 and $21 in 1998	96	109
Total investments and advances	2,223	2,363
Property, plant, and equipment, at cost:		
Producing	4,732	4,386
Refining	1,350	1,319
Marketing	3,194	3,125
Other	14	15
	9,290	8,845
Accumulated depreciation, depletion and amortization	(4,120)	(3,747)
Net property, plant and equipment	5,170	5,098
Prepaid and deferred charges	211	223
Total assets	$ 10,309	$ 9,658

See accompanying notes to combined financial statements.

CALTEX GROUP OF COMPANIES
COMBINED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	As of December 31, (Millions of U.S. Dollars) 1999	1998
Current liabilities:		
Short-term debt	$ 1,588	$ 1,475
Accounts payable:		
Trade and other	1,440	1,005
Stockholders	44	28
Affiliates	61	39
	1,545	1,072
Accrued liabilities	163	181
Deferred income taxes	-	25
Estimated income taxes	99	86
Total current liabilities	3,395	2,839
Long-term debt	1,054	930
Employee benefit plans	85	122
Deferred credits and other non-current liabilities	1,271	1,130
Deferred income taxes	206	208
Minority interest in subsidiary companies	23	31
Total	6,034	5,260
Stockholders' equity:		
Common stock	355	355
Capital in excess of par value	2	2
Retained earnings	4,117	4,151
Accumulated other comprehensive loss	(199)	(110)
Total stockholders' equity	4,275	4,398
Total liabilities and stockholders' equity	$ 10,309	$ 9,658

See accompanying notes to combined financial statements.

CALTEX GROUP OF COMPANIES
COMBINED STATEMENT OF INCOME

	Year ended December 31, (Millions of U.S. Dollars) 1999	1998	1997
Revenues:			
Sales and other operating revenues(1)	$ 14,583	$ 11,300	$ 15,262
Gain on sale of investment in affiliate	18	-	-
Income in equity affiliates	252	108	390
Dividends, interest and other income	62	97	47
Total revenues	14,915	11,505	15,699
Costs and deductions:			
Cost of sales and operating expenses(2)	12,775	9,541	13,251
Selling, general and administrative expenses	582	676	580
Depreciation, depletion and amortization	459	431	421
Maintenance and repairs	154	147	143
Foreign exchange - net	11	16	(55)
Interest expense	152	172	146
Minority interest	2	3	3
Total costs and deductions	14,135	10,986	14,489
Income before income taxes	780	519	1,210
Provision for income taxes	390	326	364
Income before cumulative effect of accounting change	390	193	846
Cumulative effect of accounting change (no tax benefit)	-	(50)	-
Net income	$ 390	$ 143	$ 846

	1999	1998	1997
(1) Includes sales to:			
Stockholders	$1,916	$1,333	$1,562
Affiliates	3,970	2,121	2,906
(2) Includes purchases from:			
Stockholders	$1,491	$1,233	$2,041
Affiliates	1,121	1,353	1,701

CALTEX GROUP OF COMPANIES
COMBINED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31, (Millions of U.S. Dollars) 1999	1998	1997
Net income	$ 390	$ 143	$ 846
Other comprehensive income:			
Currency translation adjustments:			
Change during the year	(5)	(10)	(84)
Reclassification to net income for sale of investment in affiliate	(63)	-	-
Unrealized gains/(losses) on investments:			
Change during the year	32	8	(23)
Reclassification of gains included in net income	(64)	-	(3)
Related income tax benefit (expense)	11	(1)	14
Total other comprehensive loss	(89)	(3)	(96)
Comprehensive income	$ 301	$ 140	$ 750

See accompanying notes to combined financial statements.

CALTEX GROUP OF COMPANIES
COMBINED STATEMENT OF STOCKHOLDERS' EQUITY

	Year ended December 31, (Millions of U.S. Dollars)		
	1999	1998	1997
Common stock and capital in excess of par value	$ 357	$ 357	$ 357
Retained earnings:			
Balance at beginning of year	$ 4,151	$ 4,342	$ 3,910
Net income	390	143	846
Cash dividends	(424)	(334)	(414)
Balance at end of year	$ 4,117	$ 4,151	$ 4,342
Accumulated other comprehensive loss:			
Cumulative translation adjustments:			
Balance at beginning of year	$ (130)	$ (120)	$ (36)
Change during the year	(5)	(10)	(84)
Reclassification to net income for sale of investment in affiliate	(63)	-	-
Balance at end of year	$ (198)	$ (130)	$ (120)
Unrealized holding gain on investments, net of tax:			
Balance at beginning of year	$ 20	$ 13	$ 25
Change during the year	19	7	(11)
Reclassification of gains included in net income	(40)	-	(1)
Balance at end of year	$ (1)	$ 20	$ 13
Accumulated other comprehensive loss - end of year	$ (199)	$ (110)	$ (107)
Total stockholders' equity - end of year	$ 4,275	$ 4,398	$ 4,592

See accompanying notes to combined financial statements.

CALTEX GROUP OF COMPANIES
COMBINED STATEMENT OF CASH FLOWS

	Year ended December 31, (Millions of U.S. Dollars) 1999	1998	1997
Operating activities:			
Net income	$ 390	$ 143	$ 846
Reconciliation to net cash provided by operating activities:			
Depreciation, depletion and amortization	459	431	421
Dividends less than income in equity affiliates	(181)	(8)	(347)
Net losses on asset disposals/write-downs	34	50	16
Deferred income taxes	(58)	92	(51)
Prepaid charges and deferred credits	154	59	103
Changes in operating working capital	(190)	316	(150)
Gain on sale of investment in affiliate	(18)	-	-
Other	(25)	35	(13)
Net cash provided by operating activities	565	1,118	825
Investing activities:			
Capital expenditures	(580)	(761)	(905)
Investments in and advances to affiliates	(1)	(211)	(10)
Purchase of investment instruments	(11)	(114)	(39)
Sale of investment instruments	-	90	73
Proceeds from sale of investments in affiliates	249	-	-
Proceeds from asset sales	16	9	156
Net cash used for investing activities	(327)	(987)	(725)
Financing activities:			
Debt with terms in excess of three months :			
Borrowings	959	849	845
Repayments	(824)	(701)	(628)
Net increase (decrease) in other debt	118	(22)	323
Funding provided by minority interest	-	17	-
Dividends paid, including minority interest	(424)	(334)	(414)
Net cash (used for) provided by financing activities	(171)	(191)	126
Effect of exchange rate changes on cash and cash equivalents	(20)	(44)	(150)
Cash and cash equivalents:			
Net change during the year	47	(104)	76
Beginning of year balance	178	282	206
End of year balance	$ 225	$ 178	$ 282

See accompanying notes to combined financial statements.

CALTEX GROUP OF COMPANIES
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - Summary of significant accounting policies

Principles of combination The combined financial statements of the Caltex Group of Companies (Group) include the accounts of Caltex Corporation and subsidiaries, American Overseas Petroleum Limited and subsidiary, and P.T.Caltex Pacific Indonesia. Intercompany transactions and balances have been eliminated. Subsidiaries include companies owned directly or indirectly more than 50% except cases in which control does not rest with the Group. The Group's accounting policies are in accordance with U.S. generally accepted accounting principles, and the Group's reporting currency is the U.S. dollar.

Translation of foreign currencies The U.S. dollar is the functional currency for all principal subsidiary and affiliate operations. Prior to October 1, 1997, the Group used the local currency as the functional currency for its affiliates in Korea and Japan due to the regulatory environments in those countries. The regulatory environments in Korea and Japan changed in 1997. The Group concluded that deregulation in Korea and Japan represented a significant change in economic facts and circumstances. Accordingly, effective October 1, 1997, the Group changed the functional currency for its affiliates in Japan and Korea from the local currency to the U. S. dollar. The change in functional currency was applied on a prospective basis.

Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Short-term investments All highly liquid investments are classified as available for sale. Those with a maturity of three months or less when purchased are considered as "Cash equivalents" and those with longer maturities are classified as "Marketable securities".

Inventories Inventories are valued at the lower of cost or current market, except as noted below. Crude oil and petroleum product inventory costs are primarily determined using the last-in, first-out (LIFO) method, and include applicable acquisition and refining costs, duties, import taxes, freight, etc. Materials and supplies are stated at average cost. Certain trading-related inventory, which is highly transitory in nature, is marked-to-market.

Investments and advances Investments in affiliates in which the Group has an ownership interest of 20% to 50% or majority-owned investments where control does not rest with the Group, are accounted for by the equity method. The Group's share of earnings or losses of these companies is included in current results, and the recorded investments reflect the underlying equity in each company. Investments in other affiliates are carried at cost and dividends are reported as income.

Property, plant and equipment Exploration and production activities are accounted for under the successful efforts method. Depreciation, depletion and amortization expenses for capitalized costs relating to producing properties, including intangible development costs, are determined using the unit-of-production method. All other assets are depreciated by class on a straight-line basis using rates based upon the estimated useful life of each class.

Maintenance and repairs necessary to maintain facilities in operating condition are charged to income as incurred. Additions and improvements that materially extend the life of assets are capitalized. Upon disposal of assets, any net gain or loss is included in income.

Long-lived assets, including proved developed oil and gas properties, are assessed for possible impairment by comparing their carrying values to the undiscounted-future-net-before-tax cash flows. Impaired assets are written down to their fair values, and impaired assets held for sale are recorded at their fair value less cost to sell.

Note 1 - Summary of significant accounting policies - continued

Deferred credits Deferred credits primarily represent the Indonesian government's interest in specific property, plant and equipment balances. Under the Production Sharing Contract (PSC), the Indonesian government retains a majority equity share of current production profits. Intangible development costs (IDC) are capitalized for U.S. generally accepted accounting principles under the successful efforts method, but are treated as period expenses for PSC reporting. Other capitalized amounts are depreciated at an accelerated rate for PSC reporting. The deferred credit balances recognize the government's share of IDC and other reported capital costs that over the life of the PSC will be included in income as depreciation, depletion and amortization and will be applied against future production related profits.

Derivative financial instruments and energy trading contracts The Group uses various derivative financial instruments for hedging purposes. These instruments include interest rate and/or currency swap contracts, forward and options contracts to buy and sell foreign currencies, and commodity futures, options, swaps and other derivative instruments. Hedged market risk exposures include certain portions of assets, liabilities, future commitments and anticipated sales. Prior realized gains and losses on hedges of existing non-monetary assets are included in the carrying value of those assets. Gains and losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and recognized in income when the underlying hedged transaction is recognized in income. If the derivative instrument ceases to be a hedge, the related gains and losses are recognized currently in income. Gains and losses on derivative instruments that do not qualify as hedges are recognized currently in income.

The Group also enters into energy contracts as a part of its crude oil and petroleum product trading activities. Trading contracts are recorded at market value and related gains and losses are recorded on a net basis in cost of sales and operating expenses as the market values change. The net gains and losses from trading contracts were not material to the Group's results of operations for 1999 and 1998.

Accounting for contingencies Certain conditions may exist as of the date financial statements are issued which may result in a loss to the Group, but which will only be resolved when one or more future events occur or fail to occur. Assessing contingencies necessarily involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Group or unasserted claims that may result in such proceedings, the Group evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material liability had been incurred and the amount of the loss can be estimated, then the estimated liability is accrued in the Group's financial statements. If the assessment indicates that a potentially material liability is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable, is disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature and amount of the guarantee would be disclosed. However, in some instances in which disclosure is not otherwise required, the Group may disclose contingent liabilities of an unusual nature which, in the judgment of management and its legal counsel, may be of interest to Stockholders or others.

Environmental matters The Group's environmental policies encompass the existing laws in each country in which the Group operates, and the Group's own internal standards. Expenditures that create future benefits or contribute to future revenue generation are capitalized. Future remediation costs are accrued based on estimates of known environmental exposure even if uncertainties exist about the ultimate cost of the remediation. Such accruals are based on the best available undiscounted estimates using data primarily developed by third party experts. Costs of environmental compliance for past and ongoing operations, including maintenance and monitoring, are expensed as incurred. Recoveries from third parties are recorded as assets when realizable.

Revenue recognition In general, revenue is recognized for crude oil, natural gas and refined product sales when title passes as specified in the sales contract.

Note 1 - Summary of significant accounting policies - continued

Reclassifications Certain reclassifications have been made to the prior year amounts of sales and cost of sales in the combined statement of income to conform to the 1999 presentation of gains and losses related to certain commodity contracts.

Note 2 - Asset Sale

In 1997 Caltex Trading and Transport Corporation, a subsidiary of the Group, sold for cash its 40% interest in its Bahrain refining joint venture plus related assets at net book value of approximately $140 million.

Note 3 - Inventories

The reported value of inventory at December 31 1999 was less than its current cost by approximately $104 million. The reported value of inventory at December 31, 1998 approximated its current cost. In 1998 and 1997, certain inventories were recorded at market, which was lower than the LIFO carrying value. Adjustments to market reduced net income $18 million in 1998 and $36 million in 1997. The market valuation adjustment reserves established in prior years were eliminated as market prices improved in 1999 and the physical units of inventory were sold. Elimination of these reserves increased net income in 1999 by $71 million. At December 31, 1999, inventories were reported at LIFO carrying cost.

Inventory quantities valued on the LIFO basis were reduced at certain locations during the periods presented. Such inventory reductions increased net income in 1999 by $41 million, and decreased net income by $4 million and $5 million (net of related market valuation adjustments of $1 million and $14 million) in 1998 and 1997, respectively.

Note 4 - Equity in affiliates

Investments in affiliates at equity include the following:

	Equity %	As of December 31, (Millions of U.S. Dollars) 1999	1998
Caltex Australia Limited	50%	$ 260	$ 324
Koa Oil Company, Limited (sold August, 1999)	50%	-	298
LG-Caltex Oil Corporation	50%	1,441	1,170
Star Petroleum Refining Company, Ltd.	64%	269	304
All other	Various	157	158
		$ 2,127	$ 2,254

The carrying value of the Group's investment in its affiliates in excess of its proportionate share of affiliate net equity is being amortized over approximately 20 years.

In 1999, Caltex Corporation sold its 50% interest in Koa Oil Company, Limited (Koa) with a net book value of approximately $219 million, to Nippon Mitsubishi Oil Corp, for approximately $237 million in cash. As a result of the sale, Caltex incurred additional U.S. tax liabilities of approximately $81 million.

Note 4 - Equity in affiliates - continued

On December 31, 1997, Caltex Australia Limited (CAL), then a subsidiary of the Group, acquired the remaining 50% of Australian Petroleum Pty. Limited (APPL) from a subsidiary of Pioneer International Limited, for approximately $186 million in cash plus the issuance of an additional 90 million shares of CAL stock. As a result of this transaction, the Group's equity in CAL declined from 75% to 50% and its indirect equity in APPL increased to 50% from 37.5%. This transaction was recorded as a purchase. CAL is now classified as an affiliate and the individual assets and liabilities are excluded from the Group's consolidated financial statements.

The remaining interest in Star Petroleum Refining Company Ltd. (SPRC) is owned by a governmental entity of the Kingdom of Thailand. Provisions in the SPRC shareholders agreement limit the Group's control and provide for active participation of the minority shareholder in routine business operating decisions. The agreement also mandates reduction in Group ownership to a minority position before the year 2001; however, it is likely that this requirement will be delayed in view of the current economic difficulties in the region.

Shown below is summarized combined financial information for affiliates at equity (in Millions of U.S. Dollars):

	100%		Equity Share	
	1999	1998	1999	1998
Current assets	$ 3,005	$ 3,689	$ 1,535	$ 1,855
Other assets	6,333	7,689	3,287	4,004
Current liabilities	3,351	3,547	1,816	1,795
Other liabilities	1,883	3,505	937	1,866
Net worth	$ 4,104	$ 4,326	$ 2,069	$ 2,198

	100%			Equity Share		
	1999	1998	1997	1999	1998	1997
Operating revenues	$ 12,796	$ 11,811	$ 14,669	$ 6,511	$ 5,968	$ 7,452
Operating income	726	1,101	1,078	358	539	532
Net income	539	193	853	252	58	390

Cash dividends received from these affiliates were $71 million, $50 million, and $43 million in 1999, 1998, and 1997, respectively.

The summarized combined financial information shown above includes the cumulative effect of the accounting change in 1998 as described in note 12.

Retained earnings as of December 31, 1999 and 1998 includes $1.4 billion which represents the Group's share of undistributed earnings of affiliates at equity.

Note 5 - Short-term debt

Short term debt consists primarily of demand and promissory notes, acceptance credits, overdrafts and the current portion of long-term debt. The weighted average interest rates on short-term financing as of December 31, 1999 and 1998 were 6.5% and 7.3%, respectively. Unutilized lines of credit available for short-term financing totaled $0.8 billion as of December 31, 1999.

Note 6 - Long-term debt

Long-term debt, with related interest rates for 1999 and 1998 consist of the following:

	As of December 31, (Millions of U.S. Dollars)	
	1999	1998
U.S. dollar debt:		
Variable interest rate loans with average rates of 6.4% and 5.5%, due 2001-2009	$ 481	$ 454
Fixed interest rate term loans with average rates of 6.1% and 6.4%, due 2001-2004	246	130
Australian dollar debt:		
Fixed interest rate loan with 12.4% rate due 2001	205	211
New Zealand dollar debt:		
Variable interest rate loans with average rates of 5.6% and 5.0%, due 2001-2003	70	78
Fixed interest rate loan with 8.09% rate	-	5
Malaysian ringgit debt:		
Fixed interest rate loans with average rates of 7.81% and 9.16%, due 2001	24	33
South African rand debt:		
Fixed interest rate loan with 17.8% rate due 2003	8	8
Other - variable interest rate loans with average rates of 15.3% and 5.8%, due 2001-2007	20	11
	$ 1,054	$ 930

Aggregate maturities of long-term debt by year are as follows (in Millions of U.S. Dollars): 2000 - $148 (included in short-term debt); 2001- $508; 2002 - $333; 2003 - $110; 2004 - $21; and thereafter - $82.

Note 7 - Operating leases

The Group has operating leases involving various marketing assets for which net rental expense was $112 million, $103 million, and $105 million in 1999, 1998, and 1997, respectively.

Future net minimum rental commitments under operating leases having non-cancelable terms in excess of one year are as follows (in Millions of U.S. Dollars): 2000 - $66; 2001 - $42; 2002 - $30; 2003 - $13; 2004 - $10; and 2005 and thereafter - $37.

Note 8 - Employee benefit plans

The Group has various retirement plans, including defined benefit pension plans, covering substantially all of its employees. The benefit levels, vesting terms and funding practices vary among plans. The following provides a reconciliation of benefit obligations, plan assets, and funded status of the various plans, primarily foreign, and inclusive of affiliates at equity.

	As of December 31, (Millions of U.S. Dollars)			
	Pension Benefits		Other Post-retirement Benefits	
	1999	1998	1999	1998
Change in benefit obligations:				
Benefit obligation at January 1,	$ 400	$ 405	$ 79	$ 64
Service cost	23	19	1	2
Interest cost	26	31	8	6
Actuarial (gain) loss	7	32	(5)	11
Benefits paid	(39)	(72)	(4)	(4)
Settlements and curtailments	(117)	(26)	-	5
Foreign exchange rate changes	7	11	(1)	(5)
Benefit obligation at December 31,	$ 307	$ 400	$ 78	$ 79
Change in plan assets:				
Fair value at January 1,	$ 333	$ 322	$ -	$ -
Actual return on plan assets	37	47	-	-
Group contribution	42	62	4	4
Benefits paid	(39)	(72)	(4)	(4)
Settlements	(105)	(26)	-	-
Foreign exchange rate changes	11	-	-	-
Fair value at December 31,	$ 279	$ 333	$ -	$ -
Accrued benefit costs:				
Funded status	$ (28)	$ (67)	$ (78)	$ (79)
Unrecognized net transition liability	2	4	-	-
Unrecognized net actuarial losses	23	11	17	23
Unrecognized prior service costs	7	9	-	-
Prepaid (accrued) benefit cost recognized	$ 4	$ (43)	$ (61)	$ (56)
Amounts recognized in the Combined Balance Sheet:				
Prepaid benefit cost	$ 32	$ 27	$ -	$ -
Equity in affiliates	-	(30)	-	-
Accrued benefit liability	(28)	(40)	(61)	(56)
Prepaid (accrued) benefit cost recognized	$ 4	$ (43)	$ (61)	$ (56)
Weighted average rate assumptions:				
Discount rate	8.9%	7.6%	10.9%	10.0%
Rate of increase in compensation	6.9%	5.4%	4.0%	4.0%
Expected return on plan assets	10.4%	9.6%	n/a	n/a

Settlements and curtailments in 1999 include sale of investment in Koa. (see Note 4)

Note 8 - Employee benefit plans - continued

	As of December 31, (Millions of U.S. Dollars)	
	1999	1998
Pension plans with accumulated benefit obligations in excess of assets		
Projected benefit obligation	$ 25	$184
Accumulated benefit obligation	13	157
Fair value of assets	-	87

The 1999 reduction is due to sale of investment in Koa (see Note 4)

	Year ended December 31, (Millions of U.S. Dollars)		
	1999	1998	1997
Components of Pension Expense			
Service cost	$ 23	$ 19	$ 26
Interest cost	26	31	44
Expected return on plan assets	(27)	(28)	(36)
Amortization of prior service cost	3	1	3
Recognized net actuarial loss	1	5	3
Curtailment/settlement loss	16	21	-
Total	$ 42	$ 49	$ 40
Components of Other Post-retirement Benefits			
Service cost	$ 1	$ 2	$ 2
Interest cost	8	6	6
Special termination benefit recognition	-	3	-
Curtailment recognition	-	3	-
	$ 9	$ 14	$ 8

Other post-retirement benefits are comprised of contributory healthcare and life insurance plans. A one percentage point change in the assumed health care cost trend rate of 8.9% would change the post-retirement benefit obligation by $8 million and would not have a material effect on aggregate service and interest components.

Note 9 - Commitments and contingencies

In 1997, Caltex received a claim from the United States Internal Revenue Service (IRS) for $292 million in excise tax, along with penalties and interest, bringing the total to approximately $2 billion. Caltex was required to provide the IRS with a standby letter of credit securing the performance of Caltex' obligations to the IRS if the claim was upheld by the courts. Pursuant to Caltex' ongoing discussions with the IRS and the Justice Department, Caltex' offer to settle the claim was accepted and the remaining amount of the assessment was conceded. On December 22, 1999, Caltex settled the claim in the amount of tax of $9.1 million plus accrued interest of $55.7 million due under the terms of the settlement. Accordingly, the letter of credit was terminated and the parties filed a stipulation with the United States Court of Federal Claims to dismiss the case and the case was dismissed. The majority of the settlement was applied against reserves established prior to 1999 and there was no significant impact on 1999 net income.

Caltex also is involved in IRS tax audits for years 1987 to 1993. While no claims by the IRS are outstanding for these years, in the opinion of management, adequate provision has been made for income taxes for all years either under examination or subject to future examination.

Note 9 - Commitments and contingencies - continued

Caltex and certain of its subsidiaries are named as defendants, along with privately held Philippine ferry and shipping companies and the shipping company's insurer, in various lawsuits filed in the U.S. and the Philippines on behalf of at least 3,350 parties, who were either survivors of, or relatives of persons who allegedly died in a collision in Philippine waters on December 20, 1987. One vessel involved in the collision was carrying products for Caltex (Philippines) Inc. (a subsidiary of Caltex) in connection with a contract of affreightment. Although Caltex had no direct or indirect ownership in or operational responsibility for either vessel, various theories of liability have been alleged against Caltex. The major suit filed in the U.S. (Louisiana State Court) does not mention a specific monetary recovery although the pleadings contain a variety of demands for various categories of compensatory as well as punitive damages. Consequently, no reasonable estimate of damages involved or being sought can be made at this time. Caltex is actively pursuing dismissal of all Philippine litigation on the strength of a Philippine Supreme Court decision absolving it of any responsibility for the collision. Caltex is also seeking dismissal of the Louisiana litigation in reliance on various statutory, procedural and substantive grounds.

The Group may be subject to loss contingencies pursuant to environmental laws and regulations in each of the countries in which it operates that, in the future, may require the Group to take action to correct or remediate the effects on the environment of prior disposal or release of petroleum substances by the Group. The amount of such future cost is indeterminable due to such factors as the nature of the new regulations, the unknown magnitude of any possible contamination, the unknown timing and extent of the corrective actions that may be required, and the extent to which such costs are recoverable from third parties.

In the Group's opinion, while it is impossible to ascertain the ultimate legal and financial liability, if any, with respect to the above mentioned and other contingent liabilities, the aggregate amount that may arise from such liabilities is not anticipated to be material in relation to the Group's combined financial position or liquidity, or results of operations over a reasonable period of time.

A Caltex subsidiary has a contractual commitment until 2007 to purchase petroleum products in conjunction with the financing of a refinery owned by an affiliate. Total future estimated commitments under this contract, based on current pricing and projected growth rates, are approximately $700 million per year. Purchases (in billions of U.S. dollars) under this and other similar contracts were $0.7, $0.8 and $1.0 in 1999, 1998 and 1997, respectively.

Caltex is contingently liable for sponsor support funding for a maximum of $278 million in connection with an affiliate's project finance obligations. The project has been operational since 1996 and has successfully completed all mechanical, technical and reliability tests associated with the plant physical completion covenant. However, the affiliate has been unable to satisfy a covenant relating to a working capital requirement. As a result, a technical event of default exists which has not been waived by the lenders. The lenders have not enforced their rights and remedies under the finance agreements and they have not indicated an intention to do so. The affiliate is current on these financial obligations and anticipates resolving the issue with its secured creditors during further restructuring discussions. During 1999, Caltex and the other sponsor provided temporary short-term extended trade credit related to crude oil supply with an outstanding balance owing to Caltex at December 31, 1999 of $149 million.

Note 10 - Financial Instruments

Certain Group companies are parties to financial instruments with off-balance sheet credit and market risk, principally interest rate risk. The Group's outstanding commitments for interest rate swaps and foreign currency contractual amounts are:

	As of December 31, (Millions of U.S. Dollars) 1999	1998
Interest rate swaps - Pay Fixed, Receive Floating	$ 632	$ 653
Interest rate swaps - Pay Floating, Receive Fixed	245	202
Commitments to purchase foreign currencies	360	395
Commitments to sell foreign currencies	81	25

The Group enters into interest rate swaps in managing its interest risk, and their effects are recognized in the statement of income at the same time as the interest expense on the debt to which they relate. The swap contracts have remaining maturities of up to ten years. Net unrealized gains and (losses) on contracts outstanding at December 31, 1999 and 1998 were $4 million and ($7 million), respectively.

The Group enters into forward exchange contracts to hedge against some of its foreign currency exposure stemming from existing liabilities and firm commitments. Contracts to purchase foreign currencies (principally Australian and Singapore dollars) hedging existing liabilities have maturities of up to two years. Net unrealized losses applicable to outstanding forward exchange contracts at December 31, 1999 and 1998 were $5 million and $23 million, respectively.

The Group hedges a portion of the market risks associated with its crude oil and petroleum product purchases and sales. Established petroleum futures exchanges are used, as well as "over-the-counter" hedge instruments, including futures, options, swaps, and other derivative products. Gains and losses on hedges are deferred and recognized concurrently with the underlying commodity transactions. Deferred gains on hedging contracts outstanding at year-end were $4 million in 1999 and $8 million in 1998.

The Group's recorded value of long-term debt exceeded the fair value by $22 million and $34 million as of December 31, 1999 and 1998, respectively. The fair value estimates were based on the present value of expected cash flows discounted at current market rates for similar obligations. The reported amounts of financial instruments such as cash and cash equivalents, marketable securities, notes and accounts receivable, and all current liabilities approximate fair value because of their short maturities.

The Group had investments in debt securities available-for-sale at amortized costs of $120 million and $105 million at December 31, 1999 and 1998, respectively. The fair value of these securities at December 31, 1999 and 1998 approximated amortized costs. As of December 31, 1999 and 1998, investments in debt securities available-for-sale had maturities less than ten years. The Group's carrying amount for investments in affiliates accounted for at equity included $2 million and $19 million, as of December 31, 1999 and 1998, respectively, for after tax unrealized net gains on investments held by these companies.

The Group is exposed to credit risks in the event of non-performance by counter-parties to financial instruments. For financial instruments with institutions, the Group does not expect any counter-party to fail to meet its obligations given their high credit ratings. Other financial instruments exposed to credit risk consist primarily of trade receivables. These receivables are dispersed among the countries in which the Group operates, thus limiting concentration of such risk. The Group performs ongoing credit evaluations of its customers and generally does not require collateral. Letters of credit are the principal security obtained to support lines of credit when the financial strength of a customer is not considered sufficient. Credit losses have historically been within management's expectations.

Note 11 - Taxes

Taxes charged to income consist of the following:

	Year ended December 31, (Millions of U.S. Dollars)		
	1999	1998	1997
Taxes other than income taxes:			
Duties, import and excise taxes	$ 1,077	$ 1,218	$ 1,409
Other	16	17	19
Total taxes other than income taxes	$ 1,093	$ 1,235	$ 1,428
Income taxes:			
U.S. taxes :			
Current	$ 72	$ 6	$ 8
Deferred	-	23	(2)
Total U.S.	72	29	6
International taxes:			
Current	$ 376	$ 228	$ 407
Deferred	(58)	69	(49)
Total International	318	297	358
Total provision for income taxes	$ 390	$ 326	$ 364

Income taxes have been computed on an individual company basis at rates in effect in the various countries of operation. The effective tax rate differs from the "expected" tax rate (U.S. Federal corporate tax rate) as follows:

	Year ended December 31,		
	1999	1998	1997
Computed "expected" tax rate	35.0%	35.0%	35.0%
Effect of recording equity in net income of affiliates on an after tax basis	(11.3)	(7.3)	(11.3)
Effect of dividends received from subsidiaries and affiliates	0.4	(0.3)	(0.3)
Income subject to foreign taxes at other than U.S. statutory tax rate	18.4	26.0	5.2
Effect of sale of investment in an affiliate	6.6	-	-
Deferred income tax valuation allowance	2.4	8.7	1.4
Other	(1.5)	0.7	-
Effective tax rate	50.0%	62.8%	30.0%

For 1999, the increase in effective tax rate resulting from the sale of investment in an affiliate is net of the effect of previously unrecorded foreign tax credit carry-forwards of $29 million. The 1998 increase in effective tax rate is primarily due to the larger proportion of earnings from higher tax rate foreign jurisdictions, and the effect of foreign currency translation on pre-tax income.

Note 11 - Taxes - continued

Deferred income taxes are provided in each tax jurisdiction for temporary differences between the financial reporting and the tax basis of assets and liabilities. Temporary differences and tax loss carry-forwards which give rise to deferred tax liabilities (assets) are as follows:

	Year ended December 31, (Millions of U.S. Dollars) 1999	1998
Depreciation	$ 322	$ 316
Miscellaneous	17	38
Deferred tax liabilities	339	354
Inventory	(24)	(1)
Investment allowances	(62)	(62)
Tax loss carry-forwards	(100)	(63)
Foreign exchange	(13)	(8)
Retirement benefits	(33)	(48)
Miscellaneous	(11)	(11)
Deferred tax assets	(243)	(193)
Valuation allowance	91	72
Net deferred taxes	$ 187	$ 233

A valuation allowance has been established to reduce deferred income tax assets to amounts which, in the Group's judgement are more likely than not (more than 50%) to be utilized against current and future taxable income when those temporary differences become deductible.

Undistributed earnings of subsidiaries and affiliates, for which no U.S. deferred income tax provision has been made, approximated $3.4 billion as of December 31, 1999 and December 31, 1998, respectively. Such earnings have been or are intended to be indefinitely reinvested, and become taxable in the U.S. only upon remittance as dividends. It is not practical to estimate the amount of tax that may be payable on the eventual remittance of such earnings. Upon remittance, certain foreign countries impose withholding taxes which, subject to certain limitations, are available for use as tax credits against the U.S. tax liability. Excess U.S. foreign income tax credits are not recorded until realized.

Note 12 - Accounting change

An affiliate of the Group capitalized certain start-up costs, primarily organizational and training, over the period 1992-1996 related to a grassroots refinery construction project in Thailand. These costs were considered part of the effort required to prepare the refinery for operations. With the issuance of the AICPA's Statement of Position 98-5, "Reporting on the Costs of Start-up Activities", these costs would be accounted for as period expenses. The Group elected early adoption of this pronouncement effective January 1, 1998 and accordingly, recorded a cumulative effect charge to income as of January 1, 1998 of $50 million representing the Group's share of the applicable start-up costs. Excluding the cumulative effect, the change in accounting for start-up costs did not materially affect net income for 1998.

Note 13 - Restructuring/Reorganization

Caltex recorded a charge to selling, general and administrative expenses of $37 million and $86 million in 1999 and 1998, respectively, for various restructuring and reorganization activities undertaken to realign its downstream operations along functional lines and reduce redundant operating activities. The charges included severance and other termination benefits of $23 million and $60 million for approximately 200 employees and 500 employees in 1999 and 1998, respectively. Less than 100 of the affected employees remained as of the end of 1999 and almost all of these are scheduled to leave by the end of March, 2000. The charges also included $12 million and $10 million for asset and lease commitment write-offs, and other reorganization costs of $2 million and $16 million, in 1999 and 1998, respectively. In addition, 1999 net income includes a $27 million after tax charge for restructuring activities of affiliates.

Approximately $22 million of the total restructuring and reorganization charges remained as recorded liabilities as of December 31, 1999, which primarily relates to future lease commitments on vacated office space over the remaining lease term ending in 2002, and severance payments to be paid to affected employees during the first quarter of 2000. Adjustments made in 1999 to the liability recorded at December 31, 1998 were insignificant.

The following table summarizes the restructuring/reorganization costs related to severance and other termination benefits for 1999 and 1998 (Millions of U.S. Dollars):

	1999			1998		
	Balance at December 31	Payments	Accruals	Balance at December 31	Payments	Accrual
U.S. Headquarters and expatriates:						
Severance and other termination benefits	$ 8	$ (19)	$ 3	$ 24	$ (2)	$ 26
Employee benefit curtailment/settlement	2	(35)	17	20	(6)	26
Foreign staff severance benefits	-	(3)	3	-	(8)	8
	$ 10	$ (57)	$ 23	$ 44	$ (16)	$ 60

Note 14 - Assets Held for Disposal

The Group continually reviews its asset portfolio and periodically sells or otherwise disposes of various assets that no longer fit into the Group's strategic direction. The Group recorded a charge to earnings of approximately $30 million in both 1999 and 1998, and $12 million in 1997 related to various marketing assets (primarily service station land and buildings) which have been removed from operation and are awaiting disposal or sale as buyers are located. Carrying value of these assets, which is based on appraisals or estimated selling prices, as of December 31, 1999 is approximately $25 million. The effect of suspending depreciation on assets held for sale in 1999, 1998 and 1997 was not material.

Note 15 - Combined statement of cash flows

Changes in operating working capital consist of the following:

	Year ended December 31, (Millions of U.S. Dollars)		
	1999	1998	1997
Accounts and notes receivable	$ (653)	$ 404	$ 33
Inventories	(12)	(28)	85
Accounts payable	484	(105)	(252)
Accrued liabilities	(23)	41	1
Estimated income taxes	14	4	(17)
Total	$ (190)	$ 316	$ (150)

Net cash provided by operating activities includes the following cash payments for interest and income taxes:

	Year ended December 31, (Millions of U.S. Dollars)		
	1999	1998	1997
Interest paid (net of capitalized interest)	$ 142	$ 182	$ 138
Income taxes paid	$ 404	$ 237	$ 440

The deconsolidation of Caltex Australia Limited as of December 31, 1997, as described in Note 4, resulted in a non-cash reduction in the following combined balance sheet captions for 1997, which have not been included in the combined statement of cash flows (Millions of U.S. Dollars):

Net working capital	$ 60
Equity in affiliates	94
Long-term debt	45
Minority interest	109

No significant non-cash investing or financing transactions occurred in 1999 and 1998.

Note 16 - Oil and gas exploration, development and producing activities

The financial statements of Chevron Corporation and Texaco Inc. contain required supplementary information on oil and gas producing activities, including disclosures on affiliates at equity. Accordingly, such disclosures are not presented herein.

EQUILON
ENTERPRISES LLC
Shell & Texaco Working Together

YEAR 1999 FINANCIAL STATEMENTS

EQUILON ENTERPRISES LLC
CONSOLIDATED 1999 FINANCIAL STATEMENTS

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REPORT OF MANAGEMENT

EQUILON ENTERPRISES LLC

The management of Equilon Enterprises LLC ("Equilon") is responsible for preparing the consolidated financial statements of Equilon in accordance with generally accepted accounting principles. In doing so, management must make estimates and judgements when the outcome of events and transactions is not certain.

In preparing these financial statements from the accounting records, management relies on an effective internal control system in meeting its responsibility. The objective of this system of internal controls is to provide reasonable assurance that assets are safeguarded and that the financial records are accurately and objectively maintained. Equilon's internal auditors conduct regular and extensive internal audits throughout the company. During these audits they review and report on the effectiveness of the internal controls and make recommendations for improvement. Due primarily to difficulties associated with the adoption of a new computer system in 1999, the internal control system was compromised in certain areas. Significant progress has been made in correcting various processes and procedures to enhance the system of internal controls, however work continues in fiscal 2000 to restore the effectiveness of the internal control system.

The independent accounting firms of PricewaterhouseCoopers LLP and Arthur Andersen LLP are engaged to provide an objective, independent audit of Equilon's financial statements. Their accompanying report is based on an audit conducted in accordance with generally accepted auditing standards, which includes a review and evaluation of the effectiveness of the company's internal controls. This review establishes a basis for their reliance thereon in determining the nature, timing and scope of their audit. The audit scope for 1999 was expanded to compensate for the previously mentioned control weaknesses.

The Audit Committee of the Board of Directors is comprised of two directors who review and evaluate Equilon's accounting policies and reporting, internal controls, internal audit program and other matters as deemed appropriate. The Audit Committee also reviews the performance of PricewaterhouseCoopers LLP and Arthur Andersen LLP and evaluates their independence and professional competence, as well as the results and scope of their audit.

James M. Morgan	Nick J. Caruso	David C. Cable
President and Chief Executive Officer	Chief Financial Officer - Acting	Controller

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of Equilon Enterprises LLC:

We have audited the accompanying consolidated balance sheets of Equilon Enterprises LLC ("Equilon") and its subsidiaries as of December 31, 1999 and 1998, and the related statements of consolidated income, owners' equity, and cash flows for the years then ended. These financial statements are the responsibility of Equilon's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Equilon Enterprises LLC and its subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

PricewaterhouseCoopers LLP
Houston, Texas
March 3, 2000

Arthur Andersen LLP
Houston, Texas
March 3, 2000

EQUILON ENTERPRISES LLC
STATEMENT OF CONSOLIDATED INCOME

	For the years ended December 31, 1999	1998
	(Millions of Dollars)	
REVENUES		
Sales and services	$ 29,174	$ 22,006
Equity in income of affiliates	154	109
Other revenue	70	131
Total revenues	29,398	22,246
COSTS AND EXPENSES		
Purchases and other costs	24,714	17,540
Operating expenses	2,033	2,274
Selling, general and administrative expenses	1,308	1,251
Depreciation, amortization and impairment expenses	878	543
Interest expense	115	134
Minority interest	3	2
Total costs and expenses	29,051	21,744
NET INCOME	$ 347	$ 502

The accompanying Notes to the Consolidated Financial Statements are an integral part of this statement.

EQUILON ENTERPRISES LLC
CONSOLIDATED BALANCE SHEET

	As of December 31, 1999	As of December 31, 1998
	(Millions of Dollars)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 161	$ 11
Accounts and notes receivable (less allowance for doubtful accounts of $7 million in 1999 and $14 million in 1998)	3,239	1,672
Accounts receivable from affiliates	161	157
Inventories	620	699
Other current assets	28	109
Total Current Assets	4,209	2,648
Investments and Advances	529	467
Property, Plant and Equipment, Net	6,312	7,052
Deferred Charges and Other Noncurrent Assets	367	239
Total Assets	$ 11,417	$ 10,406
LIABILITIES AND OWNERS' EQUITY		
Current Liabilities		
Commercial paper and current portion of long-term debt	$ 2,157	$ 2,155
Accounts payable - trade	2,481	696
Accounts payable to affiliates	589	563
Accrued liabilities and other payables	409	644
Total Current Liabilities	5,636	4,058
Long-term Debt and Capital Lease Obligations	5	160
Long-term Payables to Affiliates	466	-
Long-term Liabilities, Deferred Credits and Minority Interest	264	222
Total	6,371	4,440
Owners' Equity	5,046	5,966
Total Liabilities and Owners' Equity	$ 11,417	$ 10,406

The accompanying Notes to the Consolidated Financial Statements are an integral part of this statement.

EQUILON ENTERPRISES LLC
STATEMENT OF CONSOLIDATED CASH FLOWS

	For the years ended December 31,	
	1999	1998
	(Millions of Dollars)	
Operating activities:		
Net Income	$ 347	$ 502
Reconciliation to net cash provided by operating activities		
Depreciation, amortization and impairment expenses	878	543
Dividends from affiliates less than equity in income	(10)	(41)
Gains on asset sales	(12)	(118)
Changes in working capital		
Accounts and notes receivable	(1,567)	(20)
Accounts receivable from affiliates	(4)	(157)
Inventories	23	26
Accounts payable - trade	1,785	(533)
Accounts payable to affiliates	(6)	307
Accrued liabilities and other payables	(235)	246
Other, net	88	(29)
Net cash provided by operating activities	1,287	726
Investing activities:		
Capital expenditures	(582)	(651)
Proceeds from asset sales	371	409
Net cash used in investing activities	(211)	(242)
Financing activities:		
Repayments of borrowings having original terms in excess of three months	(155)	(9)
Repayment of formation costs	-	(1,613)
Net increase in other short term borrowings	2	1,846
Distributions paid to owners	(773)	(698)
Net cash used in financing activities	(926)	(474)
Cash and Cash Equivalents:		
Increase in cash during year	150	10
Balance at beginning of year	11	1
Balance at end of year	$ 161	$ 11

The accompanying Notes to the Consolidated Financial Statements are an integral part of this statement.

EQUILON ENTERPRISES LLC
STATEMENT OF OWNERS' EQUITY

	1999	1998
	(Millions of Dollars)	
Owners' Equity balance at January 1	$ 5,966	$ 6,122
Net income	347	502
Distributions paid	(773)	(698)
Contribution adjustments:		
Employee benefit obligations from owners (Note 8)	(543)	-
Other	49	40
Owners' Equity balance at December 31	$ 5,046	$ 5,966

The accompanying Notes to the Consolidated Financial Statements are an integral part of this statement.

EQUILON ENTERPRISES LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Equilon Enterprises LLC ("Equilon") is a limited liability company formed by Shell Oil Company ("Shell") and Texaco Inc. ("Texaco") effective January 1, 1998 under the Delaware Limited Liability Act, with equity interests of 56 percent and 44 percent, respectively. The joint venture combined the major elements of Shell and Texaco's Western and Midwestern U.S. refining and marketing businesses and their nationwide trading, transportation and lubricants businesses. Despite the ownership interests, Shell and Texaco jointly control Equilon, as many significant governance decisions require unanimous approval.

A second joint venture company, Motiva Enterprises LLC ("Motiva"), was formed on July 1, 1998, combining the major elements of the Eastern and Gulf Coast U.S. refining and marketing businesses of Shell, Texaco and Saudi Refining, Inc. ("SRI"). Equiva Trading Company and Equiva Services LLC were also formed on July 1, 1998 and are owned equally by Equilon and Motiva. Equiva Trading Company, a general partnership, functions as the trading unit for both Equilon and Motiva. Equiva Services LLC provides common financial, administrative, technical and other operational support to both companies and bills their services at cost.

Equilon refines, distributes and markets petroleum products under both the Shell and Texaco brands through wholesalers and its network of company owned and contractor operated service stations. Products are manufactured at five refineries located in Puget Sound, Washington; Bakersfield, Los Angeles, and Martinez, California; and Wood River, Illinois. In November of 1999, Equilon sold its refinery in El Dorado, Kansas as part of its strategic initiative to strengthen its portfolio of assets. The Wood River, Illinois refinery is on the market for sale.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements The accompanying financial statements are presented using Shell and Texaco's historical basis of the assets and liabilities contributed to Equilon on January 1, 1998. The consolidated financial statements generally include the accounts of Equilon and subsidiaries in which Equilon directly or indirectly owns more than a 50 percent voting interest. Intercompany accounts and transactions are eliminated. Investments in entities in which Equilon has a significant ownership interest, generally 20 to 50 percent, and entities where Equilon has greater than 50 percent ownership but, as a result of contractual agreement or otherwise, does not exercise control, are accounted for using the equity method. Other investments are carried at cost. Equilon's investments in Equiva Services LLC and Equiva Trading Company are accounted for using the equity method. Transactions by Equiva Trading Company that are made on behalf of Equilon are recorded directly to Equilon's records.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates These financial statements were prepared in conformity with generally accepted accounting principles, which require management to make estimates and assumptions. These assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant estimates include the recoverability of assets, environmental remediation, employee benefit liabilities, litigation, claims and assessments. Amounts are recognized when it is probable that an asset has been impaired or a liability has been incurred, and the cost can be reasonably estimated. Actual results could differ from those estimates.

Recent Pronouncement In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes new accounting and reporting standards for derivatives and hedging activities. SFAS 133 will require Equilon to measure all derivatives at fair value and to recognize them in the balance sheet as an asset or liability, depending on Equilon's rights or obligations under the applicable derivative contract. In June 1999, the FASB issued SFAS 137 that deferred the effective date of adoption of SFAS 133 for one year. Equilon will adopt SFAS 133 no later than January 1, 2001. Equilon has not yet determined the impact that the adoption of SFAS 133 will have on Equilon's consolidated results of operations or financial position.

Revenues Revenues for refined products and crude oil sales are recognized at the point of passage of title specified in the contract. Revenues on forward sales where cash has been received are recorded to deferred income until title passes.

Cash Equivalents Highly liquid investments with maturity when purchased of three months or less are considered to be cash equivalents.

Inventories Inventories are valued at the lower of cost or market. Hydrocarbon inventory cost is initially determined on the last-in, first-out (LIFO) method. The cost of other merchandise inventories is initially determined on the first-in, first-out (FIFO) method. Average cost is utilized for inventories of materials and supplies.

Investments and Advances The equity method of accounting is generally used for investments in certain affiliates owned 50 percent or less, including corporate joint ventures, limited liability companies and partnerships. Under this method, equity in pre-tax income or losses of limited liability companies and partnerships, and the net income or losses of corporate joint venture companies are reflected in revenues as they are generated, rather than when realized through dividends or distributions.

The cost method is used to account for affiliates in which Equilon's ownership interest is less than 20 percent. Income from these investments is recognized as dividends or distributions are declared and received.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment Depreciation of property, plant and equipment is generally provided on composite groups, using the straight-line method, with depreciation rates based upon the estimated useful lives of the groups.

Under the composite depreciation method, the cost of partial retirements of a group is charged to accumulated depreciation. However, when there is a disposition of a complete group, or when the retirement is due to an extraordinary loss, the cost and related depreciation are retired, and any gain or loss is reflected in income.

Capitalized leases are amortized over the estimated useful life of the asset or the lease term, as appropriate, using the straight-line method.

All maintenance and repairs, including major refinery maintenance, are charged to expense as incurred. Renewals, betterments and major repairs that materially extend the life of the properties are capitalized. Interest incurred during the construction period of major additions is capitalized.

The evaluation of impairment for property, plant and equipment is based on comparisons of carrying values against undiscounted future net pre-tax cash flows. If an impairment is identified, the asset's carrying amount is adjusted to fair value. Assets to be disposed of are generally valued at the lower of net book value or fair value less cost to sell.

Derivatives Equilon utilizes futures, purchased options and swaps to manage the price risk of crude oil and refined products. These transactions meet the requirements for hedge accounting, including designation and correlation. Gains and losses on closed positions are deferred until corresponding physical transactions occur. At that time, any gain or loss is accounted for as part of the transactions being hedged. Deferred gains and losses are included in current assets and liabilities on the balance sheet. Equilon also uses written options to manage price risk. Unrealized gains and losses on these transactions are recognized in current earnings.

Equilon conducts petroleum-related trading activities. As of January 1, 1999 Equiva Trading Company adopted mark-to-market accounting in compliance with Emerging Issues Task Force Issue 98-10, "Accounting for Energy Trading and Risk Management Activities." Under mark-to-market accounting, gains and losses resulting from changes in market prices on contracts entered into for trading purposes are reflected in current earnings.

Fair Market Value of Financial Instruments The estimated fair value of long-term debt is disclosed in Note 7 to the financial statements. The carrying amount of long-term debt with variable rates of interest approximates fair value at December 31, 1999 and 1998, because borrowing terms equivalent to the stated rates were available in the marketplace. Fair value for long-term debt with a fixed rate of interest is determined based on discounted cash flows using estimated prevailing interest rates.

Other financial instruments are included in current assets and liabilities on the balance sheet and approximate fair value because of the short maturity of such instruments. These include cash, short-term investments, notes and accounts receivable, accounts payable and short-term debt.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies Certain conditions may exist as of the date financial statements are issued, which may result in a loss to the company, but which will be resolved only when one or more future events occur or fail to occur. Equilon's management and legal counsel assess such contingent liabilities. The assessment of loss contingencies necessarily involves an exercise of judgement and is a matter of opinion. In assessing loss contingencies related to legal proceedings that are pending against the company or unasserted claims that may result in such proceedings, Equilon's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material liability has been incurred and the amount of the loss can be estimated, then the estimated liability is accrued in the company's financial statements. If the assessment indicates that a potentially material liability is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material is disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed.

Environmental Expenditures Equilon accrues for environmental remediation liabilities when it is probable that such liabilities exist, based on past events or known conditions, and the amount of such liability can be reasonably estimated. If Equilon can only estimate a range of probable liabilities, the minimum future undiscounted expenditure necessary to satisfy Equilon's future obligation is accrued.

Equilon determines the appropriate amount of each obligation by considering all of the available data, including technical evaluations of the currently available facts, interpretation of existing laws and regulations, prior experience with similar sites and the estimated reliability of financial projections.

Equilon adjusts the environmental liabilities, as required, based on the latest experience with similar sites, changes in environmental laws and regulations or their interpretation, development of new technology or new information related to the extent of Equilon's obligation.

Other environmental expenditures, principally maintenance or preventive in nature, are expensed or capitalized as appropriate.

Reclassifications Certain 1998 amounts have been reclassified to conform with current year presentation.

NOTE 3 - INVENTORIES

	As of December 31,	
	1999	1998
	(Millions of Dollars)	
Crude oil	$ 211	$ 292
Petroleum products	316	304
Other merchandise	21	17
Materials and supplies	72	86
Total	$ 620	$ 699

The excess of estimated market value over the book value of inventories carried at cost on the LIFO basis of accounting was approximately $771 million at December 31, 1999 and $135 million at December 31, 1998.

Partial liquidation of inventories valued on a LIFO basis increased net income by $13 million in 1999.

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including capitalized lease assets, were as follows:

	As of December 31,			
	1999		1998	
	Gross	Net	Gross	Net
	(Millions of Dollars)			
Refining	$ 6,510	$ 3,148	$ 7,106	$ 3,847
Marketing	2,478	1,856	2,757	2,032
Transportation	2,280	1,203	2,098	1,051
Other	186	105	181	122
Total	$ 11,454	$ 6,312	$12,142	$ 7,052
Capital lease amounts included above	$ 2	$ -	$ 65	$ 20

Accumulated depreciation and amortization totaled $5,142 million at December 31, 1999 and $5,090 million at December 31, 1998. Interest capitalized as part of property, plant and equipment during 1999 and 1998 was $2 million and $1 million, respectively.

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (continued)

Long-Lived Assets

Under the provisions of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," Equilon recorded a charge of $397 million, during 1999, for the impairment of the El Dorado refinery and the Wood River refinery and lubricants plant. These impairments, which were recognized in anticipation of the sale of these refineries and for the write-off of abandoned lubricants base oil assets at Wood River, were reflected as increased depreciation, amortization and impairment expenses on the Statement of Consolidated Income. In the fourth quarter of 1999, Equilon recorded an additional charge of $11 million upon completion of the sale of the El Dorado refinery. This included the recognition of a liability for wastewater treatment. The Wood River refinery, which is expected to be sold during 2000, was carried at estimated sales value at year-end 1999.

During 1998, Equilon recognized the impairment of surplus assets resulting from the consolidation and optimization of assets contributed by Shell and Texaco. Impairments from this activity totaled over $77 million, including the write-off of abandoned assets at the Odessa refinery, shut down in October 1998, and the write-down to estimated realizable value of three lubricant blending plants either closed in 1998 or sold in 1999. The impairments were primarily reflected in increased depreciation, amortization and impairment expenses on the Statement of Consolidated Income.

NOTE 5 - INVESTMENTS AND ADVANCES

Investments in affiliates, including corporate joint ventures and partnerships, owned 50% or less are generally accounted for on the equity method. Equilon's total investments and advances are summarized as follows:

	As of December 31, 1999	As of December 31, 1998
	(Millions of Dollars)	
Investments in affiliates accounted for on the equity method		
Pipeline affiliates	$ 415	$ 378
Other affiliates	82	52
Total equity method affiliates	497	430
Other investments and advances	32	37
Total investments and advances	$ 529	$ 467

NOTE 5 - INVESTMENTS AND ADVANCES (continued)

Undistributed earnings of equity companies included in Equilon's accumulated earnings as of December 31, 1999 and 1998 were $51 million and $41 million, respectively. Summarized financial information for these investments and Equilon's equity share thereof is as follows:

Equity Companies at 100%

	As of December 31,	
	1999	1998
	(Millions of Dollars)	
Current assets	$ 1,684	$ 373
Noncurrent assets	3,601	2,750
Current liabilities	(1,585)	(530)
Noncurrent liabilities and deferred credits	(2,543)	(1,684)
Net assets	$ 1,157	$ 909

	For the years ended December 31,	
	1999	1998
	(Millions of Dollars)	
Revenues	$ 2,002	$ 1,500
Income before income taxes	664	519
Net income	494	362

Equity Companies at Equilon's Percentage Ownership

	As of December 31,	
	1999	1998
	(Millions of Dollars)	
Current assets	$ 750	$ 115
Noncurrent assets	1,097	842
Current liabilities	(629)	(136)
Noncurrent liabilities and deferred credits	(692)	(384)
Net assets	$ 526	$ 437

	For the years ended December 31,	
	1999	1998
	(Millions of Dollars)	
Revenues	$ 615	$ 430
Income before income taxes	176	123
Net income	154	109
Dividends received	144	68

NOTE 6 - LEASE COMMITMENTS AND RENTAL EXPENSE

Equilon has leasing arrangements involving service stations and other facilities. Renewal and purchase options are available on certain of these leases in which Equilon is lessee.

Equilon has a one year lease agreement for a cogeneration plant at the El Dorado refinery. This lease may be renewed each year until 2016 at Equilon's option. The lease has been renewed with a minimum lease rental of $4 million for 2000. Equilon has guaranteed a minimum recoverable residual value to the lessor of $72 million, if the lease is not renewed for the year 2001. In connection with the sale of the El Dorado refinery, Equilon has entered into a long term sublease arrangement with a subsidiary of Frontier Oil Corporation (Frontier) for Frontier's use of the cogeneration facility at the refinery. While the sublease payments from the sublessee fully cover Equilon's lease obligation, Equilon remains primarily liable with regard to payment of its original obligation. The original term of the sublease is 17 years, although it is subject to early termination upon the occurance of certain events specified in the sublease. Upon expiration of the initial term of the sublease, Frontier has the option of purchasing the cogeneration facility, from Equilon, at a price not less than the fair market value of the facility at the time the option is exercised.

Rental expense relative to operating leases, including contingent rentals, is provided in the table below:

	For the years ended December 31,	
	1999	1998
	(Millions of Dollars)	
Rental Expense:		
Minimum lease rentals	$ 121	$ 178
Contingent rentals	3	7
Total	124	185
Less rental income on properties subleased to others	59	54
Net rental expense	$ 65	$ 131

NOTE 6 - LEASE COMMITMENTS AND RENTAL EXPENSE (continued)

As of December 31, 1999 Equilon had estimated minimum commitments for payment of rentals under leases that, at inception, had a non-cancelable term of more than one year, as follows:

	Operating Leases (Millions of Dollars)
2000	$ 76
2001	63
2002	62
2003	61
2004	59
After 2004	775
Total	1,096
Less sublease rental income	75
Total lease commitments	$ 1,021

In addition, Equilon has a capital lease obligation for equipment at Wood River refinery scheduled to be completed in February 2002. The amounts are not material for separate disclosure.

NOTE 7 - DEBT

Equilon has revolving credit facilities with commitments of $1,875 million, as support for the company's commercial paper program, as well as for working capital and other general purposes. Equilon pays a nominal quarterly facility fee for the $1,875 million availability. No amounts were outstanding during 1999.

Commercial Paper and Current Portion of Long-term Debt

	As of December 31, 1999	1998
	(Millions of Dollars)	
Commercial Paper	$ 1,850	$ 1,846
Anacortes Pollution Control Bonds due 2019	34	34
Butler County Industrial Revenue Bonds due 2024	30	25
California Pollution Control Bonds due 2000 through 2024	185	185
Southwestern Illinois Industrial Revenue Bonds due 2021 through 2025	58	58
Current portion of long-term debt and capital lease obligations	-	7
Total	$ 2,157	$ 2,155
Average interest rate of short term debt	5.12%	5.01%

NOTE 7 - DEBT (continued)

Long-term Debt and Capital Lease Obligations

	As of December 31, 1999	1998
	(Millions of Dollars)	
Bakersfield-CA Pollution 1978 Series A (Revenue) 7.0% due 2009	$ -	$ 6
Bakersfield-CA Pollution 1978 Series A (Industrial) 7.0% due 2008	-	1
Butler County Tax Abatement Bonds 7.38 to 9.75% due 2020	-	101
Other variable notes 8.625% due 2006 through 2008	5	4
8.000% notes due 2007	-	1
Total	5	113
Capital lease obligations (see Note 6)	-	54
	5	167
Less current portion of long-term debt and capital lease obligations	-	7
Total long-term debt and capital lease obligations	$ 5	$ 160
Fair market value of the company's long-term debt	$ 5	$ 114

The Pollution Control Bonds outstanding at December 31, 1999 shown above consisted of five issues assumed from Shell and one from Texaco. The Industrial Revenue Bonds outstanding at December 31, 1999 consisted of three issues from Shell and one from Texaco. Interest rates are currently reset daily for these issues and the bonds may be converted from time to time to other modes. Bondholders have the right to tender their bonds under certain conditions, including on interest rate resets. Pursuant to the terms of the underlying indentures, Shell and Texaco retain liability for debt service on the issues assumed by Equilon in the event that Equilon fails to perform on its obligations. All other Equilon borrowings are unsecured general obligations of Equilon and not guaranteed by any other entity.

Interest paid during 1999 and 1998 was $128 million and $95 million, respectively.

NOTE 8 - LONG-TERM PAYABLES TO AFFILIATES, FORMATION PAYABLES AND OWNERS' EQUITY CONTRIBUTION ADJUSTMENTS

On April 1, 1999, Shell and Texaco employees designated as performing duties supporting Equilon, were transferred to Equiva Services LLC. At that time certain benefit liabilities were transferred to Equiva Services LLC from Shell and Texaco through their interests in Equilon and Motiva. Such obligations transferred from Shell and Texaco, applicable to Equilon, were recorded as reductions to Equilon's investment in Equiva Services LLC. A related party obligation of $520 million at December 31, 1999 represents Equilon's obligation to Equiva Services LLC for all employee benefit liabilities. Of this amount, $466 million was classified as long-term at December 31, 1999. Additional information is disclosed in Note 11 - Employee Benefits.

NOTE 8 - LONG-TERM PAYABLES TO AFFILIATES, FORMATION PAYABLES AND OWNERS' EQUITY CONTRIBUTION ADJUSTMENTS (continued)

The foregoing contribution of liabilities that were transferred from Shell and Texaco through Equilon to Equiva Services LLC for employee benefit liabilities at April 1, 1999 reduced Equilon's owners' equity by $543 million and included $357 million for pension related affiliate obligations, $147 million of post-employment medical benefits and $39 million for vacation benefits. Other contribution adjustments in 1999 related primarily to certain environmental remediation obligations transferred to Equilon at formation, which were reassumed by Shell in 1999, increased owners' equity by $49 million.

In accordance with the joint venture agreements, Equilon owed Shell $1,001 million and Texaco $612 million at formation. These amounts were separate from normal trade payables and reflect amounts to reimburse Shell and Texaco for certain capital expenditures incurred prior to the formation of the venture and certain other items specified in the formation documents. Equilon paid these amounts to Shell and Texaco prior to December 31, 1998. Interest was accrued on these amounts until paid.

In addition to the foregoing payable amounts, Texaco retained $240 million of receivables related to the contributed business as part of these arrangements.

NOTE 9 - TRANSACTIONS WITH RELATED PARTIES

Equilon has entered into transactions with Shell, Texaco, Motiva and Equiva Services LLC, including the affiliates of these companies. Such transactions are in the ordinary course of business and include the purchase, sale and transportation of crude oil and petroleum products, and numerous service agreements.

The aggregate amounts of such transactions were as follows:

	For the years ended December 31,	
	1999	1998
	(Millions of Dollars)	
Sales and other operating revenue	$ 3,409	$ 1,368
Purchases and transportation costs	6,961	4,900
Service and technology expense	1,057	794

NOTE 10 - TAXES

Equilon, as a limited liability company, is not liable for income taxes. Income taxes are the responsibility of the owners, with earnings of Equilon included in the owners' earnings for the determination of income tax liability.

Direct taxes other than income taxes, which are included in operating expenses, were as follows:

	For the years ended December 31,	
	1999	1998
	(Millions of Dollars)	
Direct taxes		
Property	$ 78	$ 41
Licenses and permits	7	5
Other	12	26
Total direct taxes	$ 97	$ 72

Other taxes collected from consumers for governmental agencies that are not included in revenues or expenses were $3,405 million for 1999 and $3,646 million for 1998.

NOTE 11 - EMPLOYEE BENEFITS

In accordance with certain joint venture agreements related to human resources matters, employees performing duties supporting Equilon remained employees of the owner companies and their affiliates until April 1, 1999. Beginning April 1, 1999 Equilon's affiliate, Equiva Services LLC, employed personnel necessary for ongoing operations. Obligations and accrued liabilities for certain employee benefits, including pension and other post-employment benefits, were transferred to Equiva Services LLC at that time. On January 1, 2000, employees directly supporting Equilon became employees of Equilon. Employees providing common financial, administrative, technical and other operational support to both Equilon and Motiva remain employees of Equiva Services LLC. Employee related obligations, including liabilities for pension and other post-employment benefits for employees transferred to Equilon, will be recorded as Equilon liabilities on January 1, 2000 with a corresponding reduction in the affiliate payable to Equiva Services.

NOTE 11 - EMPLOYEE BENEFITS (continued)

Pension Related Affiliate Obligations

Concurrently with their transfer from the owner companies, employees retained certain pension benefits for future pay increases under the owner company pension plans. Under agreements with Shell and Texaco, the owner companies will be reimbursed for past service pension benefits attributable to these future pay benefits at April 1, 1999, as well as future increases in the related projected benefit obligation under the owner companies' qualified pension plans. These reimbursements will be made at the time the applicable employees retire. The following summarizes the reimbursement owed to the owner companies:

	Employees Transferred to Equilon on January 1, 2000
	(Millions of Dollars)
Projected benefit obligation at April 1, 1999	$ 338
Interest cost for the period April 1, 1999 to December 31, 1999	16
Actuarial gain	(56)
Divestiture	(12)
Projected benefit obligation at December 31, 1999	$ 286

Other Post-Employment Benefits

Equilon and Equiva Services LLC currently provide health care benefits for retired employees and their dependents through a common plan. Eligibility for such benefits requires that a retired employee be at least 50 years of age, with at least 10 years of service and the sum of age and service of at least 70 years. Past service with the owner companies is credited for determining benefit eligibility.

The company's obligation is a percentage of the total premiums required. This percentage varies from 60% to 80% of total cost depending on the sum of the employees total years of age plus service at the time of retirement. The assumed annual health care cost trend rate used in measuring the accumulated post-employment benefit obligation (APBO) was 7.0% in 1999, decreasing to 5.5% by 2002 and remaining at that level thereafter. Assuming a 1% increase in the annual rate of increase of required medical premiums, the APBO and annual expense would increase by approximately $11 million and $1 million, respectively.

In addition to medical benefits, Equilon and Equiva Services LLC are providing retiree life insurance benefits to certain former owner employees from Texaco and Star Enterprise (Star). These employees must be of age 50 at April 1, 1999 with 5 years of service at the time of transfer and must retire at a minimum age of 55 with at least 10 years of service in order to be eligible.

NOTE 11 - EMPLOYEE BENEFITS (continued)

Other Post-Employment Benefits (continued)

Net post-employment benefit costs for April 1,1999 to December 31, 1999 were as follows:

	Employees Transferred to Equilon on January 1, 2000 (Millions of Dollars)
Service cost	$ 6
Interest cost	7
Amortization of prior service cost	(1)
Accrued expense	$ 12

Funded status of other post-employment plans as of December 31, 1999, was as follows:

	Employees Transferred to Equilon on January 1, 2000 (Millions of Dollars)
Accumulated post-employment benefit obligation	$ 121
Unrecognized prior service cost	8
Unrecognized gain	24
Accrued post-employment benefit obligation	$ 153

Pension Plans

Effective April 1,1999, Equiva Services LLC established a cash balance defined benefit pension plan covering substantially all of its employees. Company contributions under the plan are between 3% and 7% of compensation based on years of service, age, and covered compensation. Individual employee accounts are credited each year with employer contributions and interest on the account balance at the rate of 6.5% per annum. Assets of the plan are comprised of fixed income securities. Equilon and Equiva Services LLC's funding policy is to contribute all pension costs accrued to the extent required by federal tax regulations. The following table sets forth information related to changes in the benefit obligations, change in plan assets, a reconciliation of the funded status of the plans and components of the expense recognized related to Equilon's pension plan.

NOTE 11 - EMPLOYEE BENEFITS (continued)

Pension Plans (continued)

	Employees Transferred to Equilon on January 1, 2000
	(Millions of Dollars)
Change in benefit obligation	
Projected benefit obligation at April 1, 1999	$ -
Service cost	24
Actuarial gain	(2)
Acquisition/divestiture/plan merger/spin-off	(1)
Projected benefit obligation at December 31, 1999	$ 21
Change in plan assets	
Fair value of plan assets at April 1, 1999	$ -
Actual return on plan assets	(1)
Employer contributions	1
Fair value of plan assets at December 31, 1999	$ -
Funded status at December 31, 1999	
Obligation greater than assets	$ 21
Unrecognized net gain	2
Accrued pension liability	$ 23
Weighted-average assumptions at December 31, 1999	
Discount rate	8%
Expected return on plan assets	9%
Rate of compensation increase	4.5%
Components of net periodic benefit costs for the period April 1, 1999 to December 31, 1999	
Service cost	$ 24

NOTE 11 - EMPLOYEE BENEFITS (continued)

Pension Plans (continued)

Sponsorship for the Texas-New Mexico Pipeline Company retirement and group pension plans was transferred from Texaco to Equilon in 1998. The plan is accounted for as a defined benefit plan; therefore employees will receive a defined amount upon retirement based on their number of years of service and final average compensation. Actuarial studies provide the amounts for inclusion in the audited financial statements.

At year-end 1999, the plans' assets of $15 million exceeded the accumulated benefit obligation of $8 million. The weighted-average discount rate used in determining the present value of the projected benefit obligation was 8% for the fiscal 1999. For compensation based plans, the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation and service cost was based upon an experience-related table and approximated 4% on current salaries through 1999, in accordance with plan terms. The expected long-term rate of return on plan assets was 10% for 1999. The majority of plan assets are invested in a diversified portfolio of insurance company deposits and fixed income securities.

Employee Termination Benefits

The joint venture agreements provide for Equilon and Motiva to determine the appropriate staffing levels for their businesses. To the extent those staffing needs resulted in the elimination of positions from the ranks of Shell, Texaco and Star, affected employees were entitled to termination benefits provided for under the benefit plans of the applicable companies. Shell, Texaco and Star, as the employer companies, are responsible for administering the payment of benefits under their respective benefit plans. Equilon and Motiva are obligated to reimburse the employer companies for all costs resulting from the elimination of positions in accordance with a formula included in the joint venture agreements.

The formation of Equilon and Motiva resulted in the termination of 1,658 employees. The separations were substantially complete as of December 31, 1999. In 1998, Equilon recorded a charge of $61 million for its share of reimbursable severance and other benefit costs as selling, general and administrative expenses in the Statement of Consolidated Income. An additional provision of $2 million was recorded to selling, general and administrative expenses in 1999. Equilon reimbursed the employer companies $47 million in 1999 and $7 million in 1998 for the termination benefits. Reimbursement for the remaining benefits is expected in 2000.

NOTE 12 - DERIVATIVES

At December 31, 1999, open derivative instruments held for hedging purposes consisted mostly of futures. Notional contract amounts were $31 million and $59 million at year-end 1999 and 1998, respectively. These amounts principally represent future values of contract volumes over the remaining duration of the outstanding futures contracts at the respective dates. These contracts hedge a small fraction of the company's business activities, generally for the next twelve months.

NOTE 12 - DERIVATIVES (continued)

Equilon entered into a relatively small number of petroleum-related derivative transactions for trading purposes. The results of derivative trading activities are marked to market, with gains and losses recorded in operating revenue. All derivative instruments are straightforward futures, swaps and options, with no leverage or multiplier features. At December 31, 1999, the open derivative instruments held for trading purposes consisted primarily of futures and options. The notional contract amounts of derivative instruments were $813 million and $3 million at year-end 1999 and 1998, respectively.

The earnings impact of hedging and trading activities in 1999 was a charge, to revenues, of $92 million and was immaterial in 1998. The unrealized gains and losses on open positions at December 31, 1999 and 1998 were not material.

NOTE 13 - CONTINGENT LIABILITIES

Equilon is subject to possible loss contingencies including actions or claims based on environmental laws, federal regulations, and other matters. While it is impossible to ascertain the ultimate legal and financial liability with respect to many such contingent liabilities and commitments, Equilon has accrued amounts (undiscounted) related to certain such liabilities where the outcome is deemed both probable and reasonably measurable.

Equilon has been named as a defendant or a potentially responsible party in several contamination matters and has certain obligations for remediation of adverse environmental conditions related to certain of its operating assets under existing laws and regulations.

On November 25, 1998, a fire occurred at the Equilon Puget Sound Refinery in Anacortes, Washington, which resulted in six worker fatalities - four employees of a contractor and two Texaco employees working on behalf of Equilon. On June 10, 1999, there was a rupture and resulting fire in the Olympic Pipe Line Company pipeline at Bellingham, Washington, in which there were three civilian fatalities. Equilon Pipeline Company LLC is the operator of Olympic Pipe Line Company and holds a 37.5 percent interest. Regulatory and governmental investigations are ongoing and wrongful death lawsuits have been filed in both of these incidents.

Equilon has assumed crude and refined product throughput commitments previously made by Shell and Texaco to ship through affiliated pipeline companies and an offshore oil port, some of which relate to financing arrangements. As of December 31, 1999 and 1998, the maximum exposure was estimated to be $297 million and $333 million, respectively. No advances have resulted from these obligations.

In management's opinion, the aggregate amount of liability for contingent liabilities, in excess of financial liabilities already accrued or anticipated insurance recoveries, is not anticipated to be material in relation to the consolidated financial position or results of operations of Equilon.

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MOTIVA
ENTERPRISES LLC
Shell, Texaco & Saudi Aramco Working Together

1999 FINANCIAL STATEMENTS

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MOTIVA ENTERPRISES LLC
1999 FINANCIAL STATEMENTS

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REPORT OF MANAGEMENT

MOTIVA ENTERPRISES LLC

The management of Motiva Enterprises LLC (Motiva) is responsible for preparing the financial statements of Motiva in accordance with generally accepted accounting principles. In doing so, management must make estimates and judgments when the outcome of events and transactions is not certain.

In preparing these financial statements from the accounting records, management relies on an effective internal control system in meeting its responsibility. The objective of this system of internal controls is to provide reasonable assurance that assets are safeguarded and that the financial records are accurately and objectively maintained. Motiva's internal auditors conduct regular and extensive internal audits throughout Motiva. During these audits they review and report on the effectiveness of the internal controls and make recommendations for improvement. Due primarily to difficulties associated with the implementation of a new computer system in early 1999, the internal control environment was adversely impacted in certain areas. Significant progress has been made to address the control issues, however, work continues in fiscal year 2000 to restore the effectiveness of the internal control system.

The independent accounting firms of PricewaterhouseCoopers LLP, Deloitte & Touche LLP and Arthur Andersen LLP are engaged to provide an objective, independent audit of Motiva's financial statements. Their accompanying report is based on an audit conducted in accordance with generally accepted auditing standards, which includes a review and evaluation of the effectiveness of Motiva's internal controls. This review establishes a basis for their reliance thereon in determining the nature, timing and scope of their audit. The audit scope for 1999 was expanded to compensate for the previously mentioned control concerns.

The Audit Committee of the Board of Directors is comprised of three, non-employee directors who review and evaluate Motiva's accounting policies and reporting, internal controls, internal audit program and other matters as deemed appropriate. The Audit Committee also reviews the performance of PricewaterhouseCoopers LLP, Deloitte & Touche LLP and Arthur Andersen LLP and evaluates their independence and professional competence, as well as the results and scope of their audit.

L. Wilson Berry Jr.	W. M. Kaparich	Randy J. Braud
President and Chief Executive Officer	Chief Financial Officer	Controller

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors of Motiva Enterprises LLC:

We have audited the accompanying balance sheets of Motiva Enterprises LLC ("Motiva") as of December 31, 1999 and 1998, and the related statements of income, owners' equity and cash flows for the year ended December 31, 1999 and the six months ended December 31, 1998. These financial statements are the responsibility of Motiva's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Motiva Enterprises LLC as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the year ended December 31, 1999 and the six months ended December 31, 1998 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Deloitte & Touche LLP

PricewaterhouseCoopers LLP

Houston, Texas
March 10, 2000

MOTIVA ENTERPRISES LLC
STATEMENTS OF INCOME

	For the Year Ended December 31, 1999	For the Six Months Ended December 31, 1998
	(Millions of Dollars)	
REVENUES		
Sales and other revenue	$ 12,196	$ 5,371
COSTS AND EXPENSES		
Purchases and other costs	9,809	4,079
Operating expenses	1,108	512
Selling, general and administrative expenses	805	464
Depreciation and amortization	378	174
Interest expense	94	43
Taxes other than income taxes	71	21
Total costs and expenses	12,265	5,293
NET INCOME (LOSS)	$ (69)	$ 78

The accompanying Notes to Financial Statements are an integral part of these statements.

MOTIVA ENTERPRISES LLC
BALANCE SHEETS

	As of December 31, 1999	As of December 31, 1998
	(Millions of Dollars)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 23	$ 25
Accounts receivable, less allowance for doubtful accounts of $3 million and $9 million at December 31, 1999 and 1998, respectively	574	608
Accounts receivable from affiliates	-	73
Inventories	651	692
Other current assets	23	83
Total current assets	1,271	1,481
Investments and Advances	180	44
Property, Plant and Equipment		
At cost	7,335	7,167
Less accumulated depreciation	2,361	2,112
Net property, plant and equipment	4,974	5,055
Deferred Charges and Other Noncurrent Assets	153	158
Total Assets	$ 6,578	$ 6,738
LIABILITIES AND OWNERS' EQUITY		
Current Liabilities		
Commercial paper and current portion of long-term debt	$ 363	$ 441
Accounts payable and accrued liabilities	377	434
Accounts payable to affiliates	301	175
Accrued taxes	237	193
Total current liabilities	1,278	1,243
Long-Term Debt and Capital Lease Obligation	1,451	1,425
Long-Term Payables to Affiliates	408	-
Accrued Environmental Remediation Liability	221	232
Deferred Credits and Other Noncurrent Liabilities	15	10
Total Liabilities	3,373	2,910
Owners' Equity	3,205	3,828
Total Liabilities and Owners' Equity	$ 6,578	$ 6,738

The accompanying Notes to Financial Statements are an integral part of these statements.

MOTIVA ENTERPRISES LLC
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 1999	For the Six Months Ended December 31, 1998
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net Income (loss)	$ (69)	$ 78
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	378	174
(Gain) loss on sale of assets	(13)	1
Changes in operating working capital		
Accounts receivable	92	(42)
Inventories	41	(39)
Other current assets	60	(35)
Accounts payable and accrued liabilities	72	(71)
Other - net	(16)	4
Net cash provided by operating activities	545	70
INVESTING ACTIVITIES		
Capital expenditures	(310)	(182)
Proceeds from sale of assets	41	13
Net cash used in investing activities	(269)	(169)
FINANCING ACTIVITIES		
Proceeds from borrowings	417	1,278
Repayment of debt	(495)	(911)
Distributions to owners	(200)	(243)
Net cash provided by (used in) financing activities	(278)	124
CASH AND CASH EQUIVALENTS		
Increase (decrease) during the period	(2)	25
Beginning of period	25	-
End of period	$ 23	$ 25
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid during the period	$ 84	$ 43

The accompanying Notes to Financial Statements are an integral part of these statements.

MOTIVA ENTERPRISES LLC
STATEMENTS OF OWNERS' EQUITY

	(Millions of Dollars)
INITIAL OWNERS' CAPITAL CONTRIBUTION, JULY 1, 1998	$ 3,993
Net Income	78
Distributions	(243)
BALANCE AT DECEMBER 31, 1998	3,828
Contributed Liabilities:	
Employee benefit obligation from owners (Note 10)	(337)
Other	(17)
Net Loss	(69)
Distributions	(200)
BALANCE AT DECEMBER 31, 1999	$ 3,205

The accompanying Notes to Financial Statements are an integral part of these statements.

MOTIVA ENTERPRISES LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Motiva Enterprises LLC (Motiva) is a joint venture combining the major elements of Shell Oil Company (Shell), Texaco Inc. (Texaco) and Saudi Aramco's Gulf and East Coast U.S. refining and marketing businesses. Motiva is a limited liability company established by Shell Norco Refining Company (Shell Norco), Shell, Texaco Refining and Marketing (East) Inc. (TRMI East) and Saudi Refining Inc. (SRI) effective July 1, 1998 under the Delaware Limited Liability Company Act. In accordance with the Limited Liability Company Agreement (the "Agreement"), initial provisional ownership percentages are 35% for Shell Norco and Shell together and 32.5% for each of TRMI East and SRI, effective through the first full fiscal year. Also in accordance with the Agreement, subsequent provisional ownership percentages will be determined for Motiva's second through seventh full fiscal years and final ownership percentages will be determined for Motiva's eighth full fiscal year. On December 7, 1998, the ownership in Motiva attributable to Shell Norco and Shell was transferred to SOPC Holdings East LLC, a wholly owned subsidiary of Shell.

A second joint venture company, Equilon Enterprises LLC (Equilon), was formed on January 1, 1998, combining the major elements of Shell and Texaco's Western and Midwestern U.S. refining and marketing businesses and their nationwide trading, transportation and lubricants businesses. Equiva Trading Company (Equiva Trading) and Equiva Services LLC (Equiva Services) were formed on July 1, 1998 and are owned equally by Motiva and Equilon. Equiva Trading functions as the trading unit for both Motiva and Equilon. Equiva Services provides common financial, administrative, technical and other operational support to both Motiva and Equilon. Equiva Trading and Equiva Services bill their services at cost.

Motiva refines, distributes and markets petroleum products under both the Shell and Texaco brands through its network of wholesalers, retailers and company owned and contractor operated service stations in all or part of 26 states and the District of Columbia. Products are manufactured at four refineries located in Delaware City, Delaware; Convent, Louisiana; Norco, Louisiana; and Port Arthur, Texas.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation Effective July 1, 1998, Shell Norco, Shell, TRMI East and SRI contributed assets and liabilities to Motiva pursuant to the terms of the Asset Transfer and Liability Assumption Agreement, one of the joint venture agreements establishing Motiva. TRMI East and SRI contributed the assets and liabilities of Star Enterprise (Star). The accompanying financial statements are presented using the historical basis of the assets and liabilities contributed to Motiva on July 1, 1998.

Use of Estimates These financial statements are prepared in conformity with generally accepted accounting principles, which require management to make estimates and assumptions. These assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the recoverability of assets, environmental remediation, litigation and claims and assessments. Amounts are recognized when it is probable that an asset has been impaired or a liability has been incurred and the cost can be reasonably estimated. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standard In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes new accounting and reporting standards for derivatives and hedging activities. SFAS 133 requires Motiva to measure all derivatives at fair value and to recognize them in the balance sheet as an asset or liability, depending on Motiva's rights or obligations under the applicable derivative contract. In June 1999, the FASB issued SFAS 137 which deferred the effective date of adoption of SFAS 133 for one year. Motiva will adopt SFAS 133 no later than January 1, 2001. Motiva has not yet determined the impact that the adoption of SFAS 133 will have on Motiva's results of operations or financial position.

Revenues Revenues for refined products and crude oil sales are recognized at the point of passage of title specified in the contract.

Cash Equivalents Cash equivalents consist of highly liquid investments with a maturity of three months or less when purchased.

Inventories All inventories are valued at the lower of cost or market. The cost of inventories of crude oil and petroleum products is initially determined on the last-in, first-out (LIFO) method, while the cost of other merchandise inventories is initially determined on the first-in, first-out (FIFO) method, and materials and supplies are stated at average cost.

Property, Plant And Equipment Depreciation of property, plant and equipment is provided generally on composite groups, using the straight-line method, with depreciation rates based upon the estimated useful lives of the groups.

Under the composite depreciation method, the cost of partial retirements of a group is charged to accumulated depreciation. However, when there is a disposition of a complete group, the cost and related depreciation are retired, and any gain or loss is reflected in earnings.

Capitalized leases are amortized over the estimated useful life of the asset or the lease term, as appropriate, using the straight-line method.

Maintenance and repairs, including major refinery maintenance, are charged to expense as incurred. Renewals, betterments and major repairs that materially extend the life of the properties are capitalized.

Interest incurred during the construction period of major additions is capitalized.

The evaluation of impairment for property, plant and equipment is based on a comparison of carrying value against undiscounted future net pre-tax cash flows. If an impairment is identified, the asset's carrying amount is adjusted to fair value. Assets to be disposed of are generally valued at the lower of net book value or fair value less cost to sell.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles Of Consolidation Entities where Motiva has greater than 50 percent ownership but as a result of contractual agreement or otherwise does not exercise control, are accounted for using the equity method. The equity method of accounting is generally used for investments in certain affiliates owned 50 percent or less, including corporate joint ventures, limited liability companies and partnerships. Under this method, equity in pre-tax income or losses of limited liability companies and partnerships, and the net income or losses of corporate joint venture companies is reflected in revenue, rather than when realized through dividends or distributions. Other investments are carried at cost. Intercompany accounts and transactions are eliminated.

Environmental Expenditures Motiva accrues for environmental remediation liabilities when it is probable that such liability exists, based on past events or known conditions, and the amount of such loss can be reasonably estimated. If Motiva can only estimate a range of probable liabilities, the minimum undiscounted expenditure necessary to satisfy Motiva's future obligation is accrued.

Motiva determines the appropriate amount of each obligation considering all of the available data, including technical evaluations of the currently available facts, interpretation of existing laws and regulations, prior experience with similar sites and the estimated reliability of financial projections.

Motiva adjusts financial liabilities, as required, based on the latest experience with similar sites, changes in environmental laws and regulations or their interpretation, development of new technology or new information related to the extent of Motiva's obligation.

Derivatives Motiva uses interest rate swap derivative financial transactions to manage its exposure to changes in interest rates. Amounts receivable or payable based on the interest rate differentials of interest rate swaps are accrued monthly and are reflected in interest expense.

Motiva uses futures, purchased options and swaps to hedge the effects of fluctuations in the prices of crude oil and refined products. Unrealized gains and losses on such transactions are deferred and recognized in income when the transactions and cash are settled. Motiva also uses written options. The unrealized gains and losses on these transactions are recognized in current earnings.

Fair Value Of Financial Instruments The estimated fair value of long-term debt is disclosed in Note 7 to the financial statements. The carrying amount of long-term debt with variable rates of interest approximates fair value at December 31, 1999 and 1998 because borrowing terms equivalent to the stated rates were available in the marketplace. Fair value for long-term debt with a fixed rate of interest and interest rate swaps is determined based on discounted cash flows using estimated prevailing interest rates.

Other financial instruments are included in current assets and liabilities on the balance sheet and approximate fair value because of the short maturity of such instruments. These include cash, short-term investments, notes and accounts receivable, accounts payable and short-term debt.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies Certain conditions may exist as of the date financial statements are issued, which may result in a loss to Motiva, but which will only be resolved when one or more future events occur or fail to occur. Motiva's management and legal counsel assess such contingent liabilities. The assessment of loss contingencies necessarily involves an exercise of judgment and is a matter of opinion. In assessing loss contingencies related to legal proceedings that are pending against Motiva or unasserted claims that may result in such proceedings, Motiva's legal counsel evaluates the perceived merits of any legal proceeding or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material liability had been incurred and the amount of the loss can be estimated, then the estimated liability would be accrued in Motiva's financial statements. If the assessment indicates that a potentially material liability is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed. However, in some instances in which disclosure is not otherwise required, Motiva may disclose contingent liabilities of an unusual nature which, in the judgment of management and its legal counsel, may be of interest to the owners or others.

Reclassifications Certain prior year amounts have been reclassified to conform with current year presentation.

NOTE 3 - TRANSACTIONS WITH RELATED PARTIES

Motiva has entered into transactions with Shell, Texaco, SRI, Equilon, Equiva Services, and Equiva Trading, including the affiliates of these companies. Such transactions are in the ordinary course of business and include the purchase, sale and transportation of crude oil and petroleum products and numerous service agreements.

The aggregate amounts of such transactions were as follows:

	For the Year Ended December 31, 1999	For the Six Months Ended December 31, 1998
	(Millions of Dollars)	
Sales and other operating revenue	$ 1,701	$ 857
Purchases and transportation	5,602	2,642
Service and technology expense	659	297

NOTE 4 - SALE OF RECEIVABLES

Motiva has a third-party accounts receivable agreement under which it has the right to sell up to $200 million of trade accounts receivable on a continuing basis subject to limited recourse. The discount recorded on sales of trade receivables amounted to $1 million for the year ended December 31, 1999 and $1 million for the six months ended December 31, 1998.

NOTE 5 - INVENTORIES

	As of December 31, 1999	As of December 31, 1998
	(Millions of Dollars)	
Crude oil and petroleum products	$ 558	$ 597
Other merchandise	13	13
Materials and supplies	80	82
Total	$ 651	$ 692

Due to declines in prices, the carrying value of crude oil and petroleum products inventories at December 31, 1998 is net of a valuation allowance of $23 million to adjust from cost to market value.

In early 1999, prices recovered and the associated physical units of inventory were sold, resulting in the reversal of the $23 million valuation allowance. At December 31, 1999, the excess of market value over the LIFO carrying value of crude oil and petroleum products inventories was approximately $147 million.

Partial liquidation of inventories valued on a LIFO basis improved net income by $23 million in 1999.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

	As of December 31,			
	1999		1998	
	Gross	Net	Gross	Net
	(Millions of Dollars)			
Refining	$ 4,583	$ 2,967	$ 4,377	$ 2,966
Marketing	2,752	2,007	2,780	2,084
Other	-	-	10	5
Total	$ 7,335	$ 4,974	$ 7,167	$ 5,055
Capital lease amounts included above	$ 24	$ 11	$ 24	$ 12

Interest expense capitalized as part of property, plant and equipment was $6 million for the year ended December 31, 1999 and $4 million for the six months ended December 31, 1998.

NOTE 7 - DEBT

Short-Term

Debt due within one year from the dates indicated below consisted of the following:

	As of December 31,	
	1999	1998
	(Millions of Dollars)	
Commercial paper	$ 1,133	$ 1,211
Pollution control revenue bonds	304	277
	1,437	1,488
Current maturities of long-term debt and capital lease obligation	1	1
	1,438	1,489
Less: Short-term obligations intended to be refinanced:		
Commercial paper	900	900
Pollution control revenue bonds	175	148
Total	$ 363	$ 441

The weighted average interest rates for the commercial paper outstanding at December 31, 1999 and 1998 were 5.99% and 5.42%, respectively.

The pollution control revenue bonds outstanding at December 31, 1999 and 1998 include five individual issues assumed from Shell totaling $129 million. Interest rates are currently reset on a daily basis for four of those issues and on a weekly basis for the remaining issue; the bonds may be converted from time to time to other modes. The weighted average interest rates for those issues at December 31, 1999 and 1998 were 5.29% and 5.02%, respectively. The bonds mature between 2005 and 2023, although bondholders have the right to tender their bonds under certain conditions, including on interest rate resets. Pursuant to the terms of the underlying indentures, Shell retains liability for debt service on the issues Motiva assumed from Shell in the event that Motiva fails to perform its obligations.

Of the remaining $175 million in pollution control revenue bonds, $133 million have interest rates currently reset on a weekly basis and the other $42 million are marketed in a commercial paper mode. Any or all of these bonds may also be converted from time to time to other modes. Weighted average interest rates for the bonds reset weekly at December 31, 1999 and 1998 were 5.46% and 4.0%, respectively. Of the bonds reset weekly, $27 million are currently supported by an irrevocable bank letter of credit, for which Motiva pays a fee based on the face amount of the letter of credit. For the issue marketed in a commercial paper mode, the weighted average interest rates at December 31, 1999 and 1998 were 6.03% and 5.35%, respectively. The bonds mature between 2014 and 2029, although bondholders have the right to tender their bonds under certain conditions, including on interest rate resets or commercial paper maturity. These bonds, as well as $900 million of Motiva's commercial paper obligations scheduled to mature in 2000, are reclassified to long-term debt at December 31, 1999, recognizing Motiva's intent and ability to refinance those issues on a long-term basis, if necessary, through the use of its $1.5 billion revolving credit facility.

NOTE 7 - DEBT (continued)

Motiva has entered into borrowing agreements with a number of financial institutions to obtain funds on an "as available" basis at negotiated rates. The maximum amounts outstanding under these agreements during 1999 and 1998 were $84 million and $125 million, respectively. These facilities were unused as of December 31, 1999 and 1998.

Long-Term

Long-term debt as of the dates indicated below consisted of the following:

	As of December 31,	
	1999	1998
	(Millions of Dollars)	
Private placements	$ 360	$ 360
Capital lease obligation	17	18
	377	378
Less: Amounts due within one year	1	1
	376	377
Add: Short-term obligations intended to be refinanced:		
Commercial paper	900	900
Pollution control revenue bonds	175	148
Total	$ 1,451	$ 1,425

At December 31, 1999 and 1998, Motiva was party to a $1.5 billion extendible 364-day revolving credit facility with a syndicate of major U.S. and international banks. This facility, originally established in 1998 and renewed in October 1999, is available as support for the issuance of Motiva's commercial paper and certain of its pollution control revenue bonds, as well as for working capital and for other general corporate purposes. Motiva had no amounts outstanding under this facility during 1999 or 1998. Motiva pays a facility fee on this facility, based on its total amount. Under this agreement, interest on any amounts borrowed would be based on short-term rates at the time of borrowing.

Private placements of $360 million at December 31, 1999 and 1998 were assumed from Star, and consist of $110 million and $250 million issued to various insurance companies in 1991 and 1992, respectively. All of the notes carry fixed interest rates; the weighted average interest rates were 8.6% for the 1991 issue and 7.6% for the 1992 issue. These notes have varying maturities lasting until the year 2009.

All of Motiva's borrowings are unsecured and with the exception of the pollution control revenue bonds assumed from Shell, are non-recourse to the owners. Long-term debt borrowing agreements include financial covenants regarding net worth, leverage and liens.

NOTE 7 - DEBT (continued)

The amounts of long-term debt maturities during each of the next five years are $0 million, $45 million, $63 million, $65 million and $35 million, respectively. The preceding maturities are before consideration of short-term obligations intended to be refinanced and also exclude capital lease obligations.

Fair Value Of Financial Instruments

The estimated fair values, at the dates indicated below, of Motiva's long-term debt and related derivative financial instruments were as follows:

	As of December 31,			
	1999		1998	
	(Millions of Dollars)			
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	$ 1,451	$ 1,460	$ 1,425	$ 1,472
Interest rate swaps	-	(1)	-	2

NOTE 8 - DERIVATIVES

Debt-Related Derivatives

Many of Motiva's interest-bearing liabilities reflected on its balance sheet are floating rate instruments. To reduce the impact of changes in interest rates on this floating rate debt, Motiva assumed certain interest rate swap agreements in the notional amount of $100 million previously entered into by Star. All such interest rate swaps require the counterparty of the swap to pay to Motiva a floating rate of interest on notional amounts of principal, and for Motiva to pay to the counterparty a fixed rate of interest on the same amounts of notional principal. In all cases, Motiva remains obligated to pay the variable rate owing to the holder of the underlying obligations. These interest rate swaps effectively convert $100 million of floating rate debt to a fixed rate of 6.4% through all or a portion of the year 2000.

Each party to any interest rate swap agreement is exposed to credit risk for nonperformance of the other party. Motiva has such exposure, but since the counterparties are major financial institutions, does not anticipate nonperformance by counterparties.

NOTE 8 - DERIVATIVES (continued)

Commodity Derivatives

Motiva utilizes futures, purchased options and swaps to hedge the effects of fluctuations in the prices of crude oil and refined products. These transactions meet the requirements for hedge accounting. The resulting gains or losses, measured by quoted market prices, are accounted for as part of the transactions being hedged. On the balance sheet, deferred gains and losses are included in current assets and liabilities. Motiva also uses written options to manage its price risk. Written options do not meet the requirement for hedge accounting. Accordingly, these transactions are marked to market and recognized in income monthly.

A significant factor impacting earnings during the year ended December 31, 1999 was the rapid increase in crude oil prices throughout the year. As a result of the rapid price increases, Motiva realized a positive impact to earnings through increased refining margins associated with the holding period for inventory.

At December 31, 1999 and 1998, Motiva had open derivative commodity contracts required to be settled in cash, consisting mostly of futures. Notional contract amounts were $192 million and $101 million at December 31, 1999 and 1998, respectively. These amounts principally represent future values of contract volumes over the remaining duration of outstanding futures contracts at the respective dates. These contracts hedge a small fraction of Motiva's business activities, generally for the next twelve months.

Unrealized gains on open hedging positions at December 31, 1999 were not significant, and unrealized losses on open hedging positions at December 31, 1998 were $5 million. The earnings impact of closed hedging positions and open and closed written options was a loss of $89 million for the year ended December 31, 1999 and was not significant for the six months ended December 31, 1998. The favorable impact of refining margins in 1999 associated with the holding period for inventory was offset by the impact of hedging.

NOTE 9 - LEASE COMMITMENTS AND RENTAL EXPENSE

Motiva has leasing arrangements involving service stations and other facilities. Renewal and purchase options are available on certain of these leases in which Motiva is lessee.

NOTE 9 - LEASE COMMITMENTS AND RENTAL EXPENSE (continued)

Motiva has a one-year lease agreement for a cogeneration plant being constructed in proximity to Motiva's Delaware City refinery. The lease commences upon completion of the facility's construction, which is estimated to be in April 2000. The lease may be renewed at Motiva's option for seventeen consecutive one-year terms. The minimum lease commitment for the first year (year 2000) is expected to be approximately $20 million (not included in the table below). Motiva, as construction agent for the project, is obligated to reimburse the lessor for approximately 89 percent of the project's construction cost if certain agreed-upon requirements are not met. The accumulated expenditures to date at December 31, 1999 and 1998 were $339 million and $168 million, respectively. Total project expenditures are expected to be approximately $365 million. At the end of the first one-year lease, if not renewed, Motiva has guaranteed a minimum recoverable residual value to the lessor of approximately 89 percent of the total project construction cost.

As of December 31, 1999, Motiva had estimated minimum commitments for payment of rentals under leases which, at inception, had a noncancelable term of more than one year, as follows:

	Operating Leases	Capital Leases
	(Millions of Dollars)	
2000	$ 51	$ 4
2001	49	4
2002	47	4
2003	39	4
2004	38	4
After 2004	410	9
Total lease commitments	$ 634	29
Less amounts representing interest		12
Present value of total capital lease obligation		17
Less current portion of capital lease obligation		1
Present value of long-term portion of capital lease obligation		$ 16

Rental expense relative to operating leases, including contingent rentals, is provided in the table below:

	For the Year Ended December 31, 1999	For the Six Months Ended December 31, 1998
	(Millions of Dollars)	
Rental expense:		
Minimum lease rentals	$ 74	$ 52
Contingent rentals	2	5
Total	76	57
Less rental income on properties subleased to others	48	25
Net rental expense	$ 28	$ 32

NOTE 10 - AFFILIATE OBLIGATIONS AND CONTRIBUTED LIABILITIES

On April 1, 1999, Shell, Texaco and Star employees designated as performing duties supporting Motiva were transferred to Equiva Services. At that time certain benefit liabilities were transferred to Equiva Services from Shell, Texaco and Star through their interests in Motiva and Equilon. Equiva Services' obligations transferred from Shell, Texaco and Star applicable to Motiva were recorded as reductions to Motiva's investment in Equiva Services. A related party obligation of $440 million at December 31, 1999 represents Motiva's obligation to Equiva Services for these employee benefit liabilities. Of this amount, $408 million was classified as long-term at December 31, 1999. The foregoing contribution of liabilities that were transferred from Shell, Texaco, and Star through Motiva to Equiva Services for employee benefit liabilities at April 1, 1999 was $337 million and included $202 million for pension related affiliate obligations, $110 million of post-employment medical benefits and $25 million for vacation benefits. Additional information is disclosed in Note 11 - EMPLOYEE BENEFIT PLANS.

The other contributed liability of $17 million in the Statement of Owners' Equity represents a post formation adjustment which will result in an $11 million receivable from Shell and an $11 million payable to Star.

NOTE 11 - EMPLOYEE BENEFIT PLANS

In accordance with certain joint venture agreements related to human resources matters, employees performing duties supporting Motiva remained employees of the owner companies and their affiliates until April 1, 1999. Beginning April 1, 1999, Motiva's affiliate, Equiva Services, employed personnel necessary for ongoing operations. Obligations and accrued liabilities for certain employee benefits, including pension and other post-employment benefits, were transferred to Equiva Services at that time. On January 1, 2000, employees directly supporting Motiva became employees of Motiva. Employees providing common financial, administrative, technical and other operational support to both Motiva and Equilon remain employees of Equiva Services.

NOTE 11 - EMPLOYEE BENEFIT PLANS (continued)

Pension Related Affiliate Obligations

Concurrently with their transfer from the owner companies, employees retained certain pension benefits for future pay increases under the owner company pension plans. Under agreements with Shell, Texaco and SRI, the owner companies will be reimbursed for past service pension benefits attributable to these future pay benefits at April 1, 1999, as well as future increases in the related projected benefit obligation under the owner companies' qualified pension plans. These reimbursements will be made at the time the applicable employees retire. The following summarizes the reimbursement owed to the owner companies:

	Employees Transferred to Motiva on January 1, 2000
	(Millions of Dollars)
Projected benefit obligation at April 1, 1999	$ 159
Interest cost for the period April 1, 1999 to December 31, 1999	9
Actuarial gain	(15)
Projected benefit obligation at December 31, 1999	$ 153

The projected benefit obligation above of $153 million will be recorded as a Motiva liability on January 1, 2000 with a concurrent reduction in the affiliate payable to Equiva Services.

Post-Employment Benefits

Motiva and Equiva Services currently provide health care benefits for retired employees and their dependents through a common plan. Eligibility for such benefits requires that a retired employee be at least 50 years of age, with at least 10 years of service and the sum of age and service of at least 70 years. Past service with the owner companies is credited for determining benefit eligibility.

Motiva's obligation is a percentage of the total premiums required. This percentage varies from 60% to 80% of total cost depending on the sum of the employees total years of age plus service at the time of retirement. The assumed annual health care cost trend rate used in measuring the accumulated post-employment benefit obligation (APBO) was 7.0% in 1999, decreasing to 5.5% by 2002 and remaining at that level thereafter. Assuming a 1% increase in the annual rate of increase of required medical premiums, the APBO and annual expense would increase by approximately $6 million and $1 million, respectively.

In addition to medical benefits, Motiva and Equiva Services are providing retiree life insurance benefits to certain former employees from Texaco and Star. These employees must be of age 50 at April 1, 1999 with 5 years of service at the time of transfer and retire at a minimum age of 55 with at least 10 years of service in order to be eligible.

NOTE 11 - EMPLOYEE BENEFIT PLANS (continued)

Post-Employment Benefits (continued)

Net post-employment benefit costs for April 1, 1999 to December 31, 1999 were as follows:

	Employees Transferred to Motiva on January 1, 2000
	(Millions of Dollars)
Service cost	$ 2
Interest cost	5
Amortization of prior service cost	(2)
Accrued expense	$ 5

Funded status of other post-employment plans as of December 31, 1999, was as follows:

	Employees Transferred to Motiva on January 1, 2000
	(Millions of Dollars)
Accumulated post-employment benefit obligation	$ 74
Unrecognized prior service cost	22
Accrued post-employment benefit obligation	$ 96

The accrued post-employment benefit obligation above of $96 million will be recorded as a Motiva liability on January 1, 2000 with a concurrent reduction in the affiliate payable to Equiva Services.

Pension Plans

Effective April 1, 1999, Equiva Services established a cash balance defined benefit pension plan covering substantially all of its employees. Company contributions under the plan are between 3% and 7% of compensation based on years of service, age, and covered compensation. Individual employee accounts are credited each year with the employer contribution and interest on the account balance at the rate of 6.5% per annum. Assets of the plan are comprised primarily of equity securities and fixed income securities. Motiva and Equiva Services' funding policy is to contribute all pension costs accrued to the extent required by federal tax regulations. The following table sets forth information related to changes in the benefit obligations, change in plans assets, a reconciliation of the funded status of the plans and components of the expense recognized related to Motiva's pension plan.

NOTE 11 - EMPLOYEE BENEFIT PLANS (continued)

Pension Plans (continued)

	Employees Transferred to Motiva on January 1, 2000 (Millions of Dollars)
Change in benefit obligation	
Projected benefit obligation at April 1, 1999	$ -
Service cost	11
Actuarial gain	(1)
Projected benefit obligation at December 31, 1999	$ 10
Change in plan assets	
Fair value of plan assets at April 1, 1999	$ -
Actual return on plan assets	(1)
Employer contributions	1
Fair value of plan assets at December 31, 1999	$ -
Funded status at December 31, 1999	
Obligation greater than assets	$ 10
Unrecognized net gain	1
Accrued pension obligation	$ 11
Weighted-average assumptions at December 31, 1999	
Discount rate	8%
Expected return on plan assets	9%
Rate of compensation increase	4.5%
Components of net periodic benefit costs for the period April 1, 1999 to December 31, 1999	
Service cost	$ 11

The projected benefit obligation above of $11 million will be recorded as a Motiva liability on January 1, 2000 with a concurrent reduction in the affiliate payable to Equiva Services.

Employee Termination Benefits

The joint venture agreements provide for Motiva and Equilon to determine the appropriate staffing levels for their businesses. To the extent those staffing needs resulted in the elimination of positions from the ranks of Shell, Texaco and Star, affected employees were entitled to termination benefits provided for under the benefit plans of the applicable companies. Shell, Texaco and Star, as the employer companies, are responsible for administering the payment of benefits under their respective benefit plans. Motiva and Equilon are obligated to reimburse the employer companies for all costs resulting from the elimination of positions in accordance with a formula included in the joint venture agreements.

NOTE 11 - EMPLOYEE BENEFIT PLANS (continued)

Employee Termination Benefits (continued)

The formation of Motiva and Equilon resulted in the termination of 1,658 employees. The separations were substantially complete as of December 31, 1999. In 1998, Motiva recorded a charge of $28 million for its share of reimbursable severance and other benefit costs as selling, general and administrative expenses in the Statement of Income. An additional provision of $3 million was recorded in 1999. Motiva reimbursed the employer companies $23 million in 1999 and $3 million in 1998 for the termination benefits. Reimbursement of the remaining benefits is expected in 2000.

NOTE 12 - CONTINGENT LIABILITIES

Except for environmental obligations, Motiva generally did not assume any contingent liabilities with respect to events occurring before July 1, 1998.

While it is impossible to ascertain the ultimate legal and financial liability with respect to many contingent liabilities and commitments (including lawsuits, claims, guarantees, federal regulations, environmental issues, etc.), Motiva has accrued amounts related to certain such liabilities. Motiva does not expect that the aggregate amount of commitments and contingent liabilities in excess of amounts accrued at December 31, 1999 and 1998, if any, will have a material effect on the financial position or results of operations of Motiva.

NOTE 13 - TAXES

Motiva, as a limited liability company, is not liable for income taxes. Income taxes are the responsibility of the owners, with earnings of Motiva included in the owners' earnings for the determination of income tax liability.

Excise taxes collected from consumers for governmental agencies that are not included in revenues or expenses were $3,527 million for the year ended December 31, 1999 and $2,062 million for the six months ended December 31, 1998.

APPENDIX

DESCRIPTION OF GRAPHIC/IMAGE/ILLUSTRATION MATERIAL INCLUDED IN EXHIBIT 13 - TEXACO INC.'S 1999 ANNUAL REPORT TO STOCKHOLDERS

The following information is depicted in graphic/image/illustration form in Texaco Inc.'s 1999 Annual Report to Stockholders filed as Exhibit 13 to Texaco Inc.'s 1999 Annual Report on Form 10-K and all page references included in the following descriptions are to the actual and complete paper format version of Texaco Inc.'s 1999 Annual Report to Stockholders as provided to Texaco Inc.'s stockholders:

This Appendix describes the graphic material contained in the portion of Texaco Inc.'s 1999 Annual Report to Stockholders which is incorporated by reference into Texaco Inc.'s 1999 Annual Report on Form 10-K, in response to Form 10-K, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

1. The first graph is located on Page 15. The bar graph is entitled "Average Price Per Barrel of West Texas Intermediate (WTI) Crude Oil" and is reflected in dollars. The average price per barrel of West Texas Intermediate crude oil, in dollars, for each year are depicted as follows:

1997	$20.61
1998	$14.39
1999	$19.31

Below the graph a footnote appears which states, "Prices in 1999 recovered from historically low levels in 1998."

2. The second graph is located on Page 15. The bar graph is entitled "Average OPEC Crude Oil Production (Excluding Iraq)" and is reflected in millions of barrels a day. The average OPEC crude oil production (excluding Iraq), in millions of barrels a day, for each year are depicted as follows:

1997	26.0
1998	25.8
1999	24.0

Below the graph a footnote appears which states, "OPEC reduced production dramatically since 1998."

3. The third graph is located on Page 17. The bar graph is entitled "Cash Expenses Per Barrel" and is reflected in dollars. The cash expenses per barrel, in dollars, for each year are depicted as follows:

1997	$4.08
1998	$3.74
1999	$3.54

Below the graph a footnote appears which states, "Tight expense control led to a 5% per barrel reduction in 1999."

4. The fourth graph is located on Page 19. The bar graph is entitled "U.S. Finding and Development Cost Per Barrel of Oil Equivalent" and is reflected in dollars. The U.S. finding and development cost per barrel of oil equivalent, in dollars, for each year are depicted as follows:

1997	$5.37
1998	$4.41
1999	$4.12

Below the graph a footnote appears which states, "We continue to reduce our per barrel finding and development costs."

5. The fifth graph is located on Page 19. The bar graph is entitled "U. S. Production Costs Per Barrel" and is reflected in dollars. The U. S. production costs per barrel, in dollars, for each year are depicted as follows:

1997	$3.94
1998	$4.07
1999	$4.01

Below the graph a footnote appears which states, "Cost savings initiatives lowered our per barrel production costs in 1999."

6. The sixth graph is located on Page 20. The bar graph is entitled "International Net Proved Reserves" and is reflected in millions of barrels of oil equivalent. The International net proved reserves, in millions of barrels of oil equivalent, for each year are depicted as follows:

	Crude Oil	Natural Gas	Total
1997	1,500	370	1,870
1998	1,749	402	2,151
1999	1,698	650	2,348

Below the graph a footnote appears which states, "Net proved reserves increased due to the Malampaya and Karachaganak projects."

7. The seventh graph is located on Page 21. The bar graph is entitled "International Upstream Capital and Exploratory Expenditures" and is reflected in billions of dollars. The International upstream capital and exploratory expenditures, in billions of dollars, for each year are depicted as follows:

1997	$1.377
1998	$1.219
1999	$1.823

Below the graph a footnote appears which states, "The growth in international upstream investments shows our focus on high-impact projects."

8. The eighth graph is located on Page 24. The bar graph is entitled "International Refined Product Sales" and is reflected in thousands of barrels a day. The International refined product sales, in thousands of barrels a day, for each year and geographical location are depicted as follows:

	Caltex	Europe	Other	LA/WA	Total
1997	571	509	65	418	1,563
1998	593	571	59	462	1,685
1999	669	606	76	493	1,844

Below the graph a footnote appears which states, "International sales

volumes increased by more than 9% in 1999."

9. The ninth graph is located on Page 27. The bar graph is entitled "Capital and Exploratory Expenditures - Geographical" and is reflected in billions of dollars. Capital and exploratory expenditures, in billions of dollars, for each year and geographical location are depicted as follows:

	United States	International	Acquisition of Monterey Resources	Total
1997	$2.221	$2.261	$1.448	$5.930
1998	$2.020	$1.999	$ -	$4.019
1999	$1.400	$2.493	$ -	$3.893

Below the graph a footnote appears which states, "Our investment in Malampaya contributed to the increase in international spending in 1999."

10. The tenth graph is located on Page 27. The bar graph is entitled "Capital and Exploratory Expenditures - Functional" and is reflected in billions of dollars. Capital and exploratory expenditures, in billions of dollars, for each year and function are depicted as follows:

	Exploration and production	Global gas And power	Refining, marketing, distribution and other	Acquisition of Monterey Resources	Total
1997	$2.994	$0.172	$1.316	$1.448	$5.930
1998	$2.655	$0.185	$1.179	$ -	$4.019
1999	$2.723	$0.279	$0.891	$ -	$3.893

Below the graph a footnote appears which states, "We continue emphasis on exploration and production projects."

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INDEX TO EXHIBITS

The exhibits designated by an asterisk are incorporated herein by reference to documents previously filed by Texaco Inc. with the Securities and Exchange Commission, SEC File No. 1-27.

Exhibits

(3.1)	Copy of Restated Certificate of Incorporation of Texaco Inc., as amended to and including August 4, 1999, including Certificate of Designations, Preferences and Rights of Series D Junior Participating Preferred Stock and Series G, H, I and J Market Auction Preferred Shares, filed as Exhibit 3.1 to Texaco Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999, dated August 12, 1999, incorporated herein by reference, SEC File No. 1-27.	*
(3.2)	Copy of By-Laws of Texaco Inc., as amended to and including April 27, 1999, filed as Exhibit 3.2 to Texaco Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999, dated May 14, 1999, incorporated herein by reference, SEC File No. 1-27.	*
(4.1)	Form of Amended Rights Agreement, dated as of March 16, 1989, as amended as of April 28, 1998, between Texaco Inc. and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, filed as Exhibit I, pages 40 through 78, of Texaco Inc.'s proxy statement dated March 17, 1998, incorporated herein by reference, SEC File No. 1-27.	*
(10(iii)(a))	Form of severance agreement between Texaco Inc. and elected officers of Texaco Inc., filed as Exhibit 10(iii)(a) to Texaco Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998, dated March 25, 1999, incorporated herein by reference, SEC File No. 1-27.	*
(10(iii)(b))	Employment agreement dated December 30, 1997, between Texaco Inc. and Mr. John J. O'Connor, Senior Vice President of Texaco Inc., filed as Exhibit 10(iii)(b) to Texaco Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998, dated March 25, 1999, incorporated herein by reference, SEC File No. 1-27.	*
(10(iii)(c))	Employment agreements dated July 18, 1997, between Texaco Inc. and Mr. William M. Wicker, Senior Vice President of Texaco Inc., filed as Exhibit 10(iii)(c) to Texaco Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998, dated March 25, 1999, incorporated herein by reference, SEC File No. 1-27.	*
(10(iii)(d))	Texaco Inc.'s 1997 Stock Incentive Plan, incorporated herein by reference to Appendix A, pages 39 through 44 of Texaco Inc.'s proxy statement dated March 27, 1997.	*
(10(iii)(e))	Texaco Inc.'s 1997 Incentive Bonus Plan, incorporated herein by reference to Appendix A, pages 45 and 46 of Texaco Inc.'s proxy statement dated March 27, 1997.	*
(10(iii)(f))	Texaco Inc.'s Stock Incentive Plan, incorporated herein by reference to pages A-1 through A-8 of Texaco Inc.'s proxy statement dated April 5, 1993.	*
(10(iii)(g))	Texaco Inc.'s Stock Incentive Plan, incorporated herein by reference to pages IV-1 through IV-5 of Texaco Inc.'s proxy statement dated April 10, 1989 and to Exhibit A of Texaco Inc.'s proxy statement dated March 29, 1991.	*

(10(iii)(h))	Texaco Inc.'s Incentive Bonus Plan, incorporated herein by reference to page IV-5 of Texaco Inc.'s proxy statement dated April 10, 1989.	*
(10(iii)(i))	Description of Texaco Inc.'s Supplemental Pension Benefits Plan, incorporated herein by reference to pages 8 and 9 of Texaco Inc.'s proxy statement dated March 17, 1981.	*
(10(iii)(j))	Description of Texaco Inc.'s Revised Supplemental Pension Benefits Plan, incorporated herein by reference to pages 24 through 27 of Texaco Inc.'s proxy statement dated March 9, 1978.	*
(10(iii)(k))	Description of Texaco Inc.'s Revised Incentive Compensation Plan, incorporated herein by reference to pages 10 and 11 of Texaco Inc.'s proxy statement dated March 13, 1969.	*
(12.1)	Computation of Ratio of Earnings to Fixed Charges of Texaco on a Total Enterprise Basis.	
(12.2)	Definitions of Selected Financial Ratios.	
(13)	Copy of those portions of Texaco Inc.'s 1999 Annual Report to Stockholders that are incorporated herein by reference into this Annual Report on Form 10-K.	
(21)	Listing of significant Texaco Inc. subsidiary companies and the name of the state or other jurisdiction in which each subsidiary was organized.	
(23.1)	Consent of Arthur Andersen LLP.	
(23.2)	Consent of KPMG LLP.	
(23.3)	Consent of Independent Accountants of Equilon Enterprises LLC.	
(23.4)	Consent of Independent Accountants of Motiva Enterprises LLC.	
(24)	Powers of Attorney for the Directors and certain Officers of Texaco Inc. authorizing, among other things, the signing of Texaco Inc.'s Annual Report on Form 10-K on their behalf.	
(27)	Financial Data Schedule.	

EXHIBIT 12.1

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
OF TEXACO ON A TOTAL ENTERPRISE BASIS (UNAUDITED)
FOR EACH OF THE FIVE YEARS ENDED DECEMBER 31, 1999
(In Millions of Dollars)

	Years Ended December 31,				
	1999	1998	1997	1996	1995
Income from continuing operations, before provision or benefit for income taxes and cumulative effect of accounting changes effective 1-1-98 and 1-1-95........	$1,955	$ 892	$3,514	$3,450	$1,201
Dividends from less than 50% owned companies more or (less) than equity in net income..............	189	--	(11)	(4)	1
Minority interest in net income..........................	83	56	68	72	54
Previously capitalized interest charged to income during the period..............................	14	22	25	27	33
Total earnings...................................	2,241	970	3,596	3,545	1,289
Fixed charges:					
Items charged to income:					
Interest charges....................................	587	664	528	551	614
Interest factor attributable to operating lease rentals..................................	90	120	112	129	110
Preferred stock dividends of subsidiaries guaranteed by Texaco Inc........................	55	33	33	35	36
Total items charged to income....................	732	817	673	715	760
Interest capitalized.................................	28	26	27	16	28
Interest on ESOP debt guaranteed by Texaco Inc........	--	3	7	10	14
Total fixed charges..............................	760	846	707	741	802
Earnings available for payment of fixed charges.......... (Total earnings + Total items charged to income)	$2,973	$1,787	$4,269	$4,260	$2,049
Ratio of earnings to fixed charges of Texaco on a total enterprise basis...........................	3.91	2.11	6.04	5.75	2.55

EXHIBIT 12.2

DEFINITIONS OF SELECTED FINANCIAL RATIOS

CURRENT RATIO

Current assets divided by current liabilities.

RETURN ON AVERAGE STOCKHOLDERS' EQUITY

Net income divided by average stockholders' equity. Average stockholders' equity is computed using the average of the monthly stockholders' equity balances.

RETURN ON AVERAGE CAPITAL EMPLOYED

Net income plus minority interest plus after-tax interest expense divided by average capital employed. Capital employed consists of stockholders' equity, total debt and minority interest. Average capital employed is computed on a four-quarter average basis.

TOTAL DEBT TO TOTAL BORROWED AND INVESTED CAPITAL

Total debt, including capital lease obligations, divided by total debt plus minority interest liability and stockholders' equity.

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Management's Discussion and Analysis (MD&A)

INTRODUCTION

We use the MD&A to explain Texaco's operating results and general financial condition. A table of financial highlights that provides a financial picture of the company is followed by four main sections: Industry Review, Results of Operations, Analysis of Income by Operating Segments and Other Items.

Industry Review -- we discuss the economic factors that affected our industry in 1999. We also provide our near-term outlook for the industry.

Results of Operations -- we explain changes in consolidated revenues, costs, expenses and income taxes. Summary schedules, showing results before and after special items, complete this section. Special items are significant benefits or charges outside the scope of normal operations.

Analysis of Income by Operating Segments -- we discuss the performance of our operating segments: Exploration and Production (Upstream), Refining, Marketing and Distribution (Downstream) and Global Gas and Power. We also discuss Other Business Units and our Corporate/Non-operating results.

Other Items section includes:

- Liquidity and Capital Resources: How we manage cash, working capital and debt and other actions to provide financial flexibility
- Reorganizations, Restructurings and Employee Separation Programs: A discussion of our reorganizations and other cost-cutting initiatives
- Capital and Exploratory Expenditures: Our program to invest in the business, especially in projects aimed at future growth
- Environmental Matters: A discussion about our expenditures relating to protection of the environment
- New Accounting Standards: A description of a new accounting standard to be adopted
- Euro Conversion: The status of our program to adapt to the euro currency
- Year 2000 (Y2K): A discussion of how we successfully dealt with the Y2K issue

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Our discussions in the MD&A and other sections of this Annual Report contain forward-looking statements that are based upon our best estimate of the trends we know about or anticipate. Actual results may be different from our estimates. We have described in our 1999 Annual Report on Form 10-K the factors that could change these forward-looking statements.

FINANCIAL HIGHLIGHTS

(Millions of dollars, except per share and ratio data)	1999	1998	1997
Revenues	$ 35,691	$ 31,707	$ 46,667
Income before special items and cumulative effect of accounting change	$ 1,214	$ 894	$ 1,894
Special items	(37)	(291)	770
Cumulative effect of accounting change	--	(25)	--
Net income	$ 1,177	$ 578	$ 2,664
Diluted income per common share (dollars)			
Income before special items and cumulative effect of accounting change	$ 2.21	$ 1.59	$ 3.45
Special items	(.07)	(.55)	1.42
Cumulative effect of accounting change	--	(.05)	--
Net income	$ 2.14	$ .99	$ 4.87
Cash dividends per common share (dollars)	$ 1.80	$ 1.80	$ 1.75
Total assets	$ 28,972	$ 28,570	$ 29,600
Total debt	$ 7,647	$ 7,291	$ 6,392
Stockholders' equity	$ 12,042	$ 11,833	$ 12,766
Current ratio	1.05	1.07	1.07
Return on average stockholders' equity*	10.0%	4.9%	23.5%
Return on average capital employed before special items*	8.3%	6.5%	13.0%
Return on average capital employed*	8.1%	5.0%	17.3%
Total debt to total borrowed and invested capital	37.5%	36.8%	32.3%

*Returns for 1998 exclude the cumulative effect of accounting change (see Note 2 to the financial statements).

INDUSTRY REVIEW

Introduction

International petroleum market conditions changed dramatically during 1999. Over the first few months, crude oil prices were very weak. While economic activity and oil demand were beginning to show signs of increasing, oil supplies were excessive. Then, in April, the Organization of Petroleum Exporting Countries (OPEC) along with other oil producing countries cut output sharply. Oil prices increased and remained strong over the balance of the year. For 1999, WTI crude oil prices averaged $19.31 per barrel, or 34% above the 1998 average.

ITEM 1

AVERAGE PRICE PER BARREL OF WEST TEXAS INTERMEDIATE (WTI) CRUDE OIL

[GRAPHIC/IMAGE/ILLUSTRATION MATERIAL APPEARS HERE.
SEE APPENDIX, ITEM 1.]

- --

The increase in crude oil prices boosted revenues from crude oil operations. However, higher crude oil costs, together with other factors such as excess gasoline and distillate stocks, tended to hurt the financial performance of refineries in most markets.

Review of 1999

After slowing sharply in 1998 due to a severe global economic crisis, the rate of world economic growth increased last year. Growth accelerated from a meager 2.3% in 1998 to 2.9% in 1999.

Economic activity varied among regions. The U.S. economy continued to grow at a strong pace with low inflation, due in part to a technology-led surge in labor productivity. Economic expansion in Western Europe also picked up in the second half of the year, benefiting from increased domestic demand and the favorable impact of a weak euro currency on exports.

World economic expansion was reinforced by the beginning of economic recovery in Asia. Several of the key economies in the Asian region, including South Korea, Malaysia, the Philippines, Singapore and Thailand sustained solid economic upturns in 1999. Other regional economies, such as Hong Kong, also turned around. Similarly, Japan, the world's second largest economy, showed signs of emerging from its worst downturn in the post-war period. This improvement was due to extraordinarily low interest rates and increased government spending. However, consumer demand had yet to recover.

The Latin American region, which was hard hit earlier in the year, also began to grow again toward year-end. This renewed growth was propelled by turnarounds in Brazil, Mexico, Argentina and Chile. Moreover, world commodity prices started to rebound from the low levels which resulted from the 1998 economic crisis. This, in turn, spurred economic growth in other areas, particularly the oil producing countries of the Middle East and Africa. In addition, the Russian economy turned upward after many years of decline. This improvement was due to factors such as higher oil prices, increased agricultural output and the substitution of domestically produced goods for imports.

This rebound in economic activity led to a significant increase in the demand for petroleum products worldwide. During 1999, consumption averaged 75.5 million barrels per day (BPD), a 1.3 million BPD, or 1.7% gain over the prior year. This growth, however, was not evenly distributed among regions.

- In the more advanced economies, oil demand rose by 700,000 BPD, boosted by the U.S. and to a lesser extent by Japan
- In the less developed countries, Asian oil demand recovered from its 1998 slump and rose by 500,000 BPD, while growth in Latin America exceeded 100,000 BPD
- Demand in Eastern Europe rose by 100,000 BPD but was offset by an equal decline in the former Soviet Union
- In other regions, demand registered no growth

Demand growth alone may have been insufficient to boost prices. Consequently, OPEC and some non-OPEC producers agreed to cut production. Oil output from these countries, which had been cut twice during 1998, was scaled back further during the early part of 1999 by an additional 1.8 million BPD -- bringing the total reduction to a significant 4 million BPD.

ITEM 2

AVERAGE OPEC CRUDE OIL PRODUCTION (EXCLUDING IRAQ)

[GRAPHIC/IMAGE/ILLUSTRATION MATERIAL APPEARS HERE.
SEE APPENDIX, ITEM 2.]

- --

The production curtailment and the resultant tightening balance between supply and demand caused the price of crude oil to soar from its depressed 1998 and early 1999 levels. The market price of West Texas Intermediate (WTI) averaged $19.31 per barrel, an increase of 34% from the prior year. During the final

months of 1999, oil prices reached their highest levels in several years and continued to increase in early 2000.

Near-Term Outlook

We expect global economic expansion to accelerate from 2.9% in 1999 to a 3.7% gain this year, reflecting several factors:

- Continued, but slower, gains in the United States as the Federal Reserve moves to moderate growth by raising interest rates
- Continued economic expansion in Western Europe
- Further strengthening in the developing world, particularly the developing nations of Asia and Latin America
- Continued low growth in Russia

On the other hand, the outlook for the large Japanese economy remains clouded by the apparent inability of the economy to grow without strong government spending. Private demand must eventually substitute for government spending if the recovery is to be sustained. Furthermore, Japanese export growth could be jeopardized by a pronounced appreciation in the value of the yen. Accordingly, we expect the Japanese economy to register only minimal growth this year.

With the increase in global economic activity, the demand for crude oil will be greater. An increase in worldwide oil consumption of about 1.6 million BPD is expected. Non-OPEC production should recover considerably and may boost output to levels close to the one million BPD mark. OPEC may therefore choose to relax its quotas and increase production.

The crude oil price outlook is highly uncertain. In the past, high crude oil prices have often encouraged OPEC to increase production sharply, causing prices to drop. Higher petroleum demand and a potential weakening in crude oil costs could benefit downstream margins.

RESULTS OF OPERATIONS

Revenues

Our consolidated worldwide revenues were $35.7 billion in 1999, $31.7 billion in 1998 and $46.7 billion in 1997. Our revenues benefited from higher commodity prices, especially crude oil in the second half of 1999. We also benefited from higher refined product sales volumes in 1999. The decrease in 1998 resulted largely from the accounting for Equilon, a downstream joint venture in the United States we formed in January 1998. Under accounting rules, the significant revenues of the operations we contributed to this joint venture are no longer included in our consolidated revenues. Revenues, costs and expenses of the joint venture are reported net as "equity in income of affiliates" in our income statement.

Sales Revenues - Price/Volume Effects

Our sales revenues were higher in 1999 due to an increase of 38% in our realized crude oil prices. Crude oil and natural gas liquids production, however, was 5% lower, due to natural field declines and asset sales in the U.S. and temporary operating problems in the U.K.

Sales revenues from petroleum products increased in 1999 led by higher prices and stronger international volumes. Volume growth for marine fuel sales benefited from our joint venture with Chevron formed late in 1998.

Our volumes of natural gas sold in 1999 decreased in the U.S. due to lower production and reduced sales of purchased gas. Internationally, we withdrew from the U.K. retail gas marketing business.

Our sales revenues decreased in 1998 due to historically low crude oil, natural gas and refined product prices. Partly offsetting the decline in prices were higher liquids production and sales volumes.

Other Revenues

Other revenues include our equity in the income of affiliates, income from asset sales and interest income. Results for 1999 were lower than 1998 due to reduced interest income on notes and marketable securities and lower asset sales. Equity in income of affiliates in 1999 was consistent with 1998 results. Lower downstream margins in the Caltex Asia-Pacific Region and Motiva's U.S. East and Gulf Coast areas depressed results. However, we realized higher refining margins in Equilon's West Coast operating areas. We also benefited from stronger crude oil prices in our Indonesian producing affiliate.

Results for 1998 show a decrease in other revenues from 1997. Equity in income of affiliates decreased in 1998, mostly due to a decline in Caltex' results. This decline was partly offset by the inclusion of results for Equilon. Income from asset sales was also lower in 1998.

Our share of special charges by our affiliates included in other revenues amounted to $153 million in 1999 and $159 million in 1998. In 1999, these major special charges included refinery asset write-downs in the U.S. and a loss on the sale of an interest in a Japanese affiliate. These charges were reduced by inventory valuation benefits in the U.S. and abroad, as well as tax revaluation benefits in Korea. The 1998 special charges included inventory valuation adjustments, net U.S. alliance formation costs and Caltex restructuring charges.

In 1997, special gains included $416 million from upstream asset sales in the U.K. North Sea and Myanmar.

Costs and Expenses

Costs and expenses from operations were $33.3 billion in 1999, $30.5 billion in 1998 and $42.9 billion in 1997. Higher prices and product volumes increased our cost of goods sold in 1999. While costs have increased, reflecting world oil prices, operating expenses declined in 1999. This improvement reflects our continued emphasis on cost containment and operational efficiency. Similar to the discussion of revenue above, the decrease in both costs and expenses for 1998 is largely due to the accounting treatment for Equilon.

Special items recorded by our subsidiaries increased costs and operating expenses by $121 million in 1999, $382 million in 1998 and $136 million in 1997. Major special items in 1999 included inventory valuation benefits in subsidiaries, which reversed similar

charges recorded in 1998 when commodity prices were very depressed. The year 1998 also included higher asset write-downs and employee separation costs.

Asset write-downs in 1999, which increased depreciation, depletion and amortization expense by $87 million, resulted mainly from impairments in our global gas and power segment and our corporate center. Asset write-downs in 1998, which increased depreciation, depletion and amortization expense by $150 million, resulted from impairments primarily in our upstream operations. These and other asset impairments we have recognized since initially applying the provisions of SFAS 121 have been driven by specific events. These include the sale of properties or downward revisions in underground reserve quantities. Impairments have not resulted from changes in prices used to calculate future revenues. In performing our impairment reviews of assets not held for sale, we use our best judgment in estimating future cash flows. This includes our outlook of commodity prices based on our view of supply and demand forecasts and other economic indicators.

Special charges in 1997 were principally for asset write-downs and royalty litigation issues.

Interest expense for 1999 and 1998 increased due mostly to higher average debt levels after a slight decrease in 1997.

During 1999 we kept tight control over expenses. Our success is illustrated by the chart below.

ITEM 3

CASH EXPENSES PER BARREL

[GRAPHIC/IMAGE/ILLUSTRATION MATERIAL APPEARS HERE.
SEE APPENDIX, ITEM 3.]

In 1999, we realized $743 million in pre-tax cost savings and synergy capture, exceeding our year-end 2000 target of $650 million, a full year ahead of schedule. We have identified other opportunities that should capture an additional $400 million in savings by 2001.

Income Taxes

Income tax expense was $602 million in 1999, $98 million in 1998 and $663 million in 1997. The increase in 1999 is mostly due to higher income from international producing operations. These areas are generally high tax jurisdictions. The year 1997 included a $488 million benefit from an IRS settlement.

Income Summary Schedules

The following schedules show after-tax results before and after special items and before the cumulative effect of accounting change. A full discussion of special items is included in our Analysis of Income by Operating Segments.

Income (loss)

(Millions of dollars)	1999	1998	1997
Income before special items and cumulative effect of accounting change	$ 1,214	$ 894	$ 1,894
Special items:			
Inventory valuation adjustments	152	(142)	--
Write-downs of assets	(157)	(93)	(41)
Reorganizations, restructurings and employee separation costs	(74)	(144)	--
Gains (losses) on major asset sales	(62)	20	367
Tax benefits on asset sales	40	43	--
Tax issues	106	25	480
Royalty issues	(30)	--	(36)
Environmental issues	(12)	--	--
Total special items	(37)	(291)	770
Income before cumulative effect of accounting change	$ 1,177	$ 603	$ 2,664

The following schedule further details our results:

Income (loss)

(Millions of dollars)	Before Special Items 1999	1998	1997	After Special Items 1999	1998	1997
Exploration and production (upstream)						
United States	$ 666	$ 381	$ 1,038	$ 652	$ 301	$ 990
International	386	181	479	360	129	812
Total	1,052	562	1,517	1,012	430	1,802
Refining, marketing and distribution (downstream)						
United States	287	276	312	208	221	325
International	338	503	524	370	332	508
Total	625	779	836	578	553	833
Global gas and power	21	(33)	(46)	(14)	(16)	(46)
Total	1,698	1,308	2,307	1,576	967	2,589
Other business units	(3)	(2)	2	(3)	(2)	2
Corporate/Non-operating	(481)	(412)	(415)	(396)	(362)	73
Income before cumulative effect of accounting change	$ 1,214	$ 894	$ 1,894	$ 1,177	$ 603	$ 2,664

ANALYSIS OF INCOME BY OPERATING SEGMENTS

Upstream

In our upstream business, we explore for, find, produce and sell crude oil, natural gas liquids and natural gas.

Our upstream operations benefited from improved crude oil prices during 1999. The following discussion will focus on how the improved price environment and other business factors affected our earnings. The U.S. results for 1998 and 1997 include some minor Canadian operations which were sold at the end of 1998.

United States Upstream

(Millions of dollars, except as indicated)	1999	1998	1997
Operating income before special items	$ 666	$ 381	$ 1,038
Special items:			
Write-downs of assets	--	(51)	(31)
Employee separation costs	(11)	(29)	--
Gains on major asset sales	18	--	26
Royalty issues	(30)	--	(36)
Tax issues	9	--	(7)
Total special items	(14)	(80)	(48)
Operating income	$ 652	$ 301	$ 990
Selected Operating Data:			
Net production			
Crude oil and NGL (thousands of barrels a day)	395	433	396
Natural gas available for sale (millions of cubic feet a day)	1,462	1,679	1,706
Average realized crude price (dollars per barrel)	$ 14.70	$ 10.60	$ 17.34
Average realized natural gas price (dollars per MCF)	$ 2.18	$ 2.00	$ 2.37
Exploratory expenses (millions of dollars)	$ 234	$ 257	$ 189
Production costs (dollars per barrel)	$ 4.01	$ 4.07	$ 3.94
Return on average capital employed before special items	10.5%	6.0%	20.9%
Return on average capital employed	10.3%	4.7%	20.0%

WHAT HAPPENED IN THE UNITED STATES?

Business Factors

PRICES We benefited from higher prices in 1999, which improved earnings by $342 million. Our average realized crude oil price increased by 39% to $14.70 per barrel. This follows a 39% decrease in 1998 when crude prices plummeted to over 20 year lows in the fourth quarter. Crude oil prices recovered in 1999 as OPEC and several non-OPEC producers implemented cutbacks in production. These production cutbacks, coupled with increasing demand in improving global economies, led to a decline in worldwide inventory levels. Our average realized natural gas price in 1999 increased 9% to $2.18 per thousand cubic feet (MCF). This follows a 16% decrease in 1998.

PRODUCTION Our production declined by 10% in 1999. This decrease was due to natural field declines, asset sales and reduced investment in mature properties consistent with our focus on capital efficiency. In 1998 our production increased by 5%. This was due to our acquisition of heavy oil producer Monterey Resources in November 1997, new production in the Gulf of Mexico and higher production from our Kern River field in California.

Our capital expenditures in 1999 reflect our shift in upstream strategy to pursue high-margin, high-impact projects rather than multiple projects with incremental potential.

ITEM 4
U.S. FINDING AND DEVELOPMENT COST PER BARREL OF OIL EQUIVALENT

[GRAPHIC/IMAGE/ILLUSTRATION MATERIAL APPEARS HERE.
SEE APPENDIX, ITEM 4.]

EXPLORATORY EXPENSES We expensed $234 million on exploratory activity in 1999. This included a $100 million write-off of investments in the Fuji and McKinley prospects in the Gulf of Mexico. These prospects, initially drilled between 1995 and 1998, were determined to be non-commercial in the fourth quarter of 1999 after appraisal drilling. Our exploratory expenses in 1998 were $257 million, 36% higher than 1997.

Other Factors

Our cash operating expenses decreased in 1999 by 10%. This was a result of cost savings from the restructuring of our worldwide upstream organization. Our production costs per barrel increased in 1998 and then decreased slightly in 1999. Our 1999 production cost per barrel benefited from cost savings but were negatively impacted by production declines of 10%.

ITEM 5
U.S. PRODUCTION COSTS PER BARREL

[GRAPHIC/IMAGE/ILLUSTRATION MATERIAL APPEARS HERE.
SEE APPENDIX, ITEM 5.]

Special Items

Our results for 1999 included a $30 million charge for the settlement of crude oil royalty valuation issues on federal lands and an $11 million charge for employee separation costs. The employee separation costs result from the expansion of our 1998 program. Results for 1998 included a charge for employee separation costs of $29 million. See the section entitled, Reorganizations, Restructurings and Employee Separation Programs on page 26 for additional information. During 1999, we also recorded an $18 million gain on asset sales in California and a $9 million production tax refund.

Results for 1998 also included asset write-downs of $51 million for impaired properties in Louisiana and Canada. The impaired Louisiana property represents an unsuccessful enhanced recovery project. We determined in the fourth quarter of 1998 that the carrying value of this property exceeded future undiscounted cash flows. Fair value was determined by discounting expected future cash flows. The Canadian properties were impaired following our decision in October 1998 to exit the upstream business in Canada. These properties were written down to their sales price with the sale closing in December 1998.

Results for 1997 included a charge of $31 million for asset write-downs and a gain of $26 million from the sale of gas properties in Canada. We also recorded charges of $36 million for royalty issues and $7 million for tax issues.

International Upstream

(Millions of dollars, except as indicated)	1999	1998	1997
Operating income before special items	$ 386	$ 181	$ 479
Special items:			
Write-downs of assets	--	(42)	(10)
Employee separation costs	(2)	(10)	--
Gains on major asset sales	--	--	328
Tax issues	(24)	--	15
Total special items	(26)	(52)	333
Operating income	$ 360	$ 129	$ 812
Selected Operating Data:			
Net production			
Crude oil and NGL (thousands of barrels a day)	490	497	437
Natural gas available for sale (millions of cubic feet a day)	537	548	471
Average realized crude price (dollars per barrel)	$15.23	$11.20	$17.64
Average realized natural gas price (dollars per MCF)	$ 1.34	$ 1.63	$ 1.66
Exploratory expenses (millions of dollars)	$ 267	$ 204	$ 282
Production costs (dollars per barrel)	$ 4.37	$ 3.74	$ 4.30
Return on average capital employed before special items	10.3%	5.8%	17.5%
Return on average capital employed	9.6%	4.1%	29.7%

WHAT HAPPENED IN THE INTERNATIONAL AREAS?

Business Factors

PRICES Our earnings increased by $327 million in 1999 due to the rebound in crude oil prices. Our average crude oil price increased by 36% to $15.23 per barrel. The 1999 recovery in crude oil prices was due to worldwide production cutbacks and improved demand. This improvement follows a decline of 37% in 1998. The trend of lower crude oil prices began in late 1997 and continued throughout 1998 with prices dropping to over 20 year lows in the fourth quarter. Our average realized natural gas price in 1999 declined to $1.34 per MCF, a decrease of 18%. This follows a decrease of 2% in 1998.

PRODUCTION Our production in 1999 declined slightly. We experienced some declines in the U.K. North Sea due to operating problems. In Indonesia we had lower production volumes as higher prices reduced our lifting entitlements for cost recovery under a production sharing agreement. We also experienced lower gas production in Latin America. These declines were partially offset by increased production in the Partitioned Neutral Zone as a result of increased drilling activity and further development of the Karachaganak field in the Republic of Kazakhstan. Our production increased 14% in 1998 due to a full year's production in the U.K. North Sea from the Captain and Erskine fields and new production from the Galley field. Production also grew in the Partitioned Neutral Zone.

ITEM 6
INTERNATIONAL NET PROVED RESERVES

[GRAPHIC/IMAGE/ILLUSTRATION MATERIAL APPEARS HERE.
SEE APPENDIX, ITEM 6.]

EXPLORATORY EXPENSES We expensed $267 million on exploratory activity in 1999, an increase of 31%. This included about $50 million for an unsuccessful exploratory well in a new offshore area of Trinidad. Also included is $30 million of prior year drilling expenditures in Thailand, which we wrote off in 1999 after we determined the prospect to be non-commercial. In 1999, our main focus areas were in Nigeria and Brazil. Our exploratory expenses were $204 million in 1998, a decrease of 28%.

Other Factors

Our 1999 cash operating expenses decreased by 3% as a result of continuing cost savings initiatives and the restructuring of our worldwide upstream organization. Our production costs were $4.37 per barrel, an increase of 17%. This increase reflects lower production in Indonesia due to lower entitlement liftings for cost recovery as a result of higher prices.

ITEM 7
INTERNATIONAL UPSTREAM CAPITAL AND EXPLORATORY EXPENDITURES

[GRAPHIC/IMAGE/ILLUSTRATION MATERIAL APPEARS HERE.
SEE APPENDIX, ITEM 7.]

Special Items

Our results for 1999 included a $24 million charge for prior years' tax issues in the U.K. and a $2 million charge for employee separation costs. The employee separation costs result from the expansion of our 1998 program. Results for 1998 included a charge for employee separation costs of $10 million. See the section entitled, Reorganizations, Restructurings and Employee Separation Programs on page 26 for additional information.

Results for 1998 also included a write-down of $42 million for the impairment of our investment in the Strathspey field in the U.K. North Sea. The Strathspey impairment was caused by a downward revision in the fourth quarter of 1998 of the estimated volume of the field's proved reserves. Fair value was determined by discounting expected future cash flows.

Results for 1997 included a $10 million charge for asset write-downs and gains on asset sales of $328 million. These sales included a 15% interest in the Captain field in the U.K. and investments in an Australian pipeline system and the company's Myanmar operations. Also, 1997 included a $15 million prior period tax benefit.

LOOKING FORWARD IN THE WORLDWIDE UPSTREAM

We intend to continue to cost-effectively explore for, develop and produce crude oil and natural gas reserves by focusing on high-margin, high-impact projects. In an effort to boost long-term upstream profitability, we are selling producing properties that no longer fit our business strategy. The cash proceeds from these sales will be reinvested into major upstream projects that offer higher returns. In 2000 we plan to sell producing properties totaling about 100,000 barrels per day of production in the U.S., offshore Trinidad and in the U.K. North Sea. As a result, beginning in 2001 we expect worldwide production to increase by two to three percent annually over the next three to five years. In addition to California, our growth areas of focus include:

- Philippines -- where in 1999 we acquired a 45% interest in the Malampaya Deep Water Natural Gas Project. This added 140 million BOE to our proved reserve base and increased our international gas reserves by 30%. Our share of production is anticipated to reach 240 MMCF per day by 2003

- West Africa -- where in 1999 we announced the major Agbami oil discovery offshore Nigeria

- U.S. Gulf of Mexico -- where we hold both exploration and production acreage and saw the June 1999 start-up of our Gemini Project

- Venezuela -- where in 1999 we increased our interest from 20% to 30% in the Hamaca Oil Project

- Kazakhstan -- where we hold interests in the Karachaganak and North Buzachi Projects

- Brazil -- where in 1999 we signed an agreement with Petrobras, Brazil's national oil company, to become an equity partner in the Campos and Santos exploration and the Frade development areas offshore Brazil and successfully bid on three high potential offshore exploration blocks in Brazil's First License Round

As we implement these growth plans, we will continue to lower our per barrel operating costs through additional cost-savings initiatives.

Downstream

In our downstream business, we refine, transport and sell crude oil and products, such as gasoline, fuel oil and lubricants.

Our U.S. downstream includes our share of operations in Equilon and Motiva. The Equilon area includes western and midwestern refining and marketing operations, and nationwide trading, transportation and lubricants activities. Our 1999 and 1998 results in this area are our share of the earnings of our joint venture with Shell, Equilon, which began operations on January 1, 1998. We have a 44% interest in Equilon. Results for 1997 are for our subsidiary operations in this same area. The Motiva area includes eastern and Gulf Coast refining and marketing operations. Our results for 1999 and the last half of 1998 are our share of the earnings of our joint venture with Shell and Saudi Refining, Inc., Motiva, which began operations on July 1, 1998. We have a 32.5% interest in Motiva. Results for the first half of 1998 and the year 1997 are for our 50% share of our joint venture with Saudi Refining, Inc., Star.

Internationally, our wholly-owned downstream operations are reported separately as Latin America and West Africa and Europe. We also have a 50% interest in a joint venture with Chevron, Caltex, which operates in Africa, Asia, Australia, the Middle East and New Zealand.

In the U.S. and international operations, we also have other businesses, which include aviation and marine product sales, lubricants marketing and other refined product trading activity.

United States Downstream

(Millions of dollars, except as indicated)	1999	1998	1997
Operating income before special items	$ 287	$ 276	$ 312
Special items:			
Write-downs of assets	(76)	--	--
Inventory valuation adjustments	8	(34)	--
Reorganizations, restructurings and employee separation costs	(11)	(21)	--
Gains on major asset sales	--	--	13
Total special items	(79)	(55)	13
Operating income	$ 208	$ 221	$ 325
Selected Operating Data:			
Refinery input (thousands of barrels a day)	671	698	747
Refined product sales (thousands of barrels a day)	1,377	1,203	1,022
Return on average capital employed before special items	11.3%	9.6%	9.8%
Return on average capital employed	8.2%	7.7%	10.2%

WHAT HAPPENED IN THE UNITED STATES?

Equilon - These operations contributed $288 million to our 1999 operating earnings before special items. We achieved higher earnings in 1999 from improved West Coast refining margins as a result of industry refinery outages earlier in the year. We also benefited from improved utilization of the Martinez refinery, strong transportation results from higher throughput and realization of cost savings and synergies. These include improved efficiency of work processes, reduction of supply costs, sharing best practices, capitalizing on logistical and trading opportunities and greater utilization of proprietary pipelines. These improved results in 1999 were partly offset by operating problems at the Puget Sound refinery earlier in the year and weak marketing margins as pump prices lagged behind increases in gasoline spot prices. Our sales volumes improved in 1999 due to increased trading activity.

The 1998 earnings were flat when compared with 1997. Strong transportation and lubricants earnings as well as cost and expense reductions were offset by the effects of significant downtime at certain refineries, lower margins and interest expense. Refined product sales volumes increased. This included 4% growth in Texaco-branded gasoline sales.

Our share of the U.S. affiliates' pre-tax cost savings and synergy capture was $326 million in 1999.

Motiva - These operations contributed only $12 million to our 1999 operating income before special items. Our 1999 results were lower than 1998. They were negatively impacted by weak refining and marketing margins on the East and Gulf Coasts due to the inability to pass along rising crude costs and high industry-wide refined product inventory levels. These weaknesses were partly offset by improved refinery reliability and cost savings and synergies that were achieved by Motiva. These include reduction of fuel additive supply costs, improved efficiency of work processes, improved asset utilization and sharing best practices.

The 1998 earnings were lower due to refinery downtime coupled with lower refining margins. Refined product sales were higher as a result of our joint venture and an increase in Texaco-branded gasoline sales. The year 1997 benefited from improved Gulf Coast refining margins.

Special Items

Results for 1999 and 1998 included net special charges of $79 million and $55 million, representing our share of special items recorded by our U.S. alliances. Results for 1997 included a gain of $13 million from the sale of our credit card business.

The 1999 charge included $76 million for the write-downs of assets to their estimated sales values by Equilon for the intended sales of its El Dorado and Wood River refineries. Equilon completed the sale of the El Dorado refinery to Frontier Oil Corporation in November 1999, and is continuing to seek a purchaser for the Wood River refinery.

Our 1999 results also included an inventory valuation benefit of $8 million due to higher 1999 inventory values. This follows a 1998 charge of $34 million to reflect lower market prices on December 31, 1998 for inventories of crude oil and refined products. We value inventories at the lower of cost or market, after initially recording at

cost. Inventory valuation adjustments are reversed when prices recover and the associated physical units of inventory are sold.

Our 1999 and 1998 results included net charges of $11 million and $21 million for reorganizations, restructurings and employee separation costs. The 1999 charge represents dismantling expenses at a closed refinery, an adjustment to the Anacortes refinery sale and employee separation costs from the expansion of Equilon's and Motiva's 1998 separation programs. The 1998 net charge was for U.S. alliance formation issues. This net charge included $52 million for employee separation costs and $45 million for write-downs of closed facilities and surplus equipment to their net realizable value. These facilities included a refinery in Texas, lubricant plants in various states, a sales terminal in Louisiana and research facilities and equipment in Texas and New York. Also included in net charges were gains of $76 million from the Federal Trade Commission-mandated sale of the Anacortes refinery and Plantation pipeline.

International Downstream

(Millions of dollars, except as indicated)	1999	1998	1997
Operating income before special items	$ 338	$ 503	$ 524
Special items:			
Inventory valuation adjustments	144	(108)	--
Write-downs of assets	(23)	--	--
Reorganizations, restructurings and employee separation costs	(41)	(63)	--
Losses on major asset sales	(80)	--	--
Tax issues	32	--	(16)
Total special items	32	(171)	(16)
Operating income	$ 370	$ 332	$ 508
Selected Operating Data:			
Refinery input (thousands of barrels a day)	820	832	804
Refined product sales (thousands of barrels a day)	1,844	1,685	1,563
Return on average capital employed before special items	5.6%	8.2%	9.2%
Return on average capital employed	6.1%	5.4%	8.9%

WHAT HAPPENED IN THE INTERNATIONAL AREAS?

Latin America and West Africa - Our operations in Latin America and West Africa contributed 66% of our 1999 operating income before special items. Results in 1999 were lower than 1998 as they reflected a squeeze on refining margins as escalating crude costs outpaced product price increases. Our results were also adversely affected by depressed marketing margins and lower volumes in Brazil due to poor economic conditions and related currency devaluation. Partially offsetting these conditions was an overall 7% increase in refined product sales volume led by our Caribbean and Central American operations. In 1998, earnings increased due to higher refined product sales volumes from service station acquisitions and the expansion of our industrial customer base.

Europe - Our European operations contributed 26% of our 1999 operating income before special items. Results for 1999 were lower due to poor refining margins. Product price increases failed to keep pace with escalating crude costs. A 6% increase in refined product sales volumes helped to offset the squeeze on margins. In 1998, earnings increased significantly from improved refining and marketing margins. Additionally, during 1998 we grew our refined product sales volumes by increasing retail outlets and obtaining new commercial business.

Caltex - Our results for Caltex in 1999 before special items were $28 million. These results were lower than 1998. Results were adversely affected by depressed refining and marketing margins. This was caused by the inability to recover rapidly escalating crude oil costs in the marketplace and product oversupply. These declines were partially offset by an inventory drawdown benefit and gains from the sale of marketable securities. There were also lower currency losses from reduced volatility and generally improved economic conditions. In 1998, our results for Caltex were $156 million lower than 1997. This was mainly due to negative currency impacts of $204 million. Excluding currency effects, our results for Caltex improved in 1998 due to higher margins and volumes.

In the Caltex area, most of our operations have a net liability exposure, which creates currency losses when foreign currencies strengthen against the U.S. dollar and currency gains when these currencies weaken against the U.S. dollar. Effective October 1, 1997, Caltex changed the functional currency used to account for operations in Korea and Japan to the U.S. dollar.

ITEM 8
INTERNATIONAL REFINED PRODUCT SALES

[GRAPHIC/IMAGE/ILLUSTRATION MATERIAL APPEARS HERE.
SEE APPENDIX, ITEM 8.]

Special Items

Results for 1999 included net special benefits of $32 million. Results for 1998 and 1997 included net special charges of $171 million and $16 million. Special items relating to Caltex represent our 50 percent share.

Results for 1999 included inventory valuation benefits of $144 million due to higher 1999 inventory values. This follows a 1998 charge of $108 million to reflect lower market prices on December 31, 1998 for inventories of crude oil and refined products, as well as additional charges recorded in prior years. We value inventories at the lower of cost or market, after initially recording at cost. Inventory valuation adjustments are reversed when prices recover and the associated physical units of inventory are sold.

Results for 1999 included a charge of $23 million for the write-downs of assets. These write-downs on properties to be disposed of include $10 million for marketing assets in our subsidiary in Poland and $13 million for assets in our Caltex operations.

Our 1999 results included a $9 million charge for employee separation costs for our subsidiaries operating in Europe and Latin America. These costs resulted from the expansion of our 1998 program. Results for 1998 included a charge for employee separation costs of $20 million. See the section entitled, Reorganizations, Restructurings and Employee Separation Programs on page 26 for additional information.

Results for 1999 also included charges of $80 million related to our share of the Caltex loss on the sale of its equity interest in Koa Oil Company, Limited, including deferred currency translation net losses. Additionally, our results for 1999 included a Caltex Korean tax benefit of $54 million due to asset revaluation and $22 million for prior year tax charges in the U.K. Results for 1997 included a charge of $16 million primarily for a European deferred tax adjustment.

Results for 1999 and 1998 included other charges of $32 million and $43 million, representing our share of a Caltex reorganization program. The 1999 charge represented continued expenses related to the 1998 program. The 1998 charge resulted from their decision to structure their organization along functional lines and to reduce costs by establishing a shared service center in the Philippines. In implementing this change, Caltex also relocated its headquarters from Dallas to Singapore. About $35 million of the 1998 charge relates to severance and other retirement benefits for about 200 employees not relocating, write-downs of surplus furniture and equipment and other costs. The balance of the charge is for severance costs in other affected areas and amounts spent in relocating employees to the new shared service center.

LOOKING FORWARD IN THE WORLDWIDE DOWNSTREAM

We intend to do the following in our worldwide downstream:

- Reduce our exposure to refining
- Continue to achieve lower costs and capture synergies
- Focus on business opportunities in areas of trading, transportation and lubricants
- Pursue marketing growth opportunities in selected areas

Global Gas and Power

(Millions of dollars, except as indicated)	1999	1998	1997
Operating income (loss) before special items	$ 21	$ (33)	$ (46)
Special items:			
Write-downs of assets	(32)	--	--
Employee separation costs	(3)	(3)	--
Gain on major asset sale	--	20	--
Total special items	(35)	17	--
Operating loss	$ (14)	$ (16)	$ (46)
Natural gas sales (millions of cubic feet a day)	3,134	3,764	3,452
Net power sales (gigawatt hours)	4,353	4,395	4,185

Global Gas and Power includes marketing of natural gas and natural gas liquids, gas processing plants, pipelines, power generation plants, gasification licensing and equity plants, and our hydrocarbons-to-liquids and fuel cell technology units. Gasification is a proprietary technology that converts low value hydrocarbons into useful synthesis gas for the chemical, refining and

power industries. During 1999, responsibility for these activities was combined under a single senior executive, forming the Global Gas and Power segment. Prior period information has been restated to reflect this change.

Our gas marketing operating results in 1999 benefited from improved natural gas liquids margins. Our 1999 results also included gains on normal asset sales and lower operating expenses. The asset sales included our interest in a U.K. retail gas marketing operation and the sale of a U.S. gas gathering pipeline.

Results for 1998 were adversely affected by losses associated with our start-up wholesale and retail marketing activities in the U.K. We exited the U.K. wholesale gas marketing business in October 1998. Weak natural gas and natural gas liquids margins in the U.S. also contributed to the poor results. Milder than normal temperatures reduced demand and squeezed margins.

Our operating results for the power and gasification business in 1999 benefited from higher gasification licensing revenues and cogeneration income. This was partially offset by lower margins from Indonesian geothermal activities and the non-recurring recoupment of development costs in 1998. The lower Indonesian geothermal margins are due to higher costs and lower revenues caused by regional economic weakness.

Special Items

Results for both 1999 and 1998 included charges of $3 million for employee separation costs. The 1999 charge resulted from the expansion of our 1998 program. See the section entitled, Reorganizations, Restructurings and Employee Separation Programs on page 26 for additional information.

Our 1999 results also included charges of $32 million for asset write-downs from the impairment of certain gas plants in Louisiana. We determined in the fourth quarter of 1999 that as a result of declining gas volumes available for processing, the carrying value of these plants exceeded future undiscounted cash flows. Fair value was determined by discounting expected future cash flows. Our 1998 results also included a gain of $20 million on the sale of an interest in our Discovery pipeline affiliate.

LOOKING FORWARD IN GLOBAL GAS AND POWER

We believe there is great promise with emerging gas and power technologies. Accordingly, we are pursuing opportunities utilizing gasification, hydrocarbons-to-liquids and fuel cell technologies. We continue to develop power projects in conjunction with our exploration, production and refining needs. Our future plans include:

- Developing power projects where significant reserves of natural gas require commercialization

- Expanding our gasification technology to commercialize this environmentally friendly technology

- Using our technology to develop opportunities in the fuel cell and hydrocarbons-to-liquids businesses

Effective March 1, 2000, we will form a joint venture with a subsidiary of Enron Corp. to combine the companies' intrastate pipeline and storage businesses in southeast Louisiana.

Other Business Units

(Millions of dollars)	1999	1998	1997
Operating income (loss)	$ (3)	$ (2)	$ 2

Our other business units mainly include our insurance operations. There were no significant items in our three-year results.

Corporate/Non-operating

(Millions of dollars)	1999	1998	1997
Results before special items	$(481)	$(412)	$(415)
Special items:			
Write-downs of assets	(26)	--	--
Employee separation costs	(6)	(18)	--
Tax benefits on asset sales	40	43	--
Tax issues	89	25	488
Environmental issues	(12)	--	--
Total special items	85	50	488
Total Corporate/Non-operating	$(396)	$(362)	$ 73

Corporate/Non-operating

Corporate/Non-operating includes our corporate center and financing activities. The year 1999 reflects higher interest expense resulting from increases in debt levels. Results for 1998 included lower overhead and tax expense. Higher interest income was mostly offset by interest expense from higher average debt levels.

Special Items

Results for 1999 included tax benefits of $89 million. These are associated with favorable determinations in the fourth quarter on prior years' tax issues. Results for 1999 and 1998 included tax benefits of $40 million and $43 million from the sales of interests in a subsidiary. Additionally, results for 1998 included a benefit of $25 million to adjust for prior years' federal tax liabilities. The year 1997 included a tax benefit of $488 million from an IRS settlement.

Our 1999 results also included a $6 million charge for employee separation costs. These costs resulted from the expansion of our 1998 program. Results for 1998 included a charge for employee separations of $18 million. See the section entitled, Reorganizations, Restructurings and Employee Separation Programs on page 26 for additional information.

We also recorded in 1999 charges of $12 million for environmental issues and $26 million for the impairment of assets and related disposal costs. The assets write-downs resulted from our joint plan with state and local agencies to convert for third-party industrial use idle facilities, formerly used in research activities. The facilities and equipment were written down to their appraised values.

OTHER ITEMS

Liquidity and Capital Resources

INTRODUCTION The Statement of Consolidated Cash Flows on page 37 reports the changes in cash balances for the last three years, and summarizes the inflows and outflows of cash between operating, investing and financing activities. Our cash requirements are met by cash from operations, supplemented by outside borrowings and the proceeds from the sale of non-strategic assets.

The main components of cash flows are:

INFLOWS Cash from operating activities represents net income adjusted for non-cash charges or credits, such as depreciation, depletion and amortization, and changes in working capital and other balances. Cash from operating activities excludes exploratory expenses, which we show as a cash outflow from investing activities. Operating cash flows for 1999 of $3,169 million benefited from higher commodity prices and our expense reduction programs. For more detailed insight into our financial and operational results, see Analysis of Income by Operating Segments on the preceding pages.

New borrowings in 1999 reflect a net increase of $290 million compared to a net increase of $1,052 million in 1998. During the year, we borrowed $1,668 million from our existing "shelf" registration, including $1,268 million under our medium-term note program. We decreased our commercial paper by $518 million during the year, to $1,099 million at year-end. See Note 9 to the financial statements for total outstanding debt, including 1999 borrowings.

After December 31, 1999, we issued an additional $530 million under our medium-term note program to refinance existing short-term debt. As a result, our total remaining capacity under our "shelf" registration is $1,445 million, covering possible issuances of both debt and equity securities.

We maintain strong credit ratings and access to global financial markets providing us flexibility to borrow funds at low capital costs.

Our senior debt is rated A+ by Standard & Poor's Corporation and A1 by Moody's Investors Service. Our U.S. commercial paper is rated A-1 by Standard & Poor's and Prime-1 by Moody's. These ratings denote high quality investment grade securities. Our debt has an average maturity of 10 years and a weighted average interest rate of 7.0%. We also maintain $2.05 billion in revolving credit facilities, which remain unused, to provide liquidity and to support our commercial paper program.

Other net cash inflows in 1999 represent proceeds from the sale of non-strategic assets of $321 million, net sales/maturities of investment instruments of $346 million and the collection of notes receivable from an affiliate of $101 million.

OUTFLOWS Capital and exploratory expenditures (Capex) were $2,957 million in 1999 -- The section on page 27 describes in more detail the uses of our Capex dollars.

Payments of dividends were $1,047 million in 1999 -- $964 million to common, $28 million to preferred and $55 million to shareholders who hold a minority interest in Texaco subsidiary companies.

The following year-end table reflects our key financial indicators:

(Millions of dollars, except as indicated)	1999	1998	1997
Current ratio	1.05	1.07	1.07
Total debt	$ 7,647	$ 7,291	$ 6,392
Average years debt maturity	10	10	11
Average interest rates	7.0%	7.0%	7.2%
Minority interest in subsidiary companies	$ 710	$ 679	$ 645
Stockholders' equity	$12,042	$11,833	$12,766
Total debt to total borrowed and invested capital	37.5%	36.8%	32.3%

OUTLOOK We consider our financial position to be sufficiently strong to meet our anticipated future financial requirements. Our financial policies and procedures afford us flexibility to meet the changing landscape of our financial environment. Cash required to service debt maturities in 2000 is projected to be $1,450 million. However, we intend to refinance these maturities.

In 2000, we feel our cash from operating activities and cash proceeds from asset sales, coupled with our borrowing capacity, will allow us to meet our Capex program. Additionally, we will continue to provide a sustained return to our shareholders in the form of dividends.

MANAGING MARKET RISK We are exposed to the following types of market risks:

- The price of crude oil, natural gas and petroleum products
- The value of foreign currencies in relation to the U.S. dollar
- Interest rates

We use contracts such as futures, swaps and options in managing our exposure to these risks. We have written policies that govern our use of these instruments and limit our exposure to market and counterparty risks. These arrangements do not expose us to material adverse effects. See Notes 9, 14 and 15 to the financial statements and Supplemental Market Risk Disclosures on page 63 for additional information.

Reorganizations, Restructurings and Employee Separation Programs

In the fourth quarter of 1998, we announced that we were reorganizing several of our operations and implementing other cost-cutting initiatives. The principal

units affected were our worldwide upstream; our international downstream, principally our marketing operations in the United Kingdom and Brazil and our refining operations in Panama; global gas marketing, now included as part of our global gas and power operating segment; and our corporate center. We accrued $115 million ($80 million, net of tax) for employee separations, curtailment

costs and special termination benefits associated with these announced restructurings in the fourth quarter of 1998. During the second quarter of 1999, we expanded the employee separation programs and recorded an additional provision of $48 million ($31 million, net of tax). For the most part, separation accruals are shown as operating expenses in the Statement of Consolidated Income.

The following table identifies each of our four restructuring initiatives. It provides the provision recorded in the fourth quarter of 1998 and the additional provision recorded in the second quarter of 1999. It also shows the deductions made through December 31, 1999 and the remaining obligations as of December 31, 1999. These deductions include cash payments of $124 million and transfers to long-term obligations of $12 million. We will pay the remaining obligations in future periods in accordance with plan provisions.

(Millions of dollars)	Provision Recorded in 1998	Provision Recorded in 1999	Deductions made through December 31, 1999	Remaining Obligations as of December 31, 1999
Worldwide upstream	$ 56	$ 20	$ (71)	$ 5
International downstream	25	13	(26)	12
Global gas and power	5	4	(7)	2
Corporate center	29	11	(32)	8
Total	$115	$ 48	$ (136)	$ 27

At the time we initially announced these programs, we estimated that over 1,400 employee reductions would result. Employee reductions of 800 in worldwide upstream, 300 in international downstream, 100 in global gas and power and 200 in our corporate center were expected. During the second quarter of 1999, we expanded the program by almost 1,100 employees, comprised of 600 employees in worldwide upstream, 250 employees in international downstream, 100 employees in global gas and power and 150 employees in our corporate center. Through December 31, 1999, employee reductions totaled 1,375 in worldwide upstream, 518 in international downstream, 165 in global gas and power, and 404 in our corporate center.

As a result of our reorganizations and restructurings, we captured significant annual pre-tax cost and expense savings and synergies. We captured $236 million in worldwide upstream, $44 million in international downstream, $32 million in global gas and power and $59 million in our corporate center. These savings include lower people-related and operating expenses.

Additionally, our major affiliates have also captured significant annual pre-tax cost and expense savings and synergies, as a result of their own reorganizations. Our share of these savings from our U.S. downstream joint ventures, Equilon and Motiva, was $326 million, representing lower people-related expenses and reductions in cash operating expenses due to efficiencies. We realized $19 million in annual pre-tax cost savings, representing our share of the Caltex reorganization. These savings represent lower people-related expenses. We also captured $27 million in annual pre-tax cost reductions from our worldwide Fuel and Marine Marketing joint venture with Chevron, representing our share of reductions in operating costs and expenses due to efficiencies.

Capital and Exploratory Expenditures

1999 ACTIVITY Worldwide capital and exploratory expenditures, including our share of affiliates, were $3.9 billion for 1999, $4.0 billion for 1998 and $5.9 billion for 1997. The year 1997 included the $1.4 billion acquisition of Monterey Resources Inc., a producing company with operations primarily in California. Texaco's 1999 expenditures include acquisitions of and increased ownership interests in upstream projects. Expenditures were geographically and functionally split as follows:

ITEM 9
CAPITAL AND EXPLORATORY EXPENDITURES - GEOGRAPHICAL

[GRAPHIC/IMAGE/ILLUSTRATION MATERIAL APPEARS HERE.
SEE APPENDIX, ITEM 9.]

ITEM 10
CAPITAL AND EXPLORATORY EXPENDITURES - FUNCTIONAL

[GRAPHIC/IMAGE/ILLUSTRATION MATERIAL APPEARS HERE.
SEE APPENDIX, ITEM 10.]

EXPLORATION AND PRODUCTION Significant areas of investment included:

- Exploration and development work in West Africa where we announced the major Agbami oil discovery offshore Nigeria in 1999
- Acquisition of a 45% interest in the Malampaya Deep Water Natural Gas Project in the Philippines
- Increased ownership interest in the Venezuelan Hamaca Oil Project from 20% to 30%
- Development work in Kazakhstan on the Karachaganak and North Buzachi fields
- Acquisition of exploration leases in the Brazilian Campos and Santos Basins

REFINING, MARKETING AND DISTRIBUTION AND OTHER Investment activities included:

- Reduced spending by Equilon and Motiva on refining
- Increased service station construction and renovation in the Caribbean
- Increased global gasification and power projects

The following table details our capital and exploratory expenditures:

	1999			1998			1997		
(Millions of dollars)	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
Exploration and production									
Exploratory expenses	$ 234	$ 267	$ 501	$ 257	$ 204	$ 461	$ 189	$ 282	$ 471
Capital expenditures	666	1,556	2,222	1,179	1,015	2,194	2,854*	1,095	3,949*
Total exploration and production	900	1,823	2,723	1,436	1,219	2,655	3,043	1,377	4,420
Refining, marketing and distribution	379	487	866	431	717	1,148	427	848	1,275
Global gas and power	103	176	279	124	61	185	149	34	183
Other	18	7	25	29	2	31	50	2	52
Total	$1,400	$2,493	$3,893	$2,020	$1,999	$4,019	$3,669	$2,261	$5,930
Total, excluding affiliates	$1,012	$2,051	$3,063	$1,528	$1,496	$3,024	$3,421	$1,718	$5,139

* Capital expenditures for 1997 include $1,448 million for the acquisition of Monterey Resources Inc.

2000 AND BEYOND

Spending for the year 2000 is expected to rise to $4.7 billion, an increase of $800 million over 1999 levels. In the upstream, spending is being allocated to our large impact producing projects in West Africa, Venezuela, Kazakhstan, the Philippines and the U.K. North Sea. Major exploration programs are underway in our key focus areas of Nigeria, Brazil and the deepwater Gulf of Mexico. International marketing will increase spending in the rapidly growing Caribbean area. Modest increases in spending are also anticipated for our international refinery system, particularly the Pembroke refinery in Wales. However, refining expenditures are generally being held at maintenance levels. Our global gas and power business is growing and has identified additional power generation and gasification projects as well as natural gas business opportunities.

Environmental Matters

The cost of compliance with federal, state and local environmental laws in the U.S. and international countries continues to be substantial. Using definitions and guidelines established by the American Petroleum Institute, our 1999 environmental spending was $633 million. This includes our equity share in the environmental expenditures of our major affiliates, Equilon, Motiva and the Caltex Group of Companies. The following table provides our environmental expenditures for the past three years:

(Millions of dollars)	1999	1998	1997
Capital expenditures	$118	$175	$162
Non-capital:			
Ongoing operations	391	495	538
Remediation	98	93	79
Restoration and abandonment	26	44	46
Total environmental expenditures	$633	$807	$825

CAPITAL EXPENDITURES

Our spending for capital projects in 1999 was $118 million. These expenditures were made to comply with clean air and water regulations as well as waste management requirements. Worldwide capital expenditures projected for 2000 and 2001 are $91 million and $121 million.

ONGOING OPERATIONS

In 1999, environmental expenses charged to current operations were $391 million. These expenses related largely to the production of cleaner-burning gasoline and the management of our environmental programs.

REMEDIATION

Remediation Costs and Liabilities - Our worldwide remediation expenditures in 1999 were $98 million. This included $12 million spent on the remediation of Superfund waste sites. At the end of 1999, we had liabilities of $391 million for the estimated cost of our known environmental liabilities. This includes $46 million for the cleanup of Superfund waste sites. We have accrued for these remediation liabilities based on currently available facts, existing technology and presently enacted laws and regulations. It is not possible to project overall costs beyond amounts disclosed due to the uncertainty surrounding future developments in regulations or until new information becomes available.

Superfund Sites - Under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the U.S. Environmental Protection Agency (EPA) and other regulatory agencies have identified us as a potentially responsible party (PRP) for cleanup of Superfund waste sites. We have determined that we may have potential exposure, though limited in most cases, at 178 Superfund waste sites. Of these sites, 104 are on the EPA's National Priority List. Under Superfund, liability is joint and several, that is, each PRP at a site can be held liable individually for the entire cleanup cost of the site. We are, however, actively pursuing the sharing of Superfund costs with other identified PRPs. The sharing of these costs is on the basis of weight, volume and toxicity of the materials contributed by the PRP.

RESTORATION AND ABANDONMENT COSTS AND LIABILITIES

Expenditures in 1999 for restoration and abandonment of our oil and gas producing properties amounted to $26 million. At year-end 1999, accruals to cover the cost of restoration and abandonment were $911 million.

We make every reasonable effort to fully comply with applicable governmental regulations. Changes in these regulations as well as our continuous re-evaluation of our environmental programs may result in additional future costs. We believe that any mandated future costs would be recoverable in the marketplace, since all companies within our industry would be facing similar requirements. However, we do not believe that such future costs would be material to our financial position or to our operating results over any reasonable period of time.

New Accounting Standards

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes new accounting rules and disclosure requirements for most derivative instruments and hedge transactions. In June 1999, the FASB issued SFAS 137, which deferred the effective date of SFAS 133. We will adopt SFAS 133 effective January 1, 2001 and are currently assessing the effects of adoption.

Euro Conversion

On January 1, 1999, 11 of the 15 member countries of the European Union established fixed conversion rates between their existing currencies and one common currency -- the euro. The euro began trading on world currency exchanges at that time and may be used in business transactions. On January 1, 2002, new euro-denominated bills and coins will be issued, and legacy currencies will be completely withdrawn from circulation by June 30 of that year.

Prior to introduction of the euro, our operating subsidiaries affected by the euro conversion completed computer systems upgrades and fiscal and legal due diligence to ensure our euro readiness. Computer systems have been adapted to ensure that all our operating subsidiaries have the capability to comply with necessary business requirements and customer/supplier preferences. Legal due diligence was conducted to ensure post-euro continuity of contracts, and fiscal reviews were completed to ensure compatibility with our banking relationships. We, therefore, experienced no major impact on our current business operations as a result of the introduction of the euro.

We continue to review our marketing and operational policies and procedures to ensure our ability to continue to successfully conduct all aspects of our business in this new, price-transparent market. We believe that the euro conversion will not have a material adverse impact on our financial condition or results of operations.

Year 2000 (Y2K)

We encountered no major operating or other problems due to the Y2K issue. The Y2K issue concerned the inability of some information and technology-based operating systems to properly recognize and process date-sensitive information beyond December 31, 1999. Since we began addressing this issue in 1995, we assessed over 45,000 systems for potential problems. By November 1, 1999, we completed modifying or upgrading all of our critical and essential systems and gained assurances that our major affiliates were prepared for the Y2K rollover. We also completed our review of critical suppliers and customers, developed contingency plans, and established an Early Alert System to monitor the Y2K status of our key facilities around the world during the rollover.

During the year 1999 and the first few weeks of 2000, we spent about $22 million on Y2K issues, bringing our total spent since 1995 to $59 million. We do

not anticipate expending additional funds on Y2K related activities.

Description of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements consist of the accounts of Texaco Inc. and subsidiary companies in which we hold direct or indirect voting interest of more than 50%. Intercompany accounts and transactions are eliminated.

The U.S. dollar is the functional currency of all our operations and substantially all of the operations of affiliates accounted for on the equity method. For these operations, translation effects and all gains and losses from transactions not denominated in the functional currency are included in income currently, except for certain hedging transactions. The cumulative translation effects for the equity affiliates using functional currencies other than the U.S. dollar are included in the currency translation adjustment in stockholders' equity.

USE OF ESTIMATES

In preparing Texaco's consolidated financial statements in accordance with generally accepted accounting principles, management is required to use estimates and judgment. While we have considered all available information, actual amounts could differ from those reported as assets and liabilities and related revenues, costs and expenses and the disclosed amounts of contingencies.

REVENUES

We recognize revenues for crude oil, natural gas and refined product sales at the point of passage of title specified in the contract. We record revenues on forward sales where cash has been received to deferred income until title passes.

CASH EQUIVALENTS

We generally classify highly liquid investments with a maturity of three months or less when purchased as cash equivalents.

INVENTORIES

We value inventories at the lower of cost or market, after initially recording at cost. For virtually all inventories of crude oil, petroleum products and petrochemicals, cost is determined on the last-in, first-out (LIFO) method. For other merchandise inventories, cost is generally on the first-in, first-out (FIFO) method. For materials and supplies, cost is at average cost.

INVESTMENTS AND ADVANCES

We use the equity method of accounting for investments in certain affiliates owned 50% or less, including corporate joint ventures, limited liability companies and partnerships. Under this method, we record equity in the pre-tax income or losses of limited liability companies and partnerships, and equity in the net income or losses of corporate joint-venture companies currently in Texaco's revenues, rather than when realized through dividends or distributions.

We record the net income of affiliates accounted for at cost in net income when realized through dividends.

We account for investments in debt securities and in equity securities with readily determinable fair values at fair value if classified as available-for-sale.

PROPERTIES, PLANT AND EQUIPMENT AND DEPRECIATION, DEPLETION AND AMORTIZATION

We follow the "successful efforts" method of accounting for our oil and gas exploration and producing operations.

We capitalize as incurred the lease acquisition costs of properties held for oil, gas and mineral production. We expense as incurred exploratory costs other than wells. We initially capitalize exploratory wells, including stratigraphic test wells, pending further evaluation of whether economically recoverable proved reserves have been found. If such reserves are not found, we charge the well costs to exploratory expenses. For locations not requiring major capital expenditures, we record the charge within one year of well completion. We capitalize intangible drilling costs of productive wells and of development dry holes, and tangible equipment costs. Also capitalized are costs of injected carbon dioxide related to development of oil and gas reserves.

We base our evaluation of impairment for properties, plant and equipment intended to be held on comparison of carrying value against undiscounted future net pre-tax cash flows, generally based on proved developed reserves. If an impairment is identified, we adjust the asset's carrying amount to fair value. We generally account for assets to be disposed of at the lower of net book value or fair value less cost to sell.

We amortize unproved oil and gas properties, when individually significant, by property using a valuation assessment. We generally amortize other unproved oil and gas properties on an aggregate basis over the average holding period, for the portion expected to be non-productive. We amortize productive properties and other tangible and intangible costs of producing activities principally by field. Amortization is based on the unit-of-production basis by applying the ratio of produced oil and gas to estimated recoverable proved oil and gas reserves. We include estimated future restoration and abandonment costs in determining amortization and depreciation rates of productive properties.

We apply depreciation of facilities other than producing properties generally on the group plan, using the straight-line method, with composite

rates reflecting the estimated useful life and cost of each class of property. We depreciate facilities not on the group plan individually by estimated useful life using the straight-line method. We exclude estimated salvage value from amounts subject to depreciation. We amortize capitalized non-mineral leases over the estimated useful life of the asset or the lease term, as appropriate, using the straight-line method.

We record periodic maintenance and repairs at manufacturing facilities on the accrual basis. We charge to expense normal maintenance and repairs of all other properties, plant and equipment as incurred. We capitalize renewals, betterments and major repairs that materially extend the useful life of properties and record a retirement of the assets replaced, if any.

When capital assets representing complete units of property are disposed of, we credit or charge to income the difference between the disposal proceeds and net book value.

ENVIRONMENTAL EXPENDITURES

When remediation of a property is probable and the related costs can be reasonably estimated, we accrue the expenses of environmental remediation costs and record them as liabilities. Recoveries or reimbursements are recorded as an asset when receipt is assured. We expense or capitalize other environmental expenditures, principally maintenance or preventive in nature, as appropriate.

DEFERRED INCOME TAXES

We determine deferred income taxes utilizing a liability approach. The income statement effect is derived from changes in deferred income taxes on the balance sheet. This approach gives consideration to the future tax consequences associated with differences between financial accounting and tax bases of assets and liabilities. These differences relate to items such as depreciable and depletable properties, exploratory and intangible drilling costs, non-productive leases, merchandise inventories and certain liabilities. This approach gives immediate effect to changes in income tax laws upon enactment.

We reduce deferred income tax assets by a valuation allowance when it is more likely than not (more than 50%) that a portion will not be realized. Deferred income tax assets are assessed individually by type for this purpose. This process requires the use of estimates and judgment, as many deferred income tax assets have a long potential realization period.

We do not make provision for possible income taxes payable upon distribution of accumulated earnings of foreign subsidiary companies and affiliated corporate joint-venture companies when such earnings are deemed to be permanently reinvested.

ACCOUNTING FOR CONTINGENCIES

Certain conditions may exist as of the date financial statements are issued, which may result in a loss to the company, but which will only be resolved when one or more future events occur or fail to occur. Such contingent liabilities are assessed by the company's management and legal counsel. The assessment of loss contingencies necessarily involves an exercise of judgment and is a matter of opinion. In assessing loss contingencies related to legal proceedings that are pending against the company or unasserted claims that may result in such proceedings, the company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material liability had been incurred and the amount of the loss can be estimated, then the estimated liability would be accrued in the company's financial statements. If the assessment indicates that a potentially material liability is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed. However, in some instances in which disclosure is not otherwise required, the company may disclose contingent liabilities of an unusual nature which, in the judgment of management and its legal counsel, may be of interest to stockholders or others.

STATEMENT OF CONSOLIDATED CASH FLOWS

We present cash flows from operating activities using the indirect method. We exclude exploratory expenses from cash flows of operating activities and apply them to cash flows of investing activities. On this basis, we reflect all capital and exploratory expenditures as investing activities.

Statement of Consolidated Income

(Millions of dollars) For the years ended December 31	1999	1998	1997
Revenues			
Sales and services (includes transactions with significant affiliates of $4,839 million in 1999, $4,169 million in 1998 and $3,633 million in 1997)	$ 34,975	$ 30,910	$ 45,187
Equity in income of affiliates, interest, asset sales and other	716	797	1,480
Total revenues	35,691	31,707	46,667
Deductions			
Purchases and other costs (includes transactions with significant affiliates of $1,691 million in 1999, $1,669 million in 1998 and $2,178 million in 1997)	27,442	24,179	35,230
Operating expenses	2,319	2,508	3,251
Selling, general and administrative expenses	1,186	1,224	1,755
Exploratory expenses	501	461	471
Depreciation, depletion and amortization	1,543	1,675	1,633
Interest expense	504	480	412
Taxes other than income taxes	334	423	520
Minority interest	83	56	68
	33,912	31,006	43,340
Income before income taxes and cumulative effect of accounting change	1,779	701	3,327
Provision for income taxes	602	98	663
Income before cumulative effect of accounting change	1,177	603	2,664
Cumulative effect of accounting change	--	(25)	--
Net income	$ 1,177	$ 578	$ 2,664
Net Income per Common Share (dollars)			
Basic:			
Income before cumulative effect of accounting change	$ 2.14	$ 1.04	$ 4.99
Cumulative effect of accounting change	--	(.05)	--
Net income	$ 2.14	$ .99	$ 4.99
Diluted:			
Income before cumulative effect of accounting change	$ 2.14	$ 1.04	$ 4.87
Cumulative effect of accounting change	--	(.05)	--
Net income	$ 2.14	$ .99	$ 4.87
Average Number of Common Shares Outstanding (for computation of earnings per share) (thousands)			
Basic	535,369	528,416	522,234
Diluted	537,860	528,965	542,570

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

(Millions of dollars) As of December 31	1999	1998
Assets		
Current Assets		
Cash and cash equivalents	$ 419	$ 249
Short-term investments - at fair value	29	22
Accounts and notes receivable (includes receivables from significant affiliates of $585 million in 1999 and $694 million in 1998), less allowance for doubtful accounts of $27 million in 1999 and $28 million in 1998	4,060	3,955
Inventories	1,182	1,154
Deferred income taxes and other current assets	273	256
Total current assets	5,963	5,636
Investments and Advances	6,426	7,184
Net Properties, Plant and Equipment	15,560	14,761
Deferred Charges	1,023	989
Total	$ 28,972	$ 28,570
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable, commercial paper and current portion of long-term debt	$ 1,041	$ 939
Accounts payable and accrued liabilities (includes payables to significant affiliates of $61 million in 1999 and $395 million in 1998)		
Trade liabilities	2,585	2,302
Accrued liabilities	1,203	1,368
Estimated income and other taxes	839	655
Total current liabilities	5,668	5,264
Long-Term Debt and Capital Lease Obligations	6,606	6,352
Deferred Income Taxes	1,468	1,644
Employee Retirement Benefits	1,184	1,248
Deferred Credits and Other Non-current Liabilities	1,294	1,550
Minority Interest in Subsidiary Companies	710	679
Total	16,930	16,737
Stockholders' Equity		
Market auction preferred shares	300	300
ESOP convertible preferred stock	--	428
Unearned employee compensation and benefit plan trust	(306)	(334)
Common stock - shares issued: 567,576,504 in 1999; 567,606,290 in 1998	1,774	1,774
Paid-in capital in excess of par value	1,287	1,640
Retained earnings	9,748	9,561
Other accumulated non-owner changes in equity	(119)	(101)
	12,684	13,268
Less - Common stock held in treasury, at cost	642	1,435
Total stockholders' equity	12,042	11,833
Total	$ 28,972	$ 28,570

See accompanying notes to consolidated financial statements.

Statement of Consolidated Stockholders' Equity

(Shares in thousands; amounts in millions of dollars)	1999 Shares	1999 Amount	1998 Shares	1998 Amount	1997 Shares	1997 Amount
Preferred Stock par value $1; shares authorized - 30,000,000						
Market Auction Preferred Shares (Series G, H, I and J) - liquidation preference of $250,000 per share						
Beginning and end of year	1	$ 300	1	$ 300	1	$ 300
Series B ESOP Convertible Preferred Stock						
Beginning of year	649	389	693	416	720	432
Redemptions	(587)	(352)	--	--	--	--
Retirements	(62)	(37)	(44)	(27)	(27)	(16)
End of year	--	--	649	389	693	416
Series F ESOP Convertible Preferred Stock						
Beginning of year	53	39	56	41	57	42
Redemptions	(53)	(39)	--	--	--	--
Retirements	--	--	(3)	(2)	(1)	(1)
End of year	--	--	53	39	56	41
Unearned Employee Compensation (related to ESOP and restricted stock awards)						
Beginning of year		(94)		(149)		(175)
Awards		(18)		(36)		(16)
Amortization and other		46		91		42
End of year		(66)		(94)		(149)
Benefit Plan Trust (common stock)						
Beginning of year	9,200	(240)	9,200	(240)	8,000	(203)
Additions	--	--	--	--	1,200	(37)
End of year	9,200	(240)	9,200	(240)	9,200	(240)
Common Stock par value $3.125; shares authorized - 850,000,000						
Beginning of year	567,606	1,774	567,606	1,774	548,587	1,714
Monterey acquisition	(29)	--	--	--	19,019	60
End of year	567,577	1,774	567,606	1,774	567,606	1,774
Common Stock Held in Treasury, at Cost						
Beginning of year	32,976	(1,435)	25,467	(956)	21,191	(628)
Redemption of Series B and Series F ESOP Convertible Preferred Stock	(16,180)	699	--	--	--	--
Purchases of common stock	--	--	9,572	(551)	7,423	(410)
Transfer to benefit plan trust	--	--	--	--	(1,200)	37
Other - mainly employee benefit plans	(2,327)	94	(2,063)	72	(1,947)	45
End of year	14,469	$ (642)	32,976	$ (1,435)	25,467	$ (956)

(Continued on next page.)

See accompanying notes to consolidated financial statements.

Statement of Consolidated Stockholders' Equity

(Millions of dollars)	1999	1998	1997
Paid-in Capital in Excess of Par Value			
Beginning of year	$ 1,640	$ 1,688	$ 630
Redemption of Series B and Series F ESOP Convertible Preferred Stock	(308)	--	--
Monterey acquisition	(2)	--	1,091
Treasury stock transactions relating to investor services plan and employee compensation plans	(43)	(48)	(33)
End of year	1,287	1,640	1,688
Retained Earnings			
Balance at beginning of year	9,561	9,987	8,292
Add:			
Net income	1,177	578	2,664
Tax benefit associated with dividends on unallocated ESOP Convertible Preferred Stock and Common Stock	2	3	4
Deduct: Dividends declared on			
Common stock ($1.80 per share in 1999 and 1998 and $1.75 per share in 1997)	964	952	918
Preferred stock			
Series B ESOP Convertible Preferred Stock	17	38	40
Series F ESOP Convertible Preferred Stock	2	4	4
Market Auction Preferred Shares (Series G, H, I and J)	9	13	11
Balance at end of year	9,748	9,561	9,987
Other Accumulated Non-owner Changes in Equity			
Currency translation adjustment			
Beginning of year	(107)	(105)	(65)
Change during year	8	(2)	(40)
End of year	(99)	(107)	(105)
Minimum pension liability adjustment			
Beginning of year	(24)	(16)	--
Change during year	1	(8)	(16)
End of year	(23)	(24)	(16)
Unrealized net gain on investments			
Beginning of year	30	26	33
Change during year	(27)	4	(7)
End of year	3	30	26
Total other accumulated non-owner changes in equity	(119)	(101)	(95)
Stockholders' Equity			
End of year (including preceding page)	$ 12,042	$ 11,833	$ 12,766

See accompanying notes to consolidated financial statements.

Statement of Consolidated Non-owner Changes in Equity

(Millions of dollars)	1999	1998	1997
Net income	$ 1,177	$ 578	$ 2,664
Other Non-owner Changes in Equity:			
Currency translation adjustment			
Reclassification to net income of realized loss on sale of affiliate	17	--	--
Other unrealized net change during period	(9)	(2)	(40)
Total	8	(2)	(40)
Minimum pension liability adjustment			
Before income taxes	1	(16)	(21)
Income taxes	--	8	5
Total	1	(8)	(16)
Unrealized net gain on investments			
Net gain (loss) arising during period			
Before income taxes	12	35	22
Income taxes	(2)	(11)	(9)
Reclassification to net income of net realized (gain) or loss			
Before income taxes	(48)	(31)	(29)
Income taxes	11	11	9
Total	(27)	4	(7)
Total other non-owner changes in equity	(18)	(6)	(63)
Total non-owner changes in equity	$ 1,159	$ 572	$ 2,601

See accompanying notes to consolidated financial statements.

Statement of Consolidated Cash Flows

(Millions of dollars) For the years ended December 31	1999	1998	1997
Operating Activities			
Net income	$ 1,177	$ 578	$ 2,664
Reconciliation to net cash provided by (used in) operating activities			
Cumulative effect of accounting change	--	25	--
Depreciation, depletion and amortization	1,543	1,675	1,633
Deferred income taxes	(140)	(152)	451
Exploratory expenses	501	461	471
Minority interest in net income	83	56	68
Dividends from affiliates, greater than (less than) equity in income	233	224	(370)
Gains on asset sales	(87)	(109)	(558)
Changes in operating working capital			
Accounts and notes receivable	(637)	125	718
Inventories	(28)	(51)	(56)
Accounts payable and accrued liabilities	382	16	(856)
Other - mainly estimated income and other taxes	130	(205)	(64)
Other - net	12	(99)	(186)
Net cash provided by operating activities	3,169	2,544	3,915
Investing Activities			
Capital and exploratory expenditures	(2,957)	(3,101)	(3,628)
Proceeds from asset sales	321	282	1,036
Sales (purchases) of leasehold interests	(23)	25	(503)
Purchases of investment instruments	(432)	(947)	(1,102)
Sales/maturities of investment instruments	778	1,118	1,096
Collection of note/formation payments from U.S. affiliate	101	612	--
Other - net	--	--	(57)
Net cash used in investing activities	(2,212)	(2,011)	(3,158)
Financing Activities			
Borrowings having original terms in excess of three months			
Proceeds	2,353	1,300	507
Repayments	(1,080)	(741)	(637)
Net increase (decrease) in other borrowings	(983)	493	628
Purchases of common stock	--	(579)	(382)
Dividends paid to the company's stockholders			
Common	(964)	(952)	(918)
Preferred	(28)	(53)	(55)
Dividends paid to minority stockholders	(55)	(52)	(81)
Net cash used in financing activities	(757)	(584)	(938)
Cash and Cash Equivalents			
Effect of exchange rate changes	(30)	(11)	(19)
Increase (decrease) during year	170	(62)	(200)
Beginning of year	249	311	511
End of year	$ 419	$ 249	$ 311

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SEGMENT INFORMATION

We are presenting below information about our operating segments for the years 1999, 1998 and 1997, according to Statement of Financial Accounting Standards 131, "Disclosures about Segments of an Enterprise and Related Information," which we adopted in 1998. Due to the formation in 1999 of our Global Gas and Power segment, prior period information has been restated.

We determined our operating segments based on differences in the nature of their operations, geographic location and internal management reporting. The composition of segments and measure of segment profit are consistent with that used by our Executive Council in making strategic decisions. The Executive Council is headed by the Chairman and Chief Executive Officer and includes, among others, the Senior Vice Presidents having oversight responsibility for our business units.

Operating Segments 1999

(Millions of dollars)	Sales and Services Outside	Sales and Services Inter-segment	Sales and Services Total	After-tax Profit (Loss)	Income Tax Expense (Benefit)	DD&A Expense	Other Non-cash Items	Capital Expen-ditures	Assets at Year-End
Exploration and production									
United States	$ 2,166	$ 1,547	$ 3,713	$ 652	$ 299	$ 758	$ 167	$ 670	$ 8,696
International	2,684	924	3,608	360	545	451	30	1,273	5,333
Refining, marketing and distribution									
United States	3,579	18	3,597	208	73	3	78	3	3,714
International	22,114	75	22,189	370	101	220	132	375	8,542
Global gas and power	4,422	117	4,539	(14)	(8)	65	10	161	1,297
Segment totals	$ 34,965	$ 2,681	37,646	1,576	1,010	1,497	417	2,482	27,582
Other business units			32	(3)	(2)	1	--	--	365
Corporate/Non-operating			6	(396)	(406)	45	(1)	21	1,430
Intersegment eliminations			(2,709)	--	--	--	--	--	(405)
Consolidated			$ 34,975	$ 1,177	$ 602	$ 1,543	$ 416	$ 2,503	$ 28,972

Operating Segments 1998

(Millions of dollars)	Sales and Services Outside	Sales and Services Inter-segment	Sales and Services Total	After-tax Profit (Loss)	Income Tax Expense (Benefit)	DD&A Expense	Other Non-cash Items	Capital Expen-ditures	Assets at Year-End
Exploration and production									
United States	$ 1,712	$ 1,659	$ 3,371	$ 301	$ 34	$ 892	$ 1	$ 1,200	$ 8,699
International	2,020	695	2,715	129	132	513	18	901	4,345
Refining, marketing and distribution									
United States	2,612	29	2,641	221	88	29	230	1	4,066
International	19,805	106	19,911	332	130	204	135	396	8,214
Global gas and power	4,748	76	4,824	(16)	4	15	45	122	1,119
Segment totals	$ 30,897	$ 2,565	33,462	967	388	1,653	429	2,620	26,443
Other business units			50	(2)	--	1	3	--	381
Corporate/Non-operating			5	(362)	(290)	21	(67)	30	1,945
Intersegment eliminations			(2,607)	--	--	--	--	--	(199)
Consolidated, before cumulative effect of accounting change			$ 30,910	$ 603	$ 98	$ 1,675	$ 365	$ 2,650	$ 28,570

Operating Segments 1997

(Millions of dollars)	Sales and Services Outside	Sales and Services Inter-segment	Sales and Services Total	After-tax Profit (Loss)	Income Tax Expense (Benefit)	DD&A Expense	Other Non-cash Items	Capital Expen-ditures	Assets at Year-End
Exploration and production									
United States	$ 365	$ 4,149	$ 4,514	$ 990	$ 487	$ 783	$ 281	$ 1,349	$ 8,769
International	2,565	693	3,258	812	566	442	104	901	4,107
Refining, marketing and distribution									
United States	16,984	250	17,234	325	172	178	169	262	5,668
International	20,009	362	20,371	508	117	173	(166)	482	7,908
Global gas and power	5,260	247	5,507	(46)	(6)	15	63	113	1,178
Segment totals	$ 45,183	$ 5,701	50,884	2,589	1,336	1,591	451	3,107	27,630
Other business units			64	2	2	1	3	--	431
Corporate/Non-operating			4	73	(675)	41	242	52	2,030
Intersegment eliminations			(5,765)	--	--	--	--	--	(491)
Consolidated			$ 45,187	$ 2,664	$ 663	$ 1,633	$ 696	$ 3,159	$ 29,600

Our exploration and production segments explore for, find, develop and produce crude oil and natural gas. The United States segment in 1998 and 1997 included minor operations in Canada. Our refining, marketing and distribution segments process crude oil and other feedstocks into refined products and purchase, sell and transport crude oil and refined petroleum products. The global gas and power segment includes the U.S. natural gas operations, which purchases natural gas and natural gas products from our exploration and production operations and third parties for resale. It also operates natural gas processing plants and pipelines in the United States. Also included in this segment are our power generation, gasification, hydrocarbons-to-liquids and fuel cell technology operations. This segment sold its U.K. wholesale gas business in 1998 and its U.K. retail gas marketing business in 1999. Other business units include our insurance operations and investments in undeveloped mineral properties. None of these units is individually significant in terms of revenue, income or assets.

You are encouraged to read Note 5 -- Investments and Advances, beginning on page 41, which includes information about our affiliates and the formation of the Equilon and Motiva alliances in 1998.

Corporate and non-operating includes the assets, income and expenses relating to cash management and financing activities, our corporate center and other items not directly attributable to the operating segments.

We apply the same accounting policies to each of the segments as we do in preparing the consolidated financial statements. Intersegment sales and services are generally representative of market prices or arms-length negotiated transactions. Intersegment receivables are representative of normal trade balances. Other non-cash items principally include deferred income taxes, the difference between cash distributions and equity in income of affiliates, and non-cash charges and credits associated with asset sales. Capital expenditures are presented on a cash basis, excluding exploratory expenses.

The countries in which we have significant sales and services and long-lived assets are listed below. Sales and services are based on the origin of the sale. Long-lived assets include properties, plant and equipment and investments in foreign producing operations where the host governments own the physical assets under terms of the operating agreements.

(Millions of dollars)	Sales and Services 1999	Sales and Services 1998	Sales and Services 1997	Long-lived assets at December 31 1999	Long-lived assets at December 31 1998	Long-lived assets at December 31 1997
United States	$ 9,733	$ 8,184	$21,657	$ 8,630	$ 8,757	$11,437
International - Total	$25,242	$22,726	$23,530	$ 7,109	$ 6,250	$ 5,876
Significant countries included above:						
Brazil	2,404	3,175	3,175	326	301	266
Netherlands	1,955	1,636	1,901	246	257	250
United Kingdom	9,211	7,529	6,862	2,275	2,257	2,384

NOTE 2 ADOPTION OF NEW ACCOUNTING STANDARDS

SFAS 128 -- During 1997, we adopted SFAS 128, "Earnings per Share." Our basic and diluted net income per common share under SFAS 128 were approximately the same as under the comparable prior basis of reporting.

SFAS 130, 131 and 132 -- In 1998, Texaco adopted SFAS 130, 131 and 132. SFAS 130, "Reporting Comprehensive Income," requires that we report all items classified as comprehensive income under its provisions as separate components within a financial statement. SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," requires the reporting of certain income, revenue, expense and asset data about operating segments of public enterprises. Operating segments are based upon a company's internal management structure. SFAS 131 also requires data for revenues and long-lived assets by major countries of operation. SFAS 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits," requires disclosure of new information on changes in plan benefit obligations and fair values of plan assets.

SOP 98-5 -- Effective January 1, 1998, Caltex, our affiliate, adopted Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," issued by the American Institute of Certified Public Accountants. This Statement requires that the costs of start-up activities and organization costs, as defined, be expensed as incurred. The cumulative effect of adoption on Texaco's net income for 1998 was a net loss of $25 million. This Statement was adopted by Texaco and our other affiliates effective January 1, 1999. The effect was not significant.

NOTE 3 INCOME PER COMMON SHARE

Basic net income per common share is net income less preferred stock dividend requirements divided by the average number of common shares outstanding. Diluted net income per common share assumes issuance of the net incremental shares from stock options and full conversion of all dilutive convertible securities at the later of the beginning of the year or date of issuance. Common shares held by the benefit plan trust are not considered outstanding for purposes of net income per common share.

(Millions, except per share amounts)	1999			1998			1997		
For the years ended December 31	Income	Shares	Per Share	Income	Shares	Per Share	Income	Shares	Per Share
Basic net income:									
Income before cumulative effect of accounting change	$ 1,177			$ 603			$ 2,664		
Less: Preferred stock dividends	(29)			(54)			(56)		
Income before cumulative effect of accounting change, for basic income per share	$ 1,148	535.4	$ 2.14	$ 549	528.4	$ 1.04	$ 2,608	522.2	$ 4.99
Effect of dilutive securities:									
ESOP Convertible preferred stock	--	--		--	--		34	19.3	
Stock options and restricted stock	3	2.5		--	.4		--	.8	
Convertible debentures	--	--		1	.2		--	.3	
Income before cumulative effect of accounting change, for diluted income per share	$ 1,151	537.9	$ 2.14	$ 550	529.0	$ 1.04	$ 2,642	542.6	$ 4.87

NOTE 4 INVENTORIES

(Millions of dollars) As of December 31	1999	1998
Crude oil	$ 141	$ 116
Petroleum products and other	857	839
Materials and supplies	184	199
Total	$1,182	$1,154

At December 31, 1999, the excess of estimated market value over the carrying value of inventories was $136 million. The carrying value of inventories at December 31, 1998 is net of a valuation allowance of $99 million to adjust from cost to market value. This valuation allowance was reversed in 1999 as market prices increased and the associated physical units of inventory were sold.

NOTE 5 INVESTMENTS AND ADVANCES

We account for our investments in affiliates, including corporate joint ventures and partnerships owned 50% or less, on the equity method. Our total investments and advances are summarized as follows:

(Millions of dollars) As of December 31	1999	1998
Affiliates accounted for on the equity method		
Exploration and production		
United States	$ 243	$ 230
International		
CPI	454	452
Other	14	24
	711	706
Refining, marketing and distribution		
United States		
Equilon	1,953	2,266
Motiva	686	896
International		
Caltex	1,685	1,747
Other	234	210
	4,558	5,119
Global gas and power	281	188
Other affiliates	13	3
Total	5,563	6,016
Miscellaneous investments, long-term receivables, etc., accounted for at:		
Fair value	138	470
Cost, less reserve	725	698
Total	$6,426	$7,184

Our equity in the net income of affiliates is adjusted to reflect income taxes for limited liability companies and partnerships whose income is directly taxable to us:

(Millions of dollars) For the years ended December 31	1999	1998	1997
Equity in net income (loss)			
Exploration and production			
United States	$ 53	$ 37	$ 40
International			
CPI	139	107	171
Other	--	(12)	--
	192	132	211
Refining, marketing and distribution			
United States			
Equilon	142	199	--
Motiva	(3)	22	--
Star	--	(3)	95
Other	--	--	48
International			
Caltex	11	(36)	252
Other	27	15	20

	177	197	415
Global gas and power	6	(11)	(11)
Other affiliates	--	--	1
Total	$ 375	$ 318	$ 616
Dividends received	$ 716	$ 709	$ 332

The undistributed earnings of these affiliates included in our retained earnings were $2,613 million, $2,846 million and $3,096 million as of December 31, 1999, 1998 and 1997.

Caltex Group

We have investments in the Caltex Group of Companies, owned 50% by Texaco and 50% by Chevron Corporation. The Caltex group consists of P.T. Caltex Pacific Indonesia (CPI), American Overseas Petroleum Limited and subsidiary and Caltex Corporation and subsidiaries (Caltex). This group of companies is engaged in the exploration for and production, transportation, refining and marketing of crude oil and products in Africa, Asia, Australia, the Middle East and New Zealand.

Results for the Caltex Group in 1998 include an after-tax charge of $50 million (Texaco's share $25 million) for the cumulative effect of accounting change. See Note 2 for additional information.

Equilon Enterprises LLC

Effective January 1, 1998, Texaco and Shell Oil Company formed Equilon Enterprises LLC (Equilon), a Delaware limited liability company. Equilon is a joint venture that combined major elements of the companies' western and midwestern U.S. refining and marketing businesses and their nationwide trading, transportation and lubricants businesses. We own 44% and Shell Oil Company owns 56% of Equilon.

The carrying amounts at January 1, 1998, of the principal assets and liabilities of the businesses we contributed to Equilon were $.2 billion of net working capital assets, $2.8 billion of net properties, plant and equipment and $.2 billion of debt. These amounts were reclassified to investment in affiliates accounted for by the equity method.

In April 1998, we received $463 million from Equilon, representing reimbursement of certain capital expenditures incurred prior to the formation of the joint venture. In July 1998, we received $149 million from Equilon for certain specifically identified assets transferred for value to Equilon. In February 1999, we received $101 million from Equilon for the payment of notes receivable.

Motiva Enterprises LLC

Effective July 1, 1998, Texaco, Shell and Saudi Aramco formed Motiva Enterprises LLC (Motiva), a Delaware limited liability company. Motiva is a joint venture that combined Texaco's and Saudi Aramco's interests and major elements of Shell's eastern and Gulf Coast U.S. refining and marketing businesses. Texaco's and Saudi Aramco's interest in these businesses were previously conducted by Star Enterprise (Star), a joint-venture partnership owned 50% by Texaco and 50% by Saudi Refining, Inc., a corporate affiliate of Saudi Aramco. Texaco and Saudi Refining, Inc., each owns 32.5% and Shell owns 35% of Motiva.

The investment in Motiva at date of formation approximated the previous investment in Star. The Motiva investment and previous Star investment are recorded as investment in affiliates accounted for on the equity method.

The following table provides summarized financial information on a 100% basis for the Caltex Group, Equilon, Motiva, Star and all other affiliates that we account for on the equity method, as well as Texaco's total share of the information. The net income of all limited liability companies and partnerships is net of estimated income taxes. The actual income tax liability is reflected in the accounts of the respective members or partners and is not shown in the following table.

Motiva's and Star's assets at the respective balance sheet dates include the remaining portion of the assets which were originally transferred from Texaco to Star at the fair market value on the date of formation of Star. Our investment and equity in the income of Motiva and Star, as reported in our consolidated financial statements, reflect the remaining unamortized historical carrying cost of the assets transferred to Star at formation of Star. Additionally, our investments in Motiva and Star include adjustments for contractual arrangements on the formation of Star, principally involving contributed inventories.

(Millions of dollars)	Equilon	Motiva	Caltex Group	Other Affiliates	Total Texaco's Share
1999					
Gross revenues	$ 29,398	$ 12,196	$ 14,915	$ 2,895	$ 25,650
Income (loss) before income taxes	$ 347	$ (69)	$ 780	$ 348	$ 679
Net income (loss)	$ 226	$ (45)	$ 390	$ 232	$ 375
As of December 31:					
Current assets	$ 4,209	$ 1,271	$ 2,705	$ 801	$ 3,796
Non-current assets	7,208	5,307	7,604	2,230	9,321
Current liabilities	(5,636)	(1,278)	(3,395)	(736)	(4,916)
Non-current liabilities	(735)	(2,095)	(2,639)	(792)	(2,638)
Net equity	$ 5,046	$ 3,205	$ 4,275	$ 1,503	$ 5,563

(Millions of dollars)	Equilon	Motiva	Star	Caltex Group	Other Affiliates	Total Texaco's Share
1998						
Gross revenues	$ 22,246	$ 5,371	$ 3,190	$ 11,505	$ 2,541	$ 20,021
Income (loss) before income taxes and cumulative effect of accounting change	$ 502	$ 78	$ (128)	$ 519	$ 170	$ 662
Net income (loss)	$ 326	$ 51	$ (83)	$ 143	$ 84	$ 318
As of December 31:						
Current assets	$ 2,640	$ 1,481		$ 1,974	$ 687	$ 2,769
Non-current assets	7,752	5,257		7,684	2,021	9,313
Current liabilities	(4,044)	(1,243)		(2,839)	(727)	(3,924)
Non-current liabilities	(382)	(1,667)		(2,421)	(672)	(2,142)
Net equity	$ 5,966	$ 3,828		$ 4,398	$ 1,309	$ 6,016

(Millions of dollars)	Star	Caltex Group	Other Affiliates	Total Texaco's Share
1997				
Gross revenues	$ 7,758	$ 15,699	$ 4,028	$ 13,312
Income before income taxes	$ 301	$ 1,210	$ 605	$ 940
Net income	$ 196	$ 846	$ 400	$ 616
As of December 31:				
Current assets	$ 1,042	$ 2,521	$ 947	$ 1,965
Non-current assets	3,260	7,193	3,607	6,324
Current liabilities	(769)	(2,991)	(1,032)	(2,270)
Non-current liabilities	(1,072)	(2,131)	(2,022)	(2,198
Net equity	$ 2,461	$ 4,592	$ 1,500	$ 3,821

NOTE 6 PROPERTIES, PLANT AND EQUIPMENT

	Gross		Net	
(Millions of dollars) As of December 31	1999	1998	1999	1998
Exploration and production				
United States	$21,565	$21,991	$ 7,822	$ 7,945
International	8,835	7,554	3,804	2,950
Total	30,400	29,545	11,626	10,895
Refining, marketing and distribution				
United States	33	75	22	27
International	4,575	4,487	3,107	3,055
Total	4,608	4,562	3,129	3,082
Global gas and power	748	660	317	267
Other	771	727	488	517
Total	$36,527	$35,494	$15,560	$14,761
Capital lease amounts included above	$ 152	$ 264	$ 3	$ 79

Accumulated depreciation, depletion and amortization totaled $20,967 million and $20,733 million at December 31, 1999 and 1998. Interest capitalized as part of properties, plant and equipment was $28 million in 1999, $21 million in 1998 and $20 million in 1997.

In 1999, 1998 and 1997, we recorded pre-tax charges of $87 million, $150 million and $63 million for the write-downs of impaired assets. These charges were recorded to depreciation, depletion and amortization expense.

1999

In our global gas and power operating segment, pre-tax asset write-downs from the impairment of certain gas plants in Louisiana were $49 million. We determined in the fourth quarter that, as a result of declining gas volumes available for processing, the carrying value of these plants exceeded future undiscounted cash flows. Fair value was determined by discounting expected future cash flows.

Pre-tax asset write-downs of $28 million included in corporate resulted from our joint plan with state and local agencies to convert for third-party industrial use idle facilities, formerly used in research activities. The facilities and equipment were written down to their appraised values. An additional $10 million was recorded to bring certain marketing assets of our subsidiary in Poland to be disposed of to their appraised value.

1998

In the U.S. exploration and production operating segment, pre-tax asset write-downs for impaired properties in Louisiana and Canada were $64 million. The Louisiana property represents an unsuccessful enhanced recovery project. We determined in the fourth quarter of 1998 that the carrying value of this property exceeded future undiscounted cash flows. Fair value was determined by discounting expected future cash flows. Canadian properties were impaired following our decision in October 1998 to exit the upstream business in Canada. These properties were written down to their sales price with the sale closing in December 1998.

In the international exploration and production operating segment, the pre-tax asset write-down for the impairment of our investment in the Strathspey field in the U.K. North Sea was $58 million. The Strathspey impairment was caused by a downward revision in the fourth quarter of the estimated volume of the field's proved reserves. Fair value was determined by discounting expected future cash flows.

In the U.S. downstream operating segment, the pre-tax asset write-downs for the impairment of surplus facilities and equipment held for sale and not transferred to the Equilon joint venture was $28 million. Fair value was determined by an independent appraisal.

1997

In our U.S. exploration and producing operating segment, pre-tax asset write-downs for impaired properties in Louisiana and Canada were $48 million. The Louisiana impairment resulted from the write-downs of gas plants due to insufficient contract volumes and the Canadian impairment resulted from unsuccessful enhanced recovery projects and downward revisions to underground reserves.

In our international exploration and producing operating segment, pre-tax asset write-downs of $15 million for impaired properties in the U.K. North Sea were caused by downward revisions to underground reserves.

Fair values were based on expected future discounted cash flows.

NOTE 7 FOREIGN CURRENCY

Currency translations resulted in pre-tax losses of $47 million in 1999, $80 million in 1998 and $59 million in 1997. After applicable taxes, 1999 included a gain of $25 million compared to a loss of $94 million in 1998 and a gain of $154 million in 1997.

The after-tax currency gain in 1999 related principally to balance sheet translation. After-tax currency impacts for years 1998 and 1997 were largely due to currency volatility in Asia. In 1998, our Caltex affiliate incurred significant currency-related losses due to the strengthening of the Korean won and Japanese yen against the U.S. dollar. In contrast, those currencies weakened against the U.S. dollar in 1997, which resulted in significant currency-related gains.

Results for 1997 through 1999 were also impacted by the effect of currency rate changes on deferred income taxes denominated in British pounds. This results in gains from strengthening of the U.S. dollar and losses from weakening of the U.S. dollar. These effects were gains of $8 million in 1999, losses of $5 million in 1998 and gains of $28 million in 1997.

Effective October 1, 1997, Caltex changed the functional currency for its operations in its Korean and Japanese affiliates to the U.S. dollar.

Currency translation adjustments shown in the separate stockholders' equity account result from translation items pertaining to certain affiliates of Caltex. For 1999, we recorded unrealized losses of $9 million from these adjustments. In addition, we reversed an existing $17 million deferred loss due to the sale by Caltex of its investment in Koa Oil Company, Limited. As a result, a $17 million loss was recorded in Texaco's net income as part of the loss on this sale. For years 1998 and 1997, currency translation losses recorded to stockholders' equity were $2 million and $40 million.

NOTE 8 TAXES

(Millions of dollars)	1999	1998	1997
Federal and other income taxes			
Current			
U.S. Federal	$ 100	$ (45)	$ (538)
Foreign	678	283	689
State and local	(36)	12	61
Total	742	250	212
Deferred			
U.S.	(120)	(104)	457
Foreign	(20)	(48)	(6)
Total	(140)	(152)	451
Total income taxes	602	98	663
Taxes other than income taxes			
Oil and gas production	64	70	127
Property	69	108	139
Payroll	91	119	125
Other	110	126	129
Total	334	423	520
Import duties and other levies			
U.S.	34	36	53
Foreign	6,937	6,843	5,414
Total	6,971	6,879	5,467
Total direct taxes	7,907	7,400	6,650
Taxes collected from consumers	2,097	2,148	3,370

Total all taxes	$ 10,004	$ 9,548	$ 10,020

The deferred income tax assets and liabilities included in the Consolidated Balance Sheet as of December 31, 1999 and 1998 amounted to $198 million and $205 million, as net current assets and $1,468 million and $1,644 million, as net non-current liabilities. The table that follows shows deferred income tax assets and liabilities by category:

	(Liability) Asset	
(Millions of dollars) As of December 31	1999	1998
Depreciation	$ (991)	$(1,079)
Depletion	(383)	(429)
Intangible drilling costs	(881)	(726)
Other deferred tax liabilities	(691)	(686)
Total	(2,946)	(2,920)
Employee benefit plans	548	532
Tax loss carryforwards	599	641
Tax credit carryforwards	495	368
Environmental liabilities	123	116
Other deferred tax assets	711	639
Total	2,476	2,296
Total before valuation allowance	(470)	(624)
Valuation allowance	(800)	(815)
Total	$(1,270)	$(1,439)

The preceding table excludes certain potential deferred income tax asset amounts for which possibility of realization is extremely remote.

The valuation allowance relates principally to upstream operations in Denmark. The related deferred income tax assets result from tax loss carryforwards and book versus tax asset basis differences for a hydrocarbon tax. Loss carryforwards from this tax are generally determined by individual field and, in that case, are not usable against other fields' taxable income.

The following schedule reconciles the differences between the U.S. Federal income tax rate and the effective income tax rate excluding the cumulative effect of accounting change in 1998:

	1999	1998	1997
U.S. Federal income tax rate assumed to be applicable	35.0%	35.0%	35.0%
IRS settlement	--	--	(14.7)
Net earnings and dividends attributable to affiliated corporations accounted for on the equity method	(3.8)	(7.0)	(4.7)
Aggregate earnings and losses from international operations	14.4	10.4	6.2
U.S. tax adjustments	(5.0)	(8.7)	(.3)
Sales of stock of subsidiaries	(2.2)	(6.1)	--
Energy credits	(3.8)	(11.7)	(1.4)
Other	(.8)	2.1	(.2)
Effective income tax rate	33.8%	14.0%	19.9%

The year 1997 included a $488 million benefit resulting from an IRS settlement.

For companies operating in the United States, pre-tax earnings before the cumulative effect of an accounting change aggregated $484 million in 1999, $194 million in 1998 and $1,527 million in 1997. For companies with operations located outside the United States, pre-tax earnings on that basis aggregated $1,295 million in 1999, $507 million in 1998 and $1,800 million in 1997.

Income taxes paid, net of refunds, amounted to $600 million, $430 million and $285 million in 1999, 1998 and 1997.

The undistributed earnings of subsidiary companies and of affiliated corporate joint-venture companies accounted for on the equity method, for which deferred U.S. income taxes have not been provided at December 31, 1999, amounted to $1,708 million and $2,187 million. The corresponding amounts at December 31, 1998 were $1,328 million and $2,226 million. Determination of the unrecognized U.S. deferred income taxes on these amounts is not practicable.

For the years 1999, 1998 and 1997, no loss carryforward benefits were recorded for U.S. Federal income taxes. For the years 1999, 1998 and 1997, the tax benefits recorded for loss carryforwards were $54 million, $30 million and $31 million in foreign income taxes.

At December 31, 1999, we had worldwide tax basis loss carryforwards of approximately $1,647 million, including $941 million which do not have an expiration date. The remainder expire at various dates through 2019.

Foreign tax credit carryforwards available for U.S. Federal income tax purposes amounted to approximately $245 million at December 31, 1999, expiring at various dates through 2004. Alternative minimum tax and other tax credit carryforwards available for U.S. Federal income tax purposes were $461 million at December 31, 1999, of which $357 million have no expiration date. The remaining credits expire at various dates through 2014. The credits that are not utilized by the expiration dates may be taken as deductions for U.S. Federal income tax purposes. For the year 1999, we recorded tax credit carryforwards of $68 million for U.S. Federal income tax purposes.

NOTE 9 SHORT-TERM DEBT, LONG-TERM DEBT, CAPITAL LEASE OBLIGATIONS AND RELATED DERIVATIVES

Notes Payable, Commercial Paper and Current Portion of Long-term Debt

(Millions of dollars) As of December 31	1999	1998
Notes payable to banks and others with originating terms of one year or less	$1,251	$ 368
Commercial paper	1,099	1,617
Current portion of long-term debt and capital lease obligations		
Indebtedness	734	991
Capital lease obligations	7	13
	3,091	2,989
Less short-term obligations intended to be refinanced	2,050	2,050

Total	$1,041	$ 939

The weighted average interest rate of commercial paper and notes payable to banks at December 31, 1999 and 1998 was 5.9%.

Long-term Debt and Capital Lease Obligations

(Millions of dollars) As of December 31	1999	1998
Long-Term Debt		
3-1/2% convertible notes due 2004	$ 203	$ 204
5.5% note due 2009	397	--
5.7% notes due 2008	201	201
6% notes due 2005	299	299
6-7/8% notes due 1999	--	200
6-7/8% debentures due 2023	196	196
7.09% notes due 2007	150	150
7-1/2% debentures due 2043	198	198
7-3/4% debentures due 2033	199	199
8% debentures due 2032	148	147
8-1/4% debentures due 2006	150	150
8-3/8% debentures due 2022	198	198
8-1/2% notes due 2003	200	199
8-5/8% debentures due 2010	150	150
8-5/8% debentures due 2031	199	199
8-5/8% debentures due 2032	199	199
8-7/8% debentures due 2021	150	150
9% notes due 1999	--	200
9-3/4% debentures due 2020	250	250
Medium-term notes, maturing from 2000 to 2043 (7.0%)	757	543
Revolving Credit Facility, due 1999-2002 - variable rate (5.9%)	--	309
Pollution Control Revenue Bonds, due 2012 - variable rate (3.5%)	166	166
Other long-term debt:		
Texaco Inc. - Guarantee of ESOP Series F loan - variable rate (6.6%)	--	2
U.S. dollars (6.6%)	369	335
Other currencies (9.4%)	472	394
Total	5,251	5,238
Capital Lease Obligations (see Note 10)	46	68
	5,297	5,306
Less current portion of long-term debt and capital lease obligations	741	1,004
	4,556	4,302
Short-term obligations intended to be refinanced	2,050	2,050
Total long-term debt and capital lease obligations	$6,606	$6,352

The percentages shown for variable-rate debt are the interest rates at December 31, 1999. The percentages shown for the categories "Medium-term notes" and "Other long-term debt" are the weighted average interest rates at year-end 1999. Where applicable, principal amounts shown in the preceding schedule include unamortized premium or discount. Interest paid, net of amounts capitalized, amounted to $480 million in 1999, $474 million in 1998 and $395 million in 1997.

At December 31, 1999, we had revolving credit facilities with commitments of $2.05 billion with syndicates of major U.S. and international banks. These facilities are available as support for our issuance of commercial paper as well as for working capital and other general corporate purposes. We had no amounts outstanding under these facilities at year-end 1999. We pay commitment fees on these facilities. The banks reserve the right to terminate the credit facilities upon the occurrence of certain specific events, including a change in control.

At December 31, 1999, our long-term debt included $2.05 billion of short-term obligations scheduled to mature during 2000, which we have both the intent and the ability to refinance on a long-term basis through the use of our $2.05 billion revolving credit facilities.

Contractual annual maturities of long-term debt, including sinking fund payments and potential repayments resulting from options that debtholders might exercise, for the five years subsequent to December 31, 1999 are as follows (in millions):

2000	2001	2002	2003	2004
$734	$135	$191	$273	$ 31

Debt-related Derivatives

We seek to maintain a balanced capital structure that provides financial flexibility and supports our strategic objectives while achieving a low cost of capital. This is achieved by balancing our liquidity and interest rate exposures. We manage these exposures primarily through long-term and short-term debt on the balance sheet. In managing our exposure to interest rates, we seek to balance the benefit of the lower cost of floating rate debt, with its

inherent increased risk, with fixed rate debt having less market risk. To achieve this objective, we also use off-balance sheet derivative instruments, primarily interest rate swaps, to manage identifiable exposures on a non-leveraged, non-speculative basis.

Summarized below are the carrying amounts and fair values of our debt and debt-related derivatives at December 31, 1999 and 1998. Our use of derivatives during the periods presented was limited to interest rate swaps, where we either paid or received the net effect of a fixed rate versus a floating rate (commercial paper or LIBOR) index

at specified intervals, calculated by reference to an agreed notional principal amount.

(Millions of dollars) As of December 31	1999	1998
Notes Payable and Commercial Paper:		
Carrying amount	$ 2,350	$ 1,985
Fair value	2,348	1,985
Related Derivatives - Payable (Receivable):		
Carrying amount	$ --	$ --
Fair value	(13)	17
Notional principal amount	$ 300	$ 300
Weighted average maturity (years)	7.3	8.3
Weighted average fixed pay rate	6.42%	6.42%
Weighted average floating receive rate	6.42%	5.32%
Long-Term Debt, including current maturities:		
Carrying amount	$ 5,251	$ 5,238
Fair value	5,225	5,842
Related Derivatives - Payable (Receivable):		
Carrying amount	$ (19)	$ (4)
Fair value	55	(9)
Notional principal amount	$ 1,294	$ 449
Weighted average maturity (years)	5.8	8.4
Weighted average fixed receive rate	5.69%	6.24%
Weighted average floating pay rate	6.10%	5.03%
Unamortized net gain on terminated swaps		
Carrying amount	$ 4	$ 5

Excluded from this table is an interest rate and equity swap with a notional principal amount of $200 million entered into in 1997, related to the 3-1/2% notes due 2004. We pay a floating rate and receive a fixed rate. Also, the counterparty assumes all exposure for the potential equity-based cash redemption premium on the notes. The fair value of this swap was not significant at year-end 1999 and 1998.

During 1999, floating rate pay swaps having an aggregate notional principal amount of $30 million were amortized or matured. We initiated $875 million of new floating rate pay swaps in connection with certain of the 1999 debt issuances. There was no activity in fixed rate pay swaps during 1999.

Fair values of debt are based upon quoted market prices, as well as rates currently available to us for borrowings with similar terms and maturities. We estimate the fair value of swaps as the amount that would be received or paid to terminate the agreements at year-end, taking into account current interest rates and the current creditworthiness of the swap counterparties. The notional amounts of derivative contracts do not represent cash flow and are not subject to credit risk.

Amounts receivable or payable based on the interest rate differentials of derivatives are accrued monthly and are reflected in interest expense as a hedge of interest on outstanding debt. Gains and losses on terminated swaps are deferred and amortized over the life of the associated debt or the original term of the swap, whichever is shorter.

NOTE 10 LEASE COMMITMENTS AND RENTAL EXPENSE

We have leasing arrangements involving service stations, tanker charters, crude oil production and processing equipment and other facilities. We reflect amounts due under capital leases in our balance sheet as obligations, while we reflect our interest in the related assets as properties, plant and equipment. The remaining lease commitments are operating leases, and we record payments on such leases as rental expense.

As of December 31, 1999, we had estimated minimum commitments for payment of rentals (net of non-cancelable sublease rentals) under leases which, at inception, had a non-cancelable term of more than one year, as follows:

(Millions of dollars)	Operating Leases	Capital Leases
2000	$ 134	$ 9
2001	93	9
2002	416	8
2003	50	7
2004	54	7
After 2004	315	14
Total lease commitments	$ 1,062	$ 54
Less interest		8
Present value of total capital lease obligations		$ 46

Operating lease commitments for 2002 include a $304 million residual value guarantee of leased production facilities if we do not renew the lease.

Rental expense relative to operating leases, including contingent rentals based on factors such as gallons sold, is provided in the table below. Such payments do not include rentals on leases covering oil and gas mineral rights.

(Millions of dollars)	1999	1998	1997
Rental expense			
Minimum lease rentals	$218	$208	$270
Contingent rentals	6	--	3
Total	224	208	273
Less rental income on properties subleased to others	54	50	78
Net rental expense	$170	$158	$195

NOTE 11 EMPLOYEE BENEFIT PLANS

Texaco Inc. and certain of its non-U.S. subsidiaries sponsor various benefit plans for active employees and retirees. The costs of the savings, health care and life insurance plans relative to employees' active service are shared by the company and its employees, with Texaco's costs for these plans charged to expense as incurred. In addition, accruals for employee benefit plans are provided principally for the unfunded costs of various pension plans, retiree health and life insurance benefits, incentive compensation plans and for separation benefits payable to employees.

Employee Stock Ownership Plans (ESOP)

We recorded ESOP expense of $3 million in 1999, $1 million in 1998 and $2 million in 1997. Our contributions to the Employees Thrift Plan of Texaco Inc. and the Employees Savings Plan of Texaco Inc. amounted to $3 million in 1999, $1 million in 1998 and $2 million in 1997. These plans are designed to provide participants with a benefit of approximately 6% of base pay, as well as any benefits earned under the current employee Performance Compensation Program. In December 1999, we made a $27 million advanced company ESOP allocation for the period December 1999 through November 2000 to participants of the Employees Thrift Plan.

During the year, we called the Series B and Series F Convertible Preferred Stock and converted them into Texaco common stock, with future ESOP allocations being made in common stock. Following this conversion, we paid $12 million in dividends. Dividends on the preferred and common ESOP shares used to service debt of the plans are tax deductible to the company.

In 1999, 1998 and 1997, we paid $19 million, $42 million and $44 million in dividends on Series B and Series F stock. The trustee applied the dividends to fund interest payments which amounted to $2 million, $5 million and $7 million for 1999, 1998 and 1997, as well as to reduce principal on the ESOP loans. The Savings Plan ESOP loan was satisfied in January 1999. In November 1998 and December 1997, a portion of the original Thrift Plan ESOP loan was refinanced through a company loan. The refinancing will extend the ESOP for a period of up to six years.

We include in our long-term debt the plans' original ESOP loans guaranteed by Texaco Inc. As the ESOP repays the original and refinanced ESOP loans, we reduce the remaining ESOP-related unearned employee compensation included as a component of stockholders' equity.

Benefit Plan Trust

We have established a benefit plan trust for funding company obligations under some of our benefit plans. At year-end 1999, the trust contained 9.2 million shares of treasury stock. We intend to continue to pay our obligations under our benefit plans. The trust will use the shares, proceeds from the sale of such shares and dividends on such shares to pay benefits only to the extent that we do not pay such benefits. The trustee will vote the shares held in the trust as instructed by the trust's beneficiaries. The shares held by the trust are not considered outstanding for earnings per share purposes until distributed or sold by the trust in payment of benefit obligations.

Termination Benefits

In the fourth quarter of 1998, we announced we were restructuring several of our operations. The principal units affected were our worldwide upstream; our international downstream, principally our marketing operations in the United Kingdom and Brazil and our refining operations in Panama; our global gas marketing operations, now included as part of our global gas and power segment; and our corporate center. In 1998, we recorded an after-tax charge of $80 million for employee separations, curtailment costs and special termination benefits associated with our restructuring. The charge was comprised of $88 million of operating expenses, $27 million of selling, general and administrative expenses and $35 million in related income tax benefits. We initially estimated that over 1,400 employee reductions worldwide would occur. In the second quarter of 1999, we expanded the employee separation programs and recorded an after-tax charge of $31 million to cover an additional 1,100 employee reductions. The charge was comprised of $36 million of operating expenses, $12 million of selling, general and administrative expenses and $17 million in related income tax benefits. The restructuring programs were completed during 1999. Through December 31, 1999, under these programs we have separated 2,462 employees and paid $124 million of benefits and transferred $12 million to long-term obligations. The remaining benefits of $27 million will be paid in future periods in accordance with plan provisions.

We recorded an after-tax charge of $56 million in the fourth quarter of 1996 to cover the costs of employee separations, including employees of affiliates, as a result of a company-wide realignment and consolidation of our operations. We recorded an adjustment of $6 million in the fourth quarter of 1997 to increase the accrual from the previous amount. The program was completed by the end of 1997 with the reduction of approximately 920 employees. During 1999 we paid $4 million of benefits under this program. The remaining benefits of $8 million will be paid in future periods in accordance with plan provisions.

Pension Plans

We sponsor pension plans that cover the majority of our employees. Generally, these plans provide defined pension benefits based on years of service and final average pay. Pension plan assets are principally invested in equity and fixed income securities and deposits with insurance companies.

Effective October 1, 1999, the Retirement Plan was changed to provide improved early retirement benefits and/or lump sum options availability, for vested employees who terminate before age 55. Pensions are now based on a new

point system (age plus service) which pays graduated pensions to terminating members.

Total worldwide expense for all employee pension plans of Texaco, including pension supplementations and smaller non-U.S.

plans, was $41 million in 1999 and $92 million in 1998 and 1997. The following data are provided for principal U.S. and non-U.S. plans:

	Pension Benefits					
	1999		1998		Other U.S. Benefits	
(Millions of dollars) As of December 31	U.S.	Int'l	U.S.	Int'l	1999	1998
Changes in Benefit (Obligations)						
Benefit (obligations) at January 1	$(1,884)	$ (979)	$(1,769)	$ (835)	$ (773)	$ (756)
Service cost	(46)	(25)	(60)	(21)	(6)	(9)
Interest cost	(113)	(82)	(117)	(86)	(49)	(50)
Amendments	(29)	(23)	--	(3)	12	--
Actuarial gain/(loss)	(16)	(26)	(191)	(117)	59	8
Employee contributions	(3)	(1)	(4)	(3)	(14)	(12)
Benefits paid	63	62	64	70	66	56
Curtailments/settlements	364	(2)	193	--	12	(7)
Special termination benefits	--	--	(12)	--	--	(3)
Currency adjustments	--	96	--	16	--	--
Acquisitions/joint ventures	--	--	12	--	60	--
Benefit (obligations) at December 31	$(1,664)	$ (980)	$(1,884)	$ (979)	$ (633)	$ (773)
Changes in Plan Assets						
Fair value of plan assets at January 1	$ 1,826	$ 1,028	$ 1,702	$ 900	$ --	$ --
Actual return on plan assets	236	151	293	142	--	--
Company contributions	15	26	90	32	52	44
Employee contributions	3	1	4	3	14	12
Expenses	(7)	--	(6)	(2)	--	--
Benefits paid	(63)	(62)	(64)	(70)	(66)	(56)
Currency adjustments	--	(74)	--	23	--	--
Curtailments/settlements	(364)	--	(176)	--	--	--
Acquisitions/joint ventures	--	--	(17)	--	--	--
Fair value of plan assets at December 31	$ 1,646	$ 1,070	$ 1,826	$ 1,028	$ --	$ --
Funded Status of the Plans						
Obligation (greater than) less than assets	$ (18)	$ 90	$ (58)	$ 49	$ (633)	$ (773)
Unrecognized net transition asset	(7)	(1)	(14)	(14)	--	--
Unrecognized prior service cost	85	63	68	52	(7)	4
Unrecognized actuarial (gain)/loss	(161)	(17)	(93)	4	(143)	(92)
Net (liability)/asset recorded in Texaco's Consolidated Balance Sheet	$ (101)	$ 135	$ (97)	$ 91	$ (783)	$ (861)
Net (liability)/asset recorded in Texaco's Consolidated Balance Sheet consists of:						
Prepaid benefit asset	$ 84	$ 373	$ 72	$ 346	$ --	$ --
Accrued benefit liability	(231)	(246)	(215)	(268)	(783)	(861)
Intangible asset	23	8	23	12	--	--
Other accumulated non-owner equity	23	--	23	1	--	--
Net (liability)/asset recorded in Texaco's Consolidated Balance Sheet	$ (101)	$ 135	$ (97)	$ 91	$ (783)	$ (861)
Assumptions as of December 31						
Discount rate	8.0%	8.1%	6.75%	9.5%	8.0%	6.75%
Expected return on plan assets	10.0%	8.8%	10.0%	8.4%	--	--
Rate of compensation increase	4.0%	5.2%	4.0%	6.1%	4.0%	4.0%
Health care cost trend rate	--	--	--	--	4.0%	4.0%

	Pension Benefits						Other U.S. Benefits		
	1999		1998		1997				
(Millions of dollars) As of December 31	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l	1999	1998	1997
Components of Net Periodic Benefit Expenses									
Service cost	$ 46	$ 25	$ 60	$ 21	$ 54	$ 17	$ 6	$ 9	$ 6
Interest cost	113	82	117	86	117	85	49	50	49
Expected return on plan assets	(140)	(81)	(136)	(79)	(132)	(66)	--	--	--
Amortization of transition asset	(6)	(12)	(4)	(10)	(5)	(8)	--	--	--
Amortization of prior service cost	11	13	11	7	10	6	--	--	--
Amortization of (gain)/loss	4	(2)	6	(2)	3	--	(1)	(4)	(5)
Curtailments/settlements	(15)	2	6	--	--	--	(12)	1	--
Special termination charges	--	--	8	--	--	--	--	2	--
Net periodic benefit expenses	$ 13	$ 27	$ 68	$ 23	$ 47	$ 34	$ 42	$ 58	$ 50

For pension plans with accumulated obligations in excess of plan assets, the projected benefit obligation and the accumulated benefit obligation were $410 million and $379 million as of December 31, 1999, and $414 million and $383 million as of December 31, 1998. The fair value of plan assets for both years was $0.

In connection with the formation of Equilon, effective January 1, 1998, we transferred to Equilon pension benefit obligations of $12 million and related plan assets of $17 million.

Other U.S. Benefits

We sponsor postretirement plans in the U.S. that provide health care and life insurance for retirees and eligible dependents. Effective October 1, 1999, we introduced an age and service point schedule for eligible participants. Our U.S. health insurance obligation is our fixed dollar contribution. The plans are unfunded, and the costs are shared by us and our employees and retirees. Certain of the company's non-U.S. subsidiaries have postretirement benefit plans, the cost of which is not significant to the company.

As a result of the transfer of employees to the downstream alliances effective April 1, 1999, $58 million of postretirement benefit obligations were also transferred.

For measurement purposes, the fixed dollar contribution is expected to increase by 4% per annum for all future years. A change in our fixed dollar contribution has a significant effect on the amounts we report. A 1% change in our contributions would have the following effects:

(Millions of dollars)	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on annual total of service and interest cost components	$ 4	$ (4)
Effect on postretirement benefit obligation	$ 38	$(34)

NOTE 12 STOCK INCENTIVE PLAN

Under our Stock Incentive Plan, stock options, restricted stock and other incentive award forms may be granted to executives, directors and key employees to provide motivation to enhance the company's success and increase shareholder value. The maximum number of shares that may be awarded as stock options or restricted stock under the plan is 1% of the common stock outstanding on December 31 of the previous year. The following table summarizes the number of shares at December 31, 1999, 1998 and 1997 available for awards during the subsequent year:

(Shares) As of December 31	1999	1998	1997
To all participants	15,646,336	12,677,325	9,607,506
To those participants not officers or directors	2,020,621	1,967,715	2,362,273
Total	17,666,957	14,645,040	11,969,779

Restricted shares granted under the plan contain a performance element which must be satisfied in order for all or a specified portion of the shares to vest. Restricted performance shares awarded in each year under the plan were as follows:

	1999	1998	1997
Shares	278,402	334,798	281,174
Weighted average fair value	$62.78	$61.59	$55.09

Stock options granted under the plan extend for 10 years from the date of grant and vest over a two year period at a rate of 50% in the first year and 50% in the second year. The exercise price cannot be less than the fair market value of the underlying shares of common stock on the date of the grant. The plan provides for restored options. This feature enables a participant who exercises a stock option by exchanging previously acquired common stock or who has shares withheld by us to satisfy tax withholding obligations, to receive new options equal to the number of shares exchanged or withheld. The restored options are fully exercisable six months after the date of grant and the exercise price is the fair market value of the common stock on the day the restored option is granted.

We apply APB Opinion 25 in accounting for our stock-based compensation programs. Stock-based compensation expense recognized in connection with the plan was $19 million in 1999, $17 million in 1998 and $18 million in 1997. Had we accounted for our plan using the accounting method recommended by SFAS 123, net income and earnings per share would have been the pro forma amounts below:

	1999	1998	1997
Net income (Millions of dollars)			
As reported	$ 1,177	$ 578	$ 2,664
Pro forma	$ 1,107	$ 524	$ 2,621
Earnings per share (dollars)			
Basic--as reported	$ 2.14	$ .99	$ 4.99
--pro forma	$ 2.01	$ .89	$ 4.91
Diluted--as reported	$ 2.14	$ .99	$ 4.87
--pro forma	$ 2.01	$ .89	$ 4.79

We used the Black-Scholes model with the following assumptions to estimate the fair market value of options at date of grant:

	1999	1998	1997
Expected life	2 yrs.	2 yrs.	2 yrs.
Interest rate	5.4%	5.4%	6.0%
Volatility	29.1%	22.5%	18.6%
Dividend yield	3.0%	3.0%	3.0%

Option award activity during 1999, 1998 and 1997 is summarized in the following table:

	1999		1998		1997	
(Stock options)	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding January 1	11,616,049	$59.48	10,071,307	$53.31	9,436,406	$42.73
Granted	2,015,741	62.78	2,388,593	61.56	2,084,902	55.06
Exercised	(8,163,386)	59.24	(7,732,978)	53.18	(9,533,861)	44.86
Restored	7,448,018	64.55	6,889,941	60.77	8,103,502	55.32
Canceled	(819,284)	64.48	(814)	78.08	(19,642)	51.43
Outstanding December 31	12,097,138	62.98	11,616,049	59.48	10,071,307	53.31
Exercisable December 31	6,358,652	$62.57	5,945,445	$58.93	3,197,262	$51.21
Weighted average fair value of options granted during the year		$11.21		$ 8.48		$ 6.92

The following table summarizes information on stock options outstanding at December 31, 1999:

Exercisable Price Range (per share)	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 25.36 - 31.84	20,323	2.4 yrs.	$ 29.32	20,323	$ 29.32
$ 32.47 - 78.08	12,076,815	6.3 yrs.	$ 63.04	6,338,329	$ 62.67
$ 25.36 - 78.08	12,097,138	6.3 yrs.	$ 62.98	6,358,652	$ 62.57

NOTE 13 PREFERRED STOCK AND RIGHTS

Series B ESOP Convertible Preferred Stock

At December 31, 1998, the outstanding shares of Series B ESOP Convertible Preferred Stock (Series B) were held by an ESOP. Dividends on each share of Series B were cumulative and payable semiannually at the rate of $57 per annum.

On June 30, 1999, after we called the Series B for redemption, each share of Series B was converted into 25.736 shares, or 15.1 million shares in total, of common stock.

Series D Junior Participating Preferred Stock and Rights

In 1989, we declared a dividend distribution of one Right for each outstanding share of common stock. This was adjusted to one-half Right when we declared a two-for-one stock split in 1997. In 1998, our shareholders approved the extension of the Rights until May 1, 2004. Unless we redeem the Rights, the Rights will be exercisable only after a person(s) acquires, obtains the right to acquire or commences a tender offer that would result in that person(s) acquiring 20% or more of the outstanding common stock other than pursuant to a Qualifying Offer. A Qualifying Offer is an all-cash, fully financed tender offer for all outstanding shares of common stock which remains open for 45 days, which results in the acquiror owning a majority of the company's voting stock, and in which the acquiror agrees to purchase for cash all remaining shares of common stock. The Rights entitle holders to purchase from the company units of Series D Junior Participating Preferred Stock (Series D). In general, each Right entitles the holder to acquire shares of Series D, or in certain cases common stock, property or other securities, at a formula value equal to two times the exercise price of the Right.

We can redeem the Rights at one cent per Right at any time prior to 10 days after the Rights become exercisable. Until a Right becomes exercisable, the holder has no additional voting or dividend rights and it will not have any dilutive effect on the company's earnings. We have reserved and designated 3 million shares as Series D for issuance upon exercise of the Rights. At December 31, 1999, the Rights are not exercisable.

Series F ESOP Convertible Preferred Stock

At December 31, 1998, the outstanding shares of Series F ESOP Convertible Preferred Stock (Series F) were held by an ESOP. Dividends on each share of Series F were cumulative and payable semiannually at the rate of $64.53 per annum.

On February 16, 1999, after we called the Series F for redemption, each share of Series F was converted into 20 shares, or 1.1 million shares in total, of common stock.

Market Auction Preferred Shares

There are 1,200 shares of cumulative variable rate preferred stock, called Market Auction Preferred Shares (MAPS) outstanding. The MAPS are grouped into four series (300 shares each of Series G, H, I and J) of $75 million each, with an aggregate value of $300 million.

The dividend rates for each series are determined by Dutch auctions conducted at seven-week or longer intervals.

During 1999, the annual dividend rate for the MAPS ranged between 3.59% and 4.36% and dividends totaled $9 million ($7,713, $7,772, $7,989 and $7,935 per share for Series G, H, I and J).

For 1998, the annual dividend rate for the MAPS ranged between 3.96% and 4.50% and dividends totaled $13 million ($11,280, $11,296, $11,227 and $11,218 per share for Series G, H, I and J). For 1997, the annual dividend rate for the MAPS ranged between 3.88% and 4.29% and dividends totaled $11 million ($9,689, $9,650, $9,675 and $9,774 per share for Series G, H, I and J).

We may redeem the MAPS, in whole or in part, at any time at a liquidation preference of $250,000 per share, plus premium, if any, and accrued and unpaid dividends thereon.

The MAPS are non-voting, except under limited circumstances.

NOTE 14 FINANCIAL INSTRUMENTS

We utilize various types of financial instruments in conducting our business. Financial instruments encompass assets and liabilities included in the balance sheet, as well as derivatives which are principally off-balance sheet.

Derivatives are contracts whose value is derived from changes in an underlying commodity price, interest rate or other item. We use derivatives to reduce our exposure to changes in foreign exchange rates, interest rates and crude oil, petroleum products and natural gas prices. Our written policies restrict our use of derivatives to protecting existing positions and committed or anticipated transactions. On a limited basis, we may use commodity-based derivatives to establish a position in anticipation of future movements in prices or margins. Derivative transactions expose us to counterparty credit risk. We place contracts only with parties whose credit-worthiness has been pre-determined under credit policies and limit the dollar exposure to any counterparty. Therefore, risk of counterparty non-performance and exposure to concentrations of credit risk are limited.

CASH AND CASH EQUIVALENTS Fair value approximates cost as reflected in the

Consolidated Balance Sheet at December 31, 1999 and 1998 because of the short-term maturities of these instruments. Cash equivalents are classified as held-to-maturity. The amortized cost of cash equivalents at December 31, 1999 includes $67 million of time deposits and $165 million of commercial paper. Comparable amounts at year-end 1998 were $72 million and $109 million.

SHORT-TERM AND LONG-TERM INVESTMENTS Fair value is primarily based on quoted market prices and valuation statements obtained from major financial institutions. At December 31, 1999, our available-for-sale securities had an estimated fair value of $167 million, including gross unrealized gains of $11 million and losses of $6 million. At December 31, 1998, our available-for-sale securities had an estimated fair value of $492 million, including gross unrealized gains

of $40 million and losses of $8 million. The available-for-sale securities consist primarily of debt securities issued by U.S. and foreign governments and corporations. The majority of these investments mature within five years.

Proceeds from sales of available-for-sale securities were $750 million in 1999, $1,011 million in 1998 and $1,040 million in 1997. These sales resulted in gross realized gains of $45 million in 1999, $53 million in 1998 and $48 million in 1997, and gross realized losses of $13 million, $22 million and $19 million.

The estimated fair value of other long-term investments qualifying as financial instruments but not included above, for which it is practicable to estimate fair value, approximated the December 31, 1999 and 1998 carrying values of $465 million and $331 million.

SHORT-TERM DEBT, LONG-TERM DEBT AND RELATED DERIVATIVES Refer to Note 9 for additional information about debt and related derivatives outstanding at December 31, 1999 and 1998.

FORWARD EXCHANGE AND OPTION CONTRACTS As an international company, we are exposed to currency exchange risk. To hedge against adverse changes in foreign currency exchange rates, we will enter into forward and option contracts to buy and sell foreign currencies. Shown below in U.S. dollars are the notional amounts of outstanding forward exchange contracts to buy and sell foreign currencies.

(Millions of dollars)	Buy	Sell
Australian dollars	$ 251	$ 37
British pounds	1,161	145
Danish kroner	245	39
Euro	264	40
New Zealand dollars	145	--
Other European currencies	56	11
Total at December 31, 1999	$2,122	$ 272
Total at December 31, 1998	$2,953	$ 883

Market risk exposure on these contracts is essentially limited to currency rate movements. At year-end 1999, there were $10 million of unrealized gains and $30 million of unrealized losses related to these contracts. At year-end 1998, there were $8 million of unrealized gains and $19 million of unrealized losses.

We use forward exchange contracts to buy foreign currencies primarily to hedge the net monetary liability position of our European, Australian and New Zealand operations and to hedge portions of significant foreign currency capital expenditures and lease commitments. These contracts generally have terms of 60 days or less. Contracts that hedge foreign currency monetary positions are marked-to-market monthly. Any resultant gains and losses are included in income currently as other costs. At year-end 1999 and 1998, hedges of foreign currency commitments principally involved capital projects requiring expenditure of British pounds and Danish kroner. The percentages of planned capital expenditures hedged at year-end were: British pounds - 90% in 1999 and 54% in 1998; Danish kroner - 94% in 1999 and 40% in 1998. Realized gains and losses on hedges of foreign currency commitments are initially recorded to deferred charges. Subsequently, the amounts are applied to the capitalized project cost on a percentage-of-completion basis, and are then amortized over the lives of the applicable projects. At year-end 1999 and 1998, net hedging gains of $17 million and $50 million, respectively, had yet to be amortized.

We sell foreign currencies under a separately managed program to hedge the value of our investment portfolio denominated in foreign currencies. Our strategy is to hedge the full value of this portion of our investment portfolio and to close out forward contracts upon the sale or maturity of the corresponding investments. We value these contracts at market based on the foreign exchange rates in effect on the balance sheet dates. We record changes in the value of these contracts as part of the carrying amount of the related investments. We record related gains and losses, net of applicable income taxes, to stockholders' equity until the underlying investments are sold or mature.

PREFERRED SHARES OF SUBSIDIARIES Refer to Note 15 regarding derivatives related to subsidiary preferred shares.

PETROLEUM AND NATURAL GAS HEDGING We hedge a portion of the market risks associated with our crude oil, natural gas and petroleum product purchases, sales and exchange activities to reduce price exposure. All hedge transactions are subject to the company's corporate risk management policy which sets out dollar, volumetric and term limits, as well as to management approvals as set forth in our delegations of authorities.

We use established petroleum futures exchanges, as well as "over-the-counter" hedge instruments, including futures, options, swaps and other derivative products. In carrying out our hedging programs, we analyze our major commodity streams for fixed cost, fixed revenue and margin exposure to market price changes. Based on this corporate risk profile, forecasted trends and overall business objectives, we determine an appropriate strategy for risk reduction.

Hedge positions are marked-to-market for valuation purposes. Gains and losses on hedge transactions, which offset losses and gains on the underlying "cash market" transactions, are recorded to deferred income or charges until the

hedged transaction is closed, or until the anticipated future purchases, sales or production occur. At that time, any gain or loss on the hedging contract is recorded to operating revenues as an increase or decrease in margins, or to inventory, as appropriate. Derivative transactions not designated as hedging a specific position or transaction are adjusted to market at each balance sheet date. Gains and losses are included in operating income.

At December 31, 1999 and 1998, there were open derivative commodity contracts required to be settled in cash, consisting mostly of basis swaps related to location differences in prices. Notional contract amounts, excluding unrealized gains and losses, were $6,604 million and $4,397 million at year-end 1999 and 1998. These amounts principally represent future values of contract volumes over the remaining duration of outstanding swap contracts at the respective dates. These contracts hedge a small fraction of our business activities, generally for the next twelve months. Unrealized gains and losses on contracts outstanding at year-end 1999 were $195 million and $132 million, respectively. At year-end 1998, unrealized gains and losses were $161 million and $140 million, respectively.

NOTE 15 OTHER FINANCIAL INFORMATION, COMMITMENTS AND CONTINGENCIES

Environmental Liabilities

Texaco Inc. and subsidiary companies have financial liabilities relating to environmental remediation programs which we believe are sufficient for known requirements. At December 31, 1999, the balance sheet includes liabilities of $246 million for future environmental remediation costs. Also, we have accrued $803 million for the future cost of restoring and abandoning existing oil and gas properties.

We have accrued for our probable environmental remediation liabilities to the extent reasonably measurable. We based our accruals for these obligations on technical evaluations of the currently available facts, interpretation of the regulations and our experience with similar sites. Additional accrual requirements for existing and new remediation sites may be necessary in the future when more facts are known. The potential also exists for further legislation which may provide limitations on liability. It is not possible to project the overall costs or a range of costs for environmental items beyond that disclosed above. This is due to uncertainty surrounding future developments, both in relation to remediation exposure and to regulatory initiatives. We believe that such future costs will not be material to our financial position or to our operating results over any reasonable period of time.

Preferred Shares of Subsidiaries

Minority holders own $602 million of preferred shares of our subsidiary companies, which is reflected as minority interest in subsidiary companies in the Consolidated Balance Sheet.

MVP Production Inc., a subsidiary, has variable rate cumulative preferred shares of $75 million owned by one minority holder. The shares have voting rights and are redeemable in 2003. Dividends on these shares were $4 million in 1999, 1998 and 1997.

Texaco Capital LLC, another subsidiary, has three classes of preferred shares, all held by minority holders. The first class is 14 million shares totaling $350 million of Cumulative Guaranteed Monthly Income Preferred Shares, Series A (Series A). The second class is 4.5 million shares totaling $112 million of Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B (Series B). The third class, issued in Canadian dollars, is 3.6 million shares totaling $65 million of Deferred Preferred Shares, Series C (Series C). Texaco Capital LLC's sole assets are notes receivable from Texaco Inc. The payment of dividends and payments on liquidation or redemption with respect to Series A, Series B and Series C are guaranteed by Texaco Inc.

The fixed dividend rate for Series A is 6-7/8% per annum. The annual dividend rate for Series B averaged 5.0% for 1999, 5.1% for 1998 and 5.9% for 1997. The dividend rate on Series B is reset quarterly per contractual formula. Dividends on Series A and Series B are paid monthly. Dividends on Series A for 1999, 1998 and 1997 totaled $24 million for each year. Annual dividends on Series B totaled $6 million for both 1999 and 1998 and $7 million for 1997.

Series A and Series B are redeemable under certain circumstances at the option of Texaco Capital LLC (with Texaco Inc.'s consent) in whole or in part at $25 per share plus accrued and unpaid dividends to the date fixed for redemption.

Dividends on Series C at a rate of 7.17% per annum, compounded annually, will be paid at the redemption date of February 28, 2005, unless earlier redemption occurs. Early redemption may result upon the occurrence of certain specific events.

We have entered into an interest rate and currency swap related to Series C preferred shares. The swap matures in the year 2005. Over the life of the interest rate swap component of the contract, we will make LIBOR-based floating rate interest payments based on a notional principal amount of $65 million. Canadian dollar interest will accrue to us at a fixed rate applied to the accreted notional principal amount, which was Cdn. $87 million at the inception of the swap.

The currency swap component of the transaction calls for us to exchange at contract maturity date $65 million for Cdn. $170 million, representing Cdn. $87 million plus accrued interest. The carrying amount of this contract represents the Canadian dollar accrued interest receivable by us. At year-end 1999 and 1998, the carrying amounts of this swap, which approximated fair value, were $20 million and $16 million, respectively.

Series A, Series B and Series C preferred shares are non-voting, except under limited circumstances.

The above preferred stock issues currently require annual dividend payments

of approximately $34 million. We are required to redeem $75 million of this preferred stock in 2003, $65 million (plus accreted dividends of $59 million) in 2005, $112 million in 2024 and $350 million in 2043. We have the ability to extend the required redemption dates for the $112 million and $350 million of preferred stock beyond 2024 and 2043.

Pending Award

In July 1999, the Governing Council of the United Nations Compensation Commission (UNCC) approved an award to Saudi Arabian Texaco Inc. (SAT), a wholly-owned subsidiary of Texaco Inc., of about $505 million, plus unspecified interest, for damages

sustained as a result of Iraq's invasion of Kuwait in 1990. Payments to SAT are subject to income tax in Saudi Arabia at an applicable tax rate of 85%. SAT is party to a concession agreement with the Kingdom of Saudi Arabia covering the Partitioned Neutral Zone in Southern Kuwait and Northern Saudi Arabia.

The UNCC funds compensation awards by retaining 30% of Iraqi oil sales revenue under an agreement with Iraq. We do not know when we will receive this award since the timing of payments by the UNCC depends on several factors, including the total amount of all compensation awards, the ability of Iraq to produce and sell oil, the price of Iraqi oil and the duration of U.N. trade sanctions on Iraq. This award will be recognized in income when collection is assured.

Financial Guarantees

We have guaranteed the payment of certain debt, lease commitments and other obligations of third parties and affiliate companies. These guarantees totaled $716 million and $797 million at December 31, 1999 and 1998. The year-end 1999 and 1998 amounts include $336 million and $387 million of operating lease commitments of Equilon, our affiliate.

Exposure to credit risk in the event of non-payment by the obligors is represented by the contractual amount of these instruments. No loss is anticipated under these guarantees.

On December 22, 1999, our 50% owned affiliate, Caltex Corporation (Caltex), settled an excise tax claim with the United States Internal Revenue Service (IRS) for $65 million. The IRS claim related to sales of crude oil by Caltex to Japanese customers beginning in 1980. The original claim was for $292 million in excise taxes, $140 million in penalties and $1.6 billion in interest. In order to litigate this claim, Caltex had arranged for a letter of credit for $2.5 billion. Pursuant to an agreement with the IRS in May 1999, the letter of credit was reduced to $200 million. The letter of credit, which Texaco and its 50% partner, Chevron Corporation, had severally guaranteed, was terminated upon settlement. Resolution of this matter had no significant impact on reported results.

Throughput Agreements

Texaco Inc. and certain of its subsidiary companies previously entered into certain long-term agreements wherein we committed to ship through affiliated pipeline companies and an offshore oil port sufficient volume of crude oil or petroleum products to enable these affiliated companies to meet a specified portion of their individual debt obligations, or, in lieu thereof, to advance sufficient funds to enable these affiliated companies to meet these obligations. In 1998, we assigned the shipping obligations to Equilon, our affiliate, but Texaco remains responsible for deficiency payments on virtually all of these agreements. Additionally, Texaco has entered into long-term purchase commitments with third parties for take or pay gas transportation. At December 31, 1999 and 1998, our maximum exposure to loss was estimated to be $445 million and $500 million.

However, based on our right of counterclaim against Equilon and unaffiliated third parties in the event of non-performance, our net exposure was estimated to be $173 million and $195 million at December 31, 1999 and 1998.

No significant losses are anticipated as a result of these obligations.

Litigation

Texaco and approximately 50 other oil companies are defendants 17 purported class actions. The actions are pending in Texas, New Mexico, Oklahoma, Louisiana, Utah, Mississippi and Alabama. The plaintiffs allege that the defendants undervalued oil produced from properties leased from the plaintiffs by establishing artificially low selling prices. They allege that these low selling prices resulted in the defendants underpaying royalties or severance taxes to them. Plaintiffs seek to recover royalty underpayments and interest. In some cases plaintiffs also seek to recover severance taxes and treble and punitive damages. Texaco and 24 other defendants have executed a settlement agreement with most of the plaintiffs that will resolve many of these disputes. The federal court in Texas gave final approval to the settlement in April 1999 and the matter is now pending before the U.S. Fifth Circuit Court of Appeal.

Texaco has reached an agreement with the federal government to resolve similar claims. The claims of various state governments remain unresolved.

It is impossible for us to ascertain the ultimate legal and financial liability with respect to contingencies and commitments. However, we do not anticipate that the aggregate amount of such liability in excess of accrued liabilities will be materially important in relation to our consolidated financial position or results of operations.

REPORT OF MANAGEMENT

We are responsible for preparing Texaco's consolidated financial statements in accordance with generally accepted accounting principles. In doing so, we must use judgment and estimates when the outcome of events and transactions is not certain. Information appearing in other sections of this Annual Report is consistent with the financial statements.

Texaco's financial statements are based on its financial records. We rely on Texaco's internal control system to provide us reasonable assurance these financial records are being accurately and objectively maintained and the company's assets are being protected. The internal control system comprises:

- Corporate Conduct Guidelines requiring all employees to obey all applicable laws, comply with company policies and maintain the highest ethical standards in conducting company business,
- An organizational structure in which responsibilities are defined and divided, and
- Written policies and procedures that cover initiating, reviewing, approving and recording transactions.

We require members of our management team to formally certify each year that the internal controls for their business units are operating effectively.

Texaco's internal auditors review and report on the effectiveness of internal controls during the course of their audits. Arthur Andersen LLP, selected by the Audit Committee and approved by stockholders, independently audits Texaco's financial statements. Arthur Andersen LLP assesses the adequacy and effectiveness of Texaco's internal controls when determining the nature, timing and scope of their audit. We seriously consider all suggestions for improving Texaco's internal controls that are made by the internal and independent auditors.

The Audit Committee is comprised of six directors who are not employees of Texaco. This Committee reviews and evaluates Texaco's accounting policies and reporting practices, internal auditing, internal controls, security and other matters. The Committee also evaluates the independence and professional competence of Arthur Andersen LLP and reviews the results and scope of their audit. The internal and independent auditors have free access to the Committee to discuss financial reporting and internal control issues.

/s/ Peter I. Bijur

Peter I. Bijur
Chairman of the Board and Chief Executive Officer

/s/ Patrick J. Lynch

Patrick J. Lynch
Senior Vice President and Chief Financial Officer

/s/ George J. Batavick

George J. Batavick
Comptroller

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders, Texaco Inc.:

We have audited the accompanying consolidated balance sheet of Texaco Inc. (a Delaware corporation) and subsidiary companies as of December 31, 1999 and 1998, and the related statements of consolidated income, cash flows, stockholders' equity and non-owner changes in equity for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texaco Inc. and subsidiary companies as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Arthur Andersen LLP
February 24, 2000
New York, N.Y.

SUPPLEMENTAL OIL AND GAS INFORMATION

The following pages provide information required by Statement of Financial Accounting Standards No. 69, Disclosures about Oil and Gas Producing Activities.

Table I - Net Proved Reserves

The reserve quantities include only those quantities that are recoverable based upon reasonable estimates from sound geological and engineering principles. As additional information becomes available, these estimates may be revised. Also, we have a large inventory of potential hydrocarbon resources that we expect will increase our reserve base as future investments are made in exploration and development programs.

- Proved developed reserves are reserves that we expect to be recovered through existing wells with existing equipment and operating methods.

- Proved undeveloped reserves are reserves that we expect to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for completion of development.

Table I

Net Proved Reserves of
Crude Oil and Natural Gas Liquids
(Millions of Barrels)

	Consolidated Subsidiaries					Equity	
	United States	Other West	Europe	Other East	Total	Affiliate -Other East	World-wide
Developed reserves	1,100	50	165	418	1,733	354	2,087
Undeveloped reserves	222	6	232	48	508	109	617
As of December 31, 1996	1,322	56	397	466	2,241	463	2,704
Discoveries & extensions	107	13	34	61	215	4	219
Improved recovery	15	--	65	--	80	18	98
Revisions	55	3	11	100	169	22	191
Net purchases (sales)	413	(2)	(31)	(8)	372	--	372
Production	(145)	(5)	(45)	(66)	(261)	(56)	(317)
Total changes	445	9	34	87	575	(12)	563
Developed reserves	1,374	54	210	463	2,101	354	2,455
Undeveloped reserves	393	11	221	90	715	97	812
As of December 31, 1997*	1,767	65	431	553	2,816	451	3,267
Discoveries & extensions	70	2	8	32	112	1	113
Improved recovery	136	--	16	3	155	156	311
Revisions	46	(15)	22	55	108	137	245
Net purchases (sales)	(38)	--	--	26	(12)	--	(12)
Production	(157)	(4)	(58)	(71)	(290)	(61)	(351)
Total changes	57	(17)	(12)	45	73	233	306
Developed reserves	1,415	39	246	490	2,190	456	2,646
Undeveloped reserves	409	9	173	108	699	228	927
As of December 31, 1998*	1,824	48	419	598	2,889	684	3,573
Discoveries & extensions	66	11	23	23	123	2	125
Improved recovery	34	--	2	29	65	52	117
Revisions	11	--	36	72	119	(132)	(13)
Net purchases (sales)	(9)	--	--	23	14	--	14
Production	(144)	(4)	(53)	(75)	(276)	(60)	(336)
Total changes	(42)	7	8	72	45	(138)	(93)
Developed reserves	1,361	39	261	545	2,206	316	2,522
Undeveloped reserves	421	16	166	125	728	230	958
As of December 31, 1999*	1,782	55	427	670	2,934	546	3,480
*Includes net proved NGL reserves							
As of December 31, 1997	246	--	71	--	317	4	321
As of December 31, 1998	250	--	68	22	340	6	346
As of December 31, 1999	250	--	74	134	458	1	459

Net Proved Reserves of Natural Gas
(Billions of Cubic Feet)

	Consolidated Subsidiaries				Equity	
	United	Other		Other	Affiliate -Other	World-

	States	West	Europe	East	Total	East	wide
Developed reserves	3,360	893	452	96	4,801	136	4,937
Undeveloped reserves	368	138	509	4	1,019	17	1,036
As of December 31, 1996	3,728	1,031	961	100	5,820	153	5,973
Discoveries & extensions	692	26	92	346	1,156	2	1,158
Improved recovery	7	--	22	--	29	5	34
Revisions	228	75	41	(22)	322	19	341
Net purchases (sales)	10	(118)	(7)	(310)	(425)	--	(425)
Production	(643)	(96)	(81)	(2)	(822)	(17)	(839)
Total changes	294	(113)	67	12	260	9	269
Developed reserves	3,379	792	576	110	4,857	145	5,002
Undeveloped reserves	643	126	452	2	1,223	17	1,240
As of December 31, 1997*	4,022	918	1,028	112	6,080	162	6,242
Discoveries & extensions	599	6	47	98	750	1	751
Improved recovery	4	--	7	--	11	3	14
Revisions	152	(12)	(6)	34	168	10	178
Net purchases (sales)	(39)	--	--	250	211	--	211
Production	(633)	(92)	(112)	(17)	(854)	(25)	(879)
Total changes	83	(98)	(64)	365	286	(11)	275
Developed reserves	3,345	688	615	374	5,022	135	5,157
Undeveloped reserves	760	132	349	103	1,344	16	1,360
As of December 31, 1998*	4,105	820	964	477	6,366	151	6,517
Discoveries & extensions	442	7	93	42	584	5	589
Improved recovery	4	--	2	235	241	1	242
Revisions	285	193	7	427	912	3	(915)
Net purchases (sales)	(81)	--	--	712	631	--	631
Production	(550)	(79)	(104)	(27)	(760)	(26)	(786)
Total changes	100	121	(2)	1,389	1,608	(17)	(1,591)
Developed reserves	3,388	865	557	787	5,597	131	5,728
Undeveloped reserves	817	76	405	1,079	2,377	3	2,380
As of December 31, 1999*	4,205	941(a)	962	1,866	7,974(a)	134	8,108(a)

(a) Additionally, there is approximately 489 BCF of natural gas in Other West which will be available from production during the period 2005-2016 under a long-term purchase associated with a service agreement.

The following chart summarizes our experience in finding new quantities of oil and gas to replace our production. Our reserve replacement performance is calculated by dividing our reserve additions by our production. Our additions relate to new discoveries, existing reserve extensions, improved recoveries and revisions to previous reserve estimates. The chart excludes oil and gas quantities from purchases and sales.

	Worldwide	United States	International
Year 1999	111%	99%	124%
Year 1998	166%	144%	191%
Year 1997	167%	132%	212%
3-year average	148%	126%	174%
5-year average	138%	115%	166%

Table II - Standardized Measure

The standardized measure provides a common benchmark among those companies that have exploration and producing activities. This measure may not necessarily match our view of the future cash flows from our proved reserves.

The standardized measure is calculated at a 10% discount. Future revenues are based on year-end prices for oil and gas. Future production and development costs are based on current year costs. Extensive judgment is used to estimate the timing of production and future costs over the remaining life of the reserves. Future income taxes are calculated using each country's statutory tax rate.

Our inventory of potential hydrocarbon resources, which may become proved in the future, are excluded. This could significantly impact our standardized measure in the future.

Table II - Standardized Measure of Discounted Future Net Cash Flows

	Consolidated Subsidiaries					Equity	
(Millions of dollars)	United States	Other West	Europe	Other East	Total	Affiliate - Other East	Worldwide
As of December 31, 1999							
Future cash inflows from sale of oil & gas, and service fee revenue	$ 45,281	$ 2,668	$ 11,875	$ 16,890	$ 76,714	$ 7,646	$ 84,360
Future production costs	(10,956)	(913)	(2,264)	(2,946)	(17,079)	(2,254)	(19,333)
Future development costs	(3,853)	(239)	(1,749)	(1,956)	(7,797)	(767)	(8,564)
Future income tax expense	(8,304)	(758)	(2,428)	(7,665)	(19,155)	(2,340)	(21,495)
Net future cash flows before discount	22,168	758	5,434	4,323	32,683	2,285	34,968
10% discount for timing of future cash flows	(10,816)	(327)	(1,985)	(2,243)	(15,371)	(887)	(16,258)
Standardized measure of discounted future net cash flows	$ 11,352	$ 431	$ 3,449	$ 2,080	$ 17,312	$ 1,398	$ 18,710
As of December 31, 1998							
Future cash inflows from sale of oil & gas, and service fee revenue	$ 23,147	$ 1,657	$ 6,581	$ 4,816	$ 36,201	$ 4,708	$ 40,909
Future production costs	(10,465)	(605)	(2,574)	(2,551)	(16,195)	(1,992)	(18,187)
Future development costs	(4,055)	(142)	(1,695)	(761)	(6,653)	(803)	(7,456)
Future income tax expense	(2,583)	(419)	(715)	(1,023)	(4,740)	(967)	(5,707)
Net future cash flows before discount	6,044	491	1,597	481	8,613	946	9,559
10% discount for timing of future cash flows	(2,626)	(244)	(644)	(167)	(3,681)	(391)	(4,072)
Standardized measure of discounted future net cash flows	$ 3,418	$ 247	$ 953	$ 314	$ 4,932	$ 555	$ 5,487
As of December 31, 1997							
Future cash inflows from sale of oil & gas, and service fee revenue	$ 34,084	$ 2,305	$ 9,395	$ 7,690	$ 53,474	$ 5,182	$ 58,656
Future production costs	(10,980)	(807)	(2,854)	(2,303)	(16,944)	(1,840)	(18,784)
Future development costs	(4,693)	(132)	(1,809)	(749)	(7,383)	(476)	(7,859)
Future income tax expense	(5,512)	(652)	(898)	(3,445)	(10,507)	(1,519)	(12,026)
Net future cash flows before discount	12,899	714	3,834	1,193	18,640	1,347	19,987
10% discount for timing of future cash flows	(5,361)	(252)	(1,424)	(374)	(7,411)	(519)	(7,930)
Standardized measure of discounted future net cash flows	$ 7,538	$ 462	$ 2,410	$ 819	$ 11,229	$ 828	$ 12,057

Table III - Changes in the Standardized Measure

The annual change in the standardized measure is explained in this table by the major sources of change, discounted at 10%.

o Sales & transfers, net of production costs capture the current year's revenues less the associated producing expenses. The net amount reflected here correlates to Table VII for revenues less production costs.

o Net changes in prices, production & development costs are computed before the effects of changes in quantities. The beginning-of-the-year production forecast is multiplied by the net annual change in the unit sales price and production cost.

o Discoveries & extensions indicate the value of the new reserves at year-end prices, less related costs.

o Development costs incurred during the period capture the current year's development costs that are shown in Table V. These costs will reduce the previously estimated future development costs.

o Accretion of discount represents 10% of the beginning discounted future net cash flows before income tax effects.

o Net change in income taxes is computed as the change in present value of future income taxes.

Table III - Changes in the Standardized Measure

	Worldwide Including Equity in Affiliate - Other East		
(Millions of dollars)	1999	1998	1997
Standardized measure - beginning of year	$ 5,487	$ 12,057	$ 17,966
Sales of minerals-in-place	(352)	(160)	(79)
	5,135	11,897	17,887
Changes in ongoing oil and gas operations:			
Sales and transfers of produced oil and gas, net of production costs during the period	(4,230)	(3,129)	(4,921)
Net changes in prices, production and development costs	21,990	(11,205)	(14,632)
Discoveries and extensions and improved recovery, less related costs	1,821	728	2,681
Development costs incurred during the period	1,598	1,770	1,976
Timing of production and other changes	(517)	(1,170)	(969)
Revisions of previous quantity estimates	301	852	1,476
Purchases of minerals-in-place	895	48	449
Accretion of discount	881	1,916	3,027
Net change in discounted future income taxes	(9,164)	3,780	5,083
Standardized measure - end of year	$ 18,710	$ 5,487	$ 12,057

Table IV - Capitalized Costs

Costs of the following assets are capitalized under the "successful efforts" method of accounting. These costs include the activities of Texaco's upstream operations but exclude the crude oil marketing activities, geothermal and other non-producing activities. As a result, this table will not correlate to information in Note 6 to the financial statements.

o Proved properties include mineral properties with proved reserves, development wells and uncompleted development well costs.

o Unproved properties include leaseholds under exploration (even where hydrocarbons were found but not in sufficient quantities to be considered proved reserves) and uncompleted exploratory well costs.

o Support equipment and facilities include costs for seismic and drilling equipment, construction and grading equipment, repair shops, warehouses and other supporting assets involved in oil and gas producing activities.

o The accumulated depreciation, depletion and amortization represents the portion of the assets that have been charged to expense in prior periods. It also includes provisions for future restoration and abandonment activity.

Table IV - Capitalized Costs

(Millions of dollars)	Consolidated Subsidiaries United States	Other West	Europe	Other East	Total	Equity Affiliate - Other East	Worldwide
As of December 31, 1999							
Proved properties	$ 20,364	$ 304	$ 5,327	$ 2,273	$ 28,268	$ 1,085	$ 29,353
Unproved properties	983	139	50	619	1,791	335	2,126
Support equipment and facilities	441	267	37	529	1,274	975	2,249
Gross capitalized costs	21,788	710	5,414	3,421	31,333	2,395	33,728
Accumulated depreciation, depletion and amortization	(13,855)	(298)	(3,955)	(1,365)	(19,473)	(1,217)	(20,690)
Net capitalized costs	$ 7,933	$ 412	$ 1,459	$ 2,056	$ 11,860	$ 1,178	$ 13,038
As of December 31, 1998							
Proved properties	$ 20,601	$ 515	$ 4,709	$ 1,799	$ 27,624	$ 1,015	$ 28,639
Unproved properties	1,188	53	71	390	1,702	408	2,110
Support equipment and facilities	437	27	37	342	843	768	1,611
Gross capitalized costs	22,226	595	4,817	2,531	30,169	2,191	32,360
Accumulated depreciation, depletion and amortization	(14,140)	(277)	(3,381)	(1,253)	(19,051)	(1,119)	(20,170)
Net capitalized costs	$ 8,086	$ 318	$ 1,436	$ 1,278	$ 11,118	$ 1,072	$ 12,190

Table V - Costs Incurred

This table summarizes how much we spent to explore and develop our existing reserve base, and how much we spent to acquire mineral rights from others (classified as proved or unproved).

- Exploration costs include geological and geophysical costs, the cost of carrying and retaining undeveloped properties and exploratory drilling costs.

- Development costs include the cost of drilling and equipping development wells and constructing related production facilities for extracting, treating, gathering and storing oil and gas from proved reserves.

- Exploration and development costs may be capitalized or expensed, as applicable. Such costs also include administrative expenses and depreciation applicable to support equipment associated with these activities. As a result, the costs incurred will not correlate to Capital and Exploratory Expenditures.

On a worldwide basis, in 1999 we spent $4.37 for each BOE we added. Finding and development costs averaged $3.80 for the three-year period 1997-1999 and $3.88 per BOE for the five-year period 1995-1999.

Table V - Costs Incurred

(Millions of dollars)	Consolidated Subsidiaries United States	Other West	Europe	Other East	Total	Equity Affiliate - Other East	Worldwide
For the year ended December 31, 1999							
Proved property acquisition	$ 4	$ --	$ --	$ 481	$ 485	$ --	$ 485
Unproved property acquisition	39	25	--	27	91	--	91
Exploration	204	92	23	224	543	19	562
Development	698	97	319	301	1,415	183	1,598
Total	$ 945	$ 214	$ 342	$1,033	$2,534	$ 202	$2,736
For the year ended December 31, 1998							
Proved property acquisition	$ 27	$ --	$ --	$ 199	$ 226	$ --	$ 226
Unproved property acquisition	85	1	--	32	118	--	118
Exploration	417	92	65	277	851	19	870
Development	1,073	25	308	204	1,610	160	1,770
Total	$1,602	$ 118	$ 373	$ 712	$2,805	$ 179	$2,984
For the year ended December 31, 1997							
Proved property acquisition	$1,099*	$ --	$ --	$ --	$1,099	$ --	$1,099
Unproved property acquisition	527*	1	--	23	551	--	551
Exploration	480	15	59	234	788	18	806
Development	1,220	62	419	108	1,809	167	1,976
Total	$3,326	$ 78	$ 478	$ 365	$4,247	$ 185	$4,432

*Includes the acquisition of Monterey Resources on a net cost basis of $1,520 million, which is net of deferred income taxes amounting to $469 million and $245 million for the acquired proved and unproved properties, respectively.

Table VI - Unit Prices

Average sales prices are calculated using the gross revenues in Table VII. Average production costs equal producing (lifting) costs, other taxes and the depreciation, depletion and amortization of support equipment and facilities.

	Average sales prices: Crude oil and NGL per barrel	Natural gas per thousand cubic feet	Crude oil and NGL per barrel	Natural gas per thousand cubic feet	Crude oil and NGL per barrel	Natural gas per thousand cubic feet	Average production costs (per composite barrel)		
		1999		1998		1997	1999	1998	1997
United States	$16.56	$ 2.13	$10.14	$ 1.93	$16.32	$ 2.32	$ 4.01	$ 4.07	$ 3.94
Other West	14.12	.77	9.65	.92	14.40	1.03	2.87	1.86	2.80
Europe	17.42	1.99	11.73	2.42	18.41	2.42	6.15	5.24	5.58
Other East	15.33	.18	9.61	.38	16.87	1.89	3.45	3.65	4.11
Affiliate - Other East	13.24	--	9.81	--	14.89	--	3.95	2.68	3.76

Table VII - Results of Operations

Results of operations for exploration and production activities consist of all the activities within our upstream operations, except for crude oil marketing activities, geothermal and other non-producing activities. As a result, this table will not correlate to the Analysis of Income by Operating Segments.

o Revenues are based upon our production that is available for sale and excludes revenues from resale of third party volumes, equity earnings of certain smaller affiliates, trading activity and miscellaneous operating income. Expenses are associated with current year operations, but do not include general overhead and special items.

o Production costs consist of costs incurred to operate and maintain wells and related equipment and facilities. These costs also include taxes other than income taxes and administrative expenses.

o Exploration costs include dry hole, leasehold impairment, geological and geophysical expenses, the cost of retaining undeveloped leaseholds and administrative expenses. Also included are taxes other than income taxes.

o Depreciation, depletion and amortization includes the amount for support equipment and facilities.

o Estimated income taxes are computed by adjusting each country's income before income taxes for permanent differences related to the oil and gas producing activities, then multiplying the result by the country's statutory tax rate and adjusting for applicable tax credits.

Table VII - Results of Operations

(Millions of dollars)	Consolidated Subsidiaries					Equity	
	United States	Other West	Europe	Other East	Total	Affiliate - Other East	Worldwide
For the year ended December 31, 1999							
Gross revenues from:							
Sales and transfers, including affiliate sales	$ 2,890	$ --	$ 617	$ 935	$ 4,442	$ 592	$ 5,034
Sales to unaffiliated entities	230	116	498	202	1,046	24	1,070
Production costs	(943)	(39)	(435)	(252)	(1,669)	(205)	(1,874)
Exploration costs	(243)	(97)	(21)	(154)	(515)	(17)	(532)
Depreciation, depletion and amortization	(794)	(22)	(336)	(134)	(1,286)	(109)	(1,395)
Other expenses	(92)	(15)	(1)	(53)	(161)	(3)	(164)
Results before estimated income taxes	1,048	(57)	322	544	1,857	282	2,139
Estimated income taxes	(312)	(8)	(114)	(457)	(891)	(143)	(1,034)
Net results	$ 736	$ (65)	$ 208	$ 87	$ 966	$ 139	$ 1,105
For the year ended December 31, 1998							
Gross revenues from:							
Sales and transfers, including affiliate sales	$ 2,570	$ --	$ 438	$ 571	$ 3,579	$ 454	$ 4,033
Sales to unaffiliated entities	218	120	509	122	969	28	997
Production costs	(1,066)	(35)	(400)	(250)	(1,751)	(150)	(1,901)
Exploration costs	(286)	(31)	(53)	(137)	(507)	(16)	(523)
Depreciation, depletion and amortization	(832)	(22)	(422)	(113)	(1,389)	(106)	(1,495)
Other expenses	(198)	--	(4)	(10)	(212)	(1)	(213)
Results before estimated income taxes	406	32	68	183	689	209	898
Estimated income taxes	(49)	(14)	(27)	(166)	(256)	(102)	(358)
Net results	$ 357	$ 18	$ 41	$ 17	$ 433	$ 107	$ 540
For the year ended December 31, 1997							
Gross revenues from:							
Sales and transfers, including affiliate sales	$ 3,492	$ --	$ 495	$ 934	$ 4,921	$ 610	$ 5,531
Sales to unaffiliated entities	312	165	499	178	1,154	43	1,197
Production costs	(986)	(57)	(323)	(249)	(1,615)	(192)	(1,807)
Exploration costs	(238)	(10)	(60)	(195)	(503)	(16)	(519)
Depreciation, depletion and amortization	(735)	(27)	(382)	(129)	(1,273)	(110)	(1,383)
Other expenses	(249)	--	--	(24)	(273)	9	(264)
Results before estimated income taxes	1,596	71	229	515	2,411	344	2,755
Estimated income taxes	(511)	(40)	(85)	(418)	(1,054)	(173)	(1,227)
Net results	$ 1,085	$ 31	$ 144	$ 97	$ 1,357	$ 171	$ 1,528

Supplemental Market Risk Disclosures

We use derivative financial instruments to hedge interest rate, foreign currency exchange and commodity market risks. Derivatives principally include interest rate and/or currency swap contracts, forward and option contracts to buy and to sell foreign currencies, and commodity futures, options, swaps and other instruments. We hedge only a portion of our risk exposures for assets, liabilities, commitments and future production, purchases and sales. We remain exposed on the unhedged portion of such risks.

The estimated sensitivity effects below assume that valuations of all items within a risk category will move in tandem. This cannot be assured for exposures involving interest rates, currency exchange rates, petroleum and natural gas. Users should realize that actual impacts from future interest rate, currency exchange and petroleum and natural gas price movements will likely differ from the disclosed impacts due to ongoing changes in risk exposure levels and concurrent adjustments of hedging derivative positions. Additionally, the range of variability in prices and rates is representative only of past fluctuations for each risk category. Past fluctuations in rates and prices may not necessarily be an indicator of probable future fluctuations.

Notes 9, 14 and 15 to the financial statements include details of our hedging activities, fair values of financial instruments, related derivatives exposures and accounting policies.

DEBT AND DEBT-RELATED DERIVATIVES

We had variable rate debt of approximately $2.8 billion and $2.7 billion at year-end 1999 and 1998, before effects of related interest rate swaps. Interest rate swap notional amounts at year-end 1999 increased by $845 million from year-end 1998.

Based on our overall interest rate exposure on variable rate debt and interest rate swaps at December 31, 1999 (including the interest rate and equity swap), a hypothetical two percentage points increase or decrease in interest rates would decrease or increase net income approximately $52 million.

CURRENCY FORWARD EXCHANGE AND OPTION CONTRACTS

During 1999, the net notional amount of open forward contracts decreased $220 million. This related mostly to a decrease in balance sheet monetary exposures.

The effect on fair value of our forward exchange contracts at year-end 1999 from a hypothetical 10% change in currency exchange rates would be an increase or decrease of approximately $185 million. This would be offset by an opposite effect on the related hedged exposures.

PETROLEUM AND NATURAL GAS HEDGING

In 1999, the notional amount of open derivative contracts increased by $2,207 million, mostly related to natural gas hedging.

For commodity derivatives outstanding at year-end 1999 that are permitted to be settled in cash or another financial instrument, the aggregate effect of a hypothetical 17% change in natural gas prices, a 13% change in crude oil prices and a 14% change in petroleum product prices would not be material to our consolidated financial position, net income or cash flows.

INVESTMENTS IN DEBT AND PUBLICLY TRADED EQUITY SECURITIES

We are subject to price risk on this unhedged portfolio of available-for-sale securities. During 1999, market risk exposure decreased by $325 million. At year-end 1999, a 10% appreciation or depreciation in debt and equity prices would change portfolio fair value by about $17 million. This assumes no fluctuations in currency exchange rates.

PREFERRED SHARES OF SUBSIDIARIES

We are exposed to interest rate risk on dividend requirements of Series B preferred shares of Texaco Capital LLC.

We are exposed to currency exchange risk on the Canadian dollar denominated Series C preferred shares of Texaco Capital LLC. We are exposed to offsetting currency exchange risk as well as interest rate risk on a swap contract used to hedge the Series C.

Based on the above exposures, a hypothetical two percentage points increase or decrease in the applicable variable interest rates and a hypothetical 10% appreciation or depreciation in the Canadian dollar exchange rate would not materially affect our consolidated financial position, net income or cash flows.

MARKET AUCTION PREFERRED SHARES (MAPS)

We are exposed to interest rate risk on dividend requirements of MAPS. A hypothetical two percentage points increase or decrease in interest rates would not materially affect our consolidated financial position or cash flows. There are no derivatives related to MAPS.

Selected Financial Data

Selected Quarterly Financial Data

(Millions of dollars)	First Quarter 1999	Second Quarter 1999	Third Quarter 1999	Fourth Quarter 1999	First Quarter 1998	Second Quarter 1998	Third Quarter 1998	Fourth Quarter 1998
Revenues								
Sales and services	$ 6,914	$ 8,116	$ 9,472	$10,473	$ 7,922	$ 7,729	$ 7,481	$ 7,778
Equity in income of affiliates, interest, asset sales and other	276	153	205	82	225	315	226	31
	7,190	8,269	9,677	10,555	8,147	8,044	7,707	7,809
Deductions								
Purchases and other costs	5,450	6,356	7,448	8,188	6,114	5,972	5,836	6,257
Operating expenses	559	550	544	666	580	645	593	690
Selling, general and administrative expenses	290	311	270	315	276	296	290	362
Exploratory expenses	130	80	72	219	141	90	93	137
Depreciation, depletion and amortization	361	365	356	461	388	375	409	503
Interest expense, taxes other than income taxes and minority interest	216	212	214	279	249	240	237	233
	7,006	7,874	8,904	10,128	7,748	7,618	7,458	8,182
Income (loss) before income taxes and cumulative effect of accounting change	184	395	773	427	399	426	249	(373)
Provision for (benefit from) income taxes	(15)	122	386	109	140	84	34	(160)
Income (loss) before cumulative effect of accounting change	199	273	387	318	259	342	215	(213)
Cumulative effect of accounting change	--	--	--	--	(25)	--	--	--
Net income (loss)	$ 199	$ 273	$ 387	$ 318	$ 234	$ 342	$ 215	$ (213)
Total non-owner changes in equity	$ 179	$ 271	$ 393	$ 316	$ 239	$ 344	$ 210	$ (221)
Net income (loss) per common share (dollars)								
Basic								
Income (loss) before cumulative effect of accounting change	$ .35	$ .50	$ .71	$ .58	$ .46	$ .62	$ .38	$ (.43)
Cumulative effect of accounting change	--	--	--	--	(.05)	--	--	--
Net income (loss)	$ .35	$ .50	$ .71	$ .58	$ .41	$ .62	$ .38	$ (.43)
Diluted								
Income (loss) before cumulative effect of accounting change	$ .35	$ .50	$ .71	$ .58	$ .46	$ .61	$ .38	$ (.43)
Cumulative effect of accounting change	--	--	--	--	(.04)	--	--	--
Net income (loss)	$ .35	$ .50	$ .71	$ .58	$ .42	$ .61	$ .38	$ (.43)

See accompanying notes to consolidated financial statements.

Five-Year Comparison of Selected Financial Data

(Millions of dollars)	1999	1998	1997	1996	1995
For the year:					
Revenues	$ 35,691	$ 31,707	$ 46,667	$ 45,500	$ 36,787
Net income before cumulative effect of accounting changes	$ 1,177	$ 603	$ 2,664	$ 2,018	$ 728
Cumulative effect of accounting changes	--	(25)	--	--	(121)
Net income	$ 1,177	$ 578	$ 2,664	$ 2,018	$ 607
Total non-owner changes in equity	$ 1,159	$ 572	$ 2,601	$ 1,863	$ 592
Net income per common share* (dollars)					
Basic					
Income before cumulative effect of accounting changes	$ 2.14	$ 1.04	$ 4.99	$ 3.77	$ 1.29
Cumulative effect of accounting changes	--	(.05)	--	--	(.24)
Net income	$ 2.14	$ .99	$ 4.99	$ 3.77	$ 1.05
Diluted					
Income before cumulative effect of accounting changes	$ 2.14	$ 1.04	$ 4.87	$ 3.68	$ 1.28
Cumulative effect of accounting changes	--	(.05)	--	--	(.23)
Net income	$ 2.14	$ .99	$ 4.87	$ 3.68	$ 1.05
Cash dividends per common share* (dollars)	$ 1.80	$ 1.80	$ 1.75	$ 1.65	$ 1.60
Total cash dividends paid on common stock	$ 964	$ 952	$ 918	$ 859	$ 832
At end of year:					
Total assets	$ 28,972	$ 28,570	$ 29,600	$ 26,963	$ 24,937
Debt and capital lease obligations					
Short-term	$ 1,041	$ 939	$ 885	$ 465	$ 737
Long-term	6,606	6,352	5,507	5,125	5,503
Total debt and capital lease obligations	$ 7,647	$ 7,291	$ 6,392	$ 5,590	$ 6,240

*Reflects two-for-one stock split effective September 29, 1997.

See accompanying notes to consolidated financial statements.

Investor Information

COMMON STOCK -- MARKET AND DIVIDEND INFORMATION:

Texaco Inc. common stock (symbol TX) is traded principally on the New York Stock Exchange. As of February 24, 2000, there were 198,698 shareholders of record. In 1999, Texaco's common stock price reached a high of $70 1/16, and closed December 31, 1999, at $54 5/16.

	Common Stock Price Range				Dividends	
	High	Low	High	Low		
	1999		1998		1999	1998
First Quarter	$ 59 3/16	$ 44 9/16	$ 65	$ 49 1/16	$ .45	$ .45
Second Quarter	70 1/16	55 1/8	63 3/4	55 3/4	.45	.45
Third Quarter	68 1/2	60 5/16	64 7/8	55 1/4	.45	.45
Fourth Quarter	67 3/16	52 3/8	63 7/8	50 1/4	.45	.45

STOCK TRANSFER AGENT AND SHAREHOLDER COMMUNICATIONS

FOR INFORMATION ABOUT TEXACO OR ASSISTANCE WITH YOUR ACCOUNT, PLEASE CONTACT:

Texaco Inc.
Investor Services
2000 Westchester Avenue
White Plains, NY 10650-0001
Phone: 1-800-283-9785
Fax: (914) 253-6286
E-mail: invest@texaco.com

NY DROP AGENT

ChaseMellon Shareholder Services
120 Broadway - 13th Floor
New York, NY 10271
Phone: (212) 374-2500
Fax: (212) 571-0871

CO-TRANSFER AGENT

Montreal Trust Company
151 Front Street West - 8th Floor
Toronto, Ontario, Canada M5J 2N1
Phone: 1-800-663-9097
Fax: (416) 981-9507

SECURITY ANALYSTS AND INSTITUTIONAL INVESTORS SHOULD CONTACT:

Elizabeth P. Smith
Vice President, Texaco Inc.
Phone: (914) 253-4478
Fax: (914) 253-6269
E-mail: smithep@texaco.com

ANNUAL MEETING

Texaco Inc.'s Annual Stockholders Meeting will be held at Purchase College, The State University of New York, in Purchase, NY, on Wednesday, April 26, 2000. A formal notice of the meeting, together with a proxy statement and proxy form, is being mailed to stockholders with this report.

INVESTOR SERVICES PLAN

The company's Investor Services Plan offers a variety of benefits to individuals seeking an easy way to invest in Texaco Inc. common stock. Enrollment in the Plan is open to anyone, and investors may make initial investments directly through the company. The Plan features dividend reinvestment, optional cash investments, and custodial service for stock certificates. Open an account or access your registered shareholder account on the Internet through our new TexLink connection at www.texaco.com. Texaco's Investor Services Plan is an excellent way to start an investment program for family or friends. For a complete informational package, including a Plan prospectus, call 1-800-283-9785, e-mail at invest@texaco.com, or visit Texaco's Internet home page at www.texaco.com.

EXHIBIT 21

Subsidiaries of Registrant
1999

Parents of Registrant
None

Registrant
Texaco Inc.

The significant subsidiaries included in the consolidated financial statements of the Registrant are as follows:

	Organized under the laws of
Bridgeline Gas Distribution LLC	Louisiana
FAMM LLC	Delaware
Four Star Oil and Gas Company	Delaware
Heddington Insurance Ltd.	Bermuda
MVP Production Inc.	Delaware
Refineria Panama, S.A.	Panama
S.A. Texaco Belgium N.V.	Belgium
Saudi Arabian Texaco Inc.	Delaware
TEPI Holdings Inc.	Delaware
TRMI Holdings Inc.	Delaware
Texaco Australia Pty Limited	Delaware
Texaco Brazil S.A. - Produtos de Petroleo	Brazil
Texaco California Inc.	Delaware
Texaco Captain Holdings Inc.	Delaware
Texaco Caribbean Inc.	Delaware
Texaco Cogeneration Company	Delaware
Texaco Denmark Inc.	Delaware
Texaco Exploration and Production Inc.	Delaware
Texaco International Trader Inc.	Delaware
Texaco Investments (Netherlands), Inc.	Delaware
Texaco (Ireland) Limited	Ireland
Texaco Limited	England
Texaco Natural Gas Inc.	Delaware
Texaco Nederland B.V.	Netherlands
Texaco North Sea U.K. Company	Delaware
Texaco Oil (Britain) Ltd.	England
Texaco Overseas Holdings Inc.	Delaware
Texaco Panama Inc.	Panama
Texaco Philippines Inc.	Delaware
Texaco Raffinaderij Pernis B.V.	Netherlands
Texaco Refining and Marketing Inc.	Delaware
Texaco Refining and Marketing (East) Inc.	Delaware
Texaco Trading and Transportation Inc.	Delaware
Texaco Trinidad Inc.	Delaware
Texas Petroleum Company	New Jersey

Names of certain subsidiary companies are omitted because, considered in the aggregate as a single subsidiary company, they do not constitute a significant subsidiary company.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 24, 2000 included or incorporated by reference in Texaco Inc.'s Form 10-K for the year ended December 31, 1999, into the following previously filed Registration Statements:

	Form	File Number
1.	Form S-3	File Number 33-31148
2.	Form S-8	File Number 2-67125
3.	Form S-8	File Number 2-76755
4.	Form S-8	File Number 2-90255
5.	Form S-8	File Number 33-34043
6.	Form S-3	File Number 33-50553 and 33-50553-01
7.	Form S-8	File Number 333-11019
8.	Form S-3	File Number 333-82893 and 333-82893-01
9.	Form S-8	File Number 333-73329

Arthur Andersen LLP

New York, N.Y.
March 24, 2000

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Texaco Inc.:

We hereby consent to the incorporation by reference of our report dated February 7, 2000 relating to the combined balance sheets of the Caltex Group of Companies as of December 31, 1999 and 1998, and the related combined statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999, which report appears in the December 31, 1999 Annual Report on Form 10-K of Texaco Inc., into the following previously filed Registration Statements:

1. Form S-3 File Number 33-31148
2. Form S-8 File Number 2-67125
3. Form S-8 File Number 2-76755
4. Form S-8 File Number 2-90255
5. Form S-8 File Number 33-34043
6. Form S-3 File Number 33-50553 and 33-50553-01
7. Form S-8 File Number 333-11019
8. Form S-3 File Number 333-82893 and 333-82893-01
9. Form S-8 File Number 333-73329

KPMG

Singapore
March 24, 2000

EXHIBIT 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference of our report dated March 3, 2000, on our audits of the consolidated balance sheets of Equilon Enterprises LLC as of December 31, 1999 and 1998, and the related statements of consolidated income, owners' equity and cash flows for the years then ended, included in the Annual Report on Form 10-K of Texaco Inc. for the year ended December 31, 1999, into the following previously filed Registration Statements:

1.	Form S-3	File Number 33-31148
2.	Form S-8	File Number 2-67125
3.	Form S-8	File Number 2-76755
4.	Form S-8	File Number 2-90255
5.	Form S-8	File Number 33-34043
6.	Form S-3	File Number 33-50553 and 33-50553-01
7.	Form S-8	File Number 333-11019
8.	Form S-3	File Number 333-82893 and 333-82893-01
9.	Form S-8	File Number 333-73329

PricewaterhouseCoopers LLP
Houston, Texas
March 24, 2000

Arthur Andersen LLP
Houston, Texas
March 24, 2000

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference of our report dated March 10, 2000, on our audits of the balance sheets of Motiva Enterprises LLC as of December 31, 1999 and 1998, and the related statements of income, owners' equity and cash flows for the year ended December 31, 1999 and the six months ended December 31, 1998, included in the Annual Report on Form 10-K of Texaco Inc. for the year ended December 31, 1999, into the following previously filed Registration Statements:

1. Form S-3 File Number 33-31148
2. Form S-8 File Number 2-67125
3. Form S-8 File Number 2-76755
4. Form S-8 File Number 2-90255
5. Form S-8 File Number 33-34043
6. Form S-3 File Number 33-50553 and 33-50553-01
7. Form S-8 File Number 333-11019
8. Form S-3 File Number 333-82893 and 333-82893-01
9. Form S-8 File Number 333-73329

Arthur Andersen LLP

Deloitte & Touche LLP

PricewaterhouseCoopers LLP

Houston, Texas
March 24, 2000

EXHIBIT 24.1

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, Chairman of the Board and Chief Executive Officer of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ Peter I. Bijur

Peter I. Bijur
Chairman of the Board
and Chief Executive Officer

EXHIBIT 24.2

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, Senior Vice President and Chief Financial Officer of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ Patrick J. Lynch

Patrick J. Lynch
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 24.3

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, Comptroller and Chief Accounting Officer of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ George J. Batavick

George J. Batavick
Comptroller and Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT 24.4

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ A. Charles Baillie

EXHIBIT 24.5

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ Mary K. Bush

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ Edmund M. Carpenter

EXHIBIT 24.7

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ Michael C. Hawley

EXHIBIT 24.8

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ Franklyn G. Jenifer

EXHIBIT 24.9

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ Sam Nunn

EXHIBIT 24.10

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ Charles H. Price, II

EXHIBIT 24.11

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ Charles R. Shoemate

EXHIBIT 24.12

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ Robin B. Smith

EXHIBIT 24.13

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ William C. Steere, Jr.

EXHIBIT 24.14

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby appoints MICHAEL H. RUDY and DEVAL L. PATRICK, and either of them (with full power to act without the other) as the undersigned's attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, preferred stock and debt securities, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as the undersigned's own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in-fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 2001.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the 1st day of January, 2000.

/S/ Thomas A. Vanderslice

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TEXACO INC.'S 1999 ANNUAL REPORT ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

YEAR
DEC-31-1999
JAN-1-1999
DEC-31-1999
419
29
4,087
27
1,182
5,963
36,527
20,967
28,972
5,668
6,606
0
277
2,136
9,629
28,972
34,975
35,691
27,442
29,761
3,647
0
504
1,779
602
1,177
0
0
0
1,177
2.14
2.14

EPS-PRIMARY REPRESENTS BASIC EARNINGS PER SHARE IN ACCORDANCE WITH STATEMENT OF FINANCIAL ACCOUNTING STANDARD 128.