UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2001 Commission file number 1-27

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

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

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

Texaco Inc. (1) HAS FILED all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) HAS BEEN subject to such filing requirements for the past 90 days.

As of July 31, 2001, there were 551,087,141 shares outstanding of Texaco Inc. Common Stock - par value $3.125.

TEXACO INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD
ENDED JUNE 30, 2001

Table of Contents

PART I - FINANCIAL INFORMATION

TEXACO INC.
CONSOLIDATED STATEMENTS OF INCOME

(Millions of dollars, except per share data)

	(Unaudited)			
	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
REVENUES				
Sales and services	$26,310	$22,862	$12,438	$11,776
Equity in income of affiliates, interest, asset sales and other	732	478	470	293
	27,042	23,340	12,908	12,069
DEDUCTIONS				
Purchases and other costs	20,924	18,055	9,831	9,425
Operating expenses	1,312	1,268	656	678
Selling, general and administrative expenses	682	581	338	256
Exploratory expenses	112	113	63	60
Depreciation, depletion and amortization	639	875	320	391
Interest expense	218	231	103	109
Taxes other than income taxes	231	194	115	91
Minority interest	76	57	35	30
	24,194	21,374	11,461	11,040
INCOME BEFORE INCOME TAXES	2,848	1,966	1,447	1,029
PROVISION FOR INCOME TAXES	1,231	767	663	404
NET INCOME	$ 1,617	$ 1,199	$ 784	$ 625
PER COMMON SHARE				
Basic net income	$ 2.98	$ 2.19	$ 1.44	$ 1.14
Diluted net income	$ 2.97	$ 2.19	$ 1.44	$ 1.14
Cash dividends paid	$ 0.90	$ 0.90	$ 0.45	$ 0.45

See accompanying notes to consolidated financial statements.

TEXACO INC.
CONSOLIDATED BALANCE SHEETS
(Millions of dollars)

	June 30, 2001 (Unaudited)	December 31, 2000
ASSETS		
Current Assets		
Cash and cash equivalents	$ 166	$ 207
Short-term investments - at fair value	46	46
Accounts and notes receivable, less allowance for doubtful accounts of $26 million in 2001 and $27 million in 2000	6,258	5,583
Inventories	1,440	1,023
Deferred income taxes and other current assets	466	194
Total current assets	8,376	7,053
Investments and Advances	7,726	6,889
Properties, Plant and Equipment - at cost	33,813	32,821
Less - Accumulated Depreciation, Depletion and Amortization	17,641	17,140
Net properties, plant and equipment	16,172	15,681
Deferred Charges	1,336	1,244
Total	$33,610	$30,867
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 598	$ 376
Accounts payable and accrued liabilities		
Trade liabilities	4,635	3,314
Accrued liabilities	1,220	1,347
Income and other taxes	1,008	947
Total current liabilities	7,461	5,984
Long-Term Debt and Capital Lease Obligations	6,748	6,815
Deferred Income Taxes	1,754	1,547
Employee Retirement Benefits	1,109	1,118
Deferred Credits and Other Non-current Liabilities	1,495	1,246
Minority Interest in Subsidiary Companies	713	713
Total	19,280	17,423
Stockholders' Equity		
Market auction preferred shares	--	300
Common stock (authorized: 850,000,000 shares, $3.125 par value; 567,576,504 shares issued)	1,774	1,774
Paid-in capital in excess of par value	1,305	1,301
Retained earnings	12,421	11,297
Unearned employee compensation and benefit plan trust	(293)	(310)
Accumulated other comprehensive income (loss)		
Net currency translation adjustment	(105)	(106)
Minimum pension liability adjustment	(18)	(27)
Unrealized net gain on investments	4	3
Deferred net hedging loss	(11)	--
Total	(130)	(130)
	15,077	14,232
Less - Common stock held in treasury, at cost	747	788
Total stockholders' equity	14,330	13,444
Total	$33,610	$30,867

See accompanying notes to consolidated financial statements.

TEXACO INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of dollars)

	(Unaudited) For the six months ended June 30, 2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$1,617	$1,199
Reconciliation to net cash provided by (used in) operating activities		
Depreciation, depletion and amortization	639	875
Deferred income taxes	160	15
Minority interest in net income	76	57
Dividends from affiliates, greater (less) than equity in income	(224)	108
Gains on asset sales	(23)	(95)
Changes in operating working capital	(120)	(337)
Other - net	(7)	58
Net cash provided by operating activities	2,118	1,880
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,477)	(1,356)
Proceeds from asset sales	120	490
Purchases of investment instruments	(283)	(206)
Sales/maturities of investment instruments	139	202
Net cash used in investing activities	(1,501)	(870)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings having original terms in excess of three months		
Proceeds	50	762
Repayments	(812)	(1,836)
Net increase in other borrowings	986	532
Purchases of common stock	--	(71)
Redemption of market auction preferred shares	(300)	--
Dividends paid to the company's stockholders		
Common	(487)	(489)
Preferred	(7)	(8)
Dividends paid to minority stockholders	(75)	(53)
Net cash used in financing activities	(645)	(1,163)
CASH AND CASH EQUIVALENTS		
Effect of exchange rate changes on cash and cash equivalents	(13)	(5)
Decrease during period	(41)	(158)
Beginning of year	207	419
End of period	$ 166	$ 261

See accompanying notes to consolidated financial statements.

TEXACO INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of dollars)

	(Unaudited) For the six months ended June 30, 2001	2000	For the three months ended June 30, 2001	2000
NET INCOME	$1,617	$1,199	$ 784	$ 625
Other comprehensive income (loss), net of tax				
Net currency translation adjustment	1	--	(1)	--
Minimum pension liability adjustment	9	(4)	--	--
Unrealized net gain (loss) on investments	1	1	--	(5)
Deferred net hedging gain (loss)	(11)	--	2	--
	--	(3)	1	(5)
COMPREHENSIVE INCOME	$1,617	$1,196	$ 785	$ 620

TEXACO INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Preparing Interim Financial Statements

The accompanying unaudited consolidated interim financial statements of Texaco Inc. have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. We have condensed or omitted from these financial statements certain footnotes and other information included in our 2000 Annual Report on Form 10-K. You should read these unaudited condensed financial statements in conjunction with our 2000 Annual Report. All dollar amounts are in millions, unless otherwise noted.

We have consistently applied the accounting policies described in our 2000 Annual Report on Form 10-K in preparing the unaudited financial statements for the six-month and three-month periods ended June 30, 2001 and 2000, except for the adoption of SFAS No. 133, as discussed in Note 2. We have made all adjustments and disclosures necessary, in our opinion, to present fairly our results of operations, financial position and cash flows for such periods. These adjustments were of a normal recurring nature. The information is subject to year-end audit by independent public accountants.

The results for the interim periods are not necessarily indicative of trends or future financial results.

Note 2. Adoption of SFAS No. 133 and SFAS No. 138

On January 1, 2001, Texaco adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities, " and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." These standards establish new accounting and disclosure requirements for most derivative instruments and hedge transactions involving derivatives. The standards also require formal documentation procedures for hedging relationships and effectiveness testing when hedge accounting is to be applied. The cumulative effects of adoption of these standards on net income and other comprehensive income were not material to net income for the six months ended June 30, 2001 and stockholders' equity at January 1, 2001.

Our derivative usage is principally commodity futures, forwards and swaps; foreign currency forwards; and interest rate swaps.

For economic hedges of commodities, we purchase and sell commodity derivatives covering percentages of our total estimated exposures. The percentages vary by type of exposure and are adjusted from time to time based on forecasted trends and overall business objectives. We may or may not apply hedge accounting as fair value hedges or cash flow hedges. For our limited trading for profit activity not accounted for as hedges, we purchase or sell commodity derivatives based upon management's assessment of forecasted trends and other factors affecting the prices of crude oil, natural gas and petroleum products.

We use foreign currency forwards to create an economic hedge of our balance sheet exposure in certain currencies for monetary assets and liabilities (cash, cash equivalents, receivables, payables and debt). Gains and losses on forward contracts used for this purpose are marked to market through earnings in accordance with SFAS No. 52, "Foreign Currency Translation." We also use short-term foreign currency forwards under a rollover strategy as cash flow hedges for percentages of forecasted foreign currency capital expenditures scheduled to occur within specified future time periods. After project start-up, the deferred hedge gains and losses are amortized to depreciation expense under the depreciation basis and life applied to the hedged asset's capitalized cost.

We utilize receive fixed-rate, pay floating-rate interest rate swaps as fair value hedges of a portion of our fixed-rate debt. The percentage of our debt hedged in this manner changes from time to time based upon the amount of swaps required to achieve the desired ratio of floating rate to fixed rate exposure in our total debt portfolio.

We record hedge ineffectiveness on fair value hedges and cash flow hedges to revenues. There were no material ineffectiveness amounts reflected in earnings for the six months ended June 30, 2001.

Amounts recorded in comprehensive income from cash flow hedges of forecasted commodities transactions and foreign currency capital expenditures will reverse to earnings at the time the associated hedged transactions affect earnings. The amounts in the current balance sheet expected to reverse from this account within the next 12 months are not material.

The maximum length of time over which we hedge future cash flows for forecasted transactions normally does not exceed two years.

Note 3. New Accounting Standards

In June 2001, the Financial Accounting Standards Board agreed to issue SFAS No. 141, Business Combinations, SFAS No. 142, Goodwill and Other Intangible Assets and SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method. SFAS No. 142 eliminates the requirement to amortize goodwill over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value based test. Adoption of SFAS No. 142 will not have a significant impact on us. SFAS No. 143 requires companies to record liabilities equal to the fair value of their asset retirement obligations and corresponding additional asset costs. The obligations included are those for which there is a legal obligation as a result of existing or enacted law, statute or contract. Under existing accounting rules, we accrue for the estimated future costs of abandoning and restoring our oil and gas production sites by way of additional unit-of-production depreciation charges. We have not yet determined the effect of adopting SFAS No. 143. For Texaco and other calendar-year companies, SFAS No. 143 is effective beginning January 1, 2003.

The accounting for the announced business combination between Chevron Corporation and Texaco is grandfathered under accounting rules in-place at the time of the merger announcement. Therefore, we expect the merger will be accounted for under pooling of interests accounting.

Note 4. Net Income Per Common Share

	For the six months ended June 30, 2001	For the six months ended June 30, 2000	For the three months ended June 30, 2001	For the three months ended June 30, 2000
	(Unaudited)			
Basic Net Income Per Common Share:				
Net income	$ 1,617	$ 1,199	$ 784	$ 625
Less: Preferred stock dividends	6	7	3	4
Net income available for common stock	$ 1,611	$ 1,192	$ 781	$ 621
Weighted average shares outstanding (thousands)	541,396	543,334	541,739	542,770
Basic net income per common share (dollars)	$ 2.98	$ 2.19	$ 1.44	$ 1.14
Diluted Net Income Per Common Share:				
Net income available for common stock	$ 1,611	$ 1,192	$ 781	$ 621
Adjustment for the dilutive effect of stock-based compensation	2	2	1	1
Income for diluted earnings per share	$ 1,613	$ 1,194	$ 782	$ 622
Weighted average shares outstanding (thousands)	541,396	543,334	541,739	542,770
Dilutive effect of stock-based compensation (thousands)	2,163	1,611	2,419	1,642
Weighted average shares outstanding for diluted computation (thousands)	543,559	544,945	544,158	544,412
Diluted net income per common share (dollars)	$ 2.97	$ 2.19	$ 1.44	$ 1.14

Note 5. Segment Information

For the six months ended June 30,

	2001				2000			
	Sales and Services				Sales and Services			
	Outside	Inter-Segment	Total	After Tax Profit (Loss)	Outside	Inter-Segment	Total	After Tax Profit (Loss)
	(Unaudited)							
Exploration and production								
United States	$ 1,675	$1,556	$ 3,231	$1,000	$ 1,682	$ 924	$ 2,606	$ 647
International	1,894	391	2,285	505	1,669	684	2,353	554
Refining, marketing and distribution								
United States	2,860	29	2,889	234	2,767	106	2,873	63
International	13,958	255	14,213	150	13,851	191	14,042	141
Global gas, power and energy technology	5,915	146	6,061	23	2,887	81	2,968	20
Segment totals	$26,302	$2,377	28,679	1,912	$22,856	$1,986	24,842	1,425
Other business units			16	(37)			15	(2)
Corporate/Non-operating			4	(258)			3	(224)
Intersegment eliminations			(2,389)	--			(1,998)	--
Consolidated			$26,310	$1,617			$22,862	$1,199

For the three months ended June 30,

	2001				2000			
	Sales and Services			After Tax Profit (Loss)	Sales and Services			After Tax Profit (Loss)
	Outside	Inter-Segment	Total		Outside	Inter-Segment	Total	
	(Unaudited)							
Exploration and production								
United States	$ 735	$ 661	$ 1,396	$411	$ 859	$494	$ 1,353	$353
International	889	282	1,171	262	796	273	1,069	261
Refining, marketing and distribution								
United States	1,358	20	1,378	196	1,387	82	1,469	45
International	7,107	164	7,271	62	7,130	96	7,226	90
Global gas, power and energy technology	2,347	103	2,450	18	1,602	46	1,648	--
Segment totals	$12,436	$1,230	13,666	949	$11,774	$991	12,765	749
Other business units			7	(34)			5	(2)
Corporate/Non-operating			2	(131)			2	(122)
Intersegment eliminations			(1,237)	--			(996)	--
Consolidated			$12,438	$784			$11,776	$625

	Assets as of	
	June 30, 2001	December 31, 2000
	(Unaudited)	
Exploration and production		
United States	$ 8,716	$8,442
International	7,059	6,343
Refining, marketing and distribution		
United States	3,855	3,495
International	9,356	8,865
Global gas, power and energy technology	3,309	2,580
Segment totals	32,295	29,725
Other business units	439	341
Corporate/Non-operating	1,285	1,185
Intersegment eliminations	(409)	(384)
Consolidated	$33,610	$30,867

Note 6. Inventories

The inventory accounts of Texaco are presented below:

	As of	
	June 30, 2001 (Unaudited)	December 31, 2000
Crude oil	$ 185	$ 127
Petroleum products and other	1,073	732
Materials and supplies	182	164
Total	$1,440	$1,023

Note 7. Investments in Significant Equity Affiliates

U.S. Downstream Alliances

Summarized unaudited financial information for Equilon, owned 44% by Texaco and 56% by Shell Oil Company, is presented below on a 100% Equilon basis:

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
Gross revenues	$24,075	$21,186	$12,924	$11,229
Income before income taxes	$ 353	$ 18	$ 314	$ 49

Summarized unaudited financial information for Motiva is presented below on a 100% Motiva basis. Motiva is owned by Texaco, Saudi Refining, Inc. (a corporate affiliate of Saudi Aramco) and Shell Oil Company. Under the terms of the Limited Liability Agreement for Motiva, the interests in Motiva are subject to annual adjustment through year-end 2005, based on the performance of the assets contributed to Motiva. Accordingly, the interests in Motiva were adjusted effective as of January 1, 2001. Currently, Texaco and Saudi Refining, Inc. each has 35% and Shell has 30% of Motiva. These percentages will be effective through year-end 2001. The Agreement provides that a final ownership percentage will be calculated following the end of 2005.

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
Gross revenues	$10,022	$9,137	$5,292	$4,746
Income before income taxes	$ 629	$ 217	$ 499	$ 154

We record income tax effects applicable to our share of Equilon's and Motiva's pre-tax results in our consolidated financial statements, since Equilon and Motiva are limited liability companies.

Caltex Group of Companies

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

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
Gross revenues	$8,349	$9,414	$4,372	$5,161
Income before income taxes	$ 550	$ 483	$ 205	$ 264
Net income	$ 279	$ 230	$ 73	$ 128

Note 8. Commitments and Contingencies

Information relative to commitments and contingent liabilities of Texaco is presented in Note 15, Other Financial Information, Commitments and Contingencies, pages 68-69, of our 2000 Annual Report.

It is impossible for us to determine 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.

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

RESULTS OF OPERATIONS

The following table provides a summary of Texaco's income before special items and net income for the first six months and second quarter of 2001 and 2000. All dollar amounts are in millions, unless otherwise noted.

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
	(Unaudited)			
Income before special items	$1,653	$1,243	$ 817	$ 641
Per share (dollars)	$ 3.03	$ 2.27	$1.50	$1.17
Net income	$1,617	$1,199	$ 784	$ 625
Per share (dollars)	$ 2.97	$ 2.19	$1.44	$1.14

Our earnings exceeded $800 million for the fourth consecutive quarter. In an environment of favorable industry conditions we continue to successfully execute our business plans. This quarter's results included record earnings in our U.S. downstream, as Equilon and Motiva sharply improved their operating performance. Motiva's results were especially strong, benefiting from robust refining margins on the East and Gulf Coasts and high refinery run rates. While refining margins have contracted, marketing margins have increased from their low levels early in the second quarter. This benefited Equilon's operations late in the quarter.

In the upstream, crude oil prices were firm while U.S. natural gas prices were significantly higher than a year ago. However, weakening demand and increasing inventories have caused crude oil and natural gas prices to drop in recent weeks. Looking to the future, we continue to strengthen our upstream portfolio. Our high-impact deepwater exploration program yielded two discoveries in the Gulf of Mexico. The Blind Faith discovery on Mississippi Canyon Block 696 and the Champlain discovery in Atwater Valley Block 63 should add significantly to our future production and reserves. Also, the Hamaca project in Venezuela attained major milestones this quarter with the closing of a $1.1 billion financing package and the completion of a two-year site preparation program.

Our global gas, power and energy technology segment showed significant improvement over last year. Our U.S. natural gas trading business continued to capitalize on significantly increased trading volumes through the delivery of structured, customer-based services. At the end of June, operations began at our newest facility, the 320 megawatt Sunrise Power Project in California. This plant started up ahead of schedule and will bring much-needed energy to homes and businesses in California.

Results for the second quarter and first six months of 2001 and 2000 are summarized in the following table. Details on special items are included in the segment analysis which follows this table. The following discussion of operating earnings is presented on an after-tax basis.

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
	(Unaudited)			
Income before special items	$1,653	$1,243	$817	$641
Write-downs of assets	(25)	--	(25)	--
Net gains (losses) on major asset sales	--	(65)	--	2
Tax issue	--	46	--	--
Employee related issues	--	6	--	--
Litigation issue	--	(17)	--	(4)
Net loss on Erskine pipeline	--	(14)	--	(14)
Merger costs	(11)	--	(8)	--
Special items	(36)	(44)	(33)	(16)
Net income	$1,617	$1,199	$784	$625

OPERATING RESULTS

EXPLORATION AND PRODUCTION

United States	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
Operating income before special items	$1,000	$754	$411	$393
Special items	--	(107)	--	(40)
Operating income	$1,000	$647	$411	$353

U.S. exploration and production earnings for this year's second quarter and first six months exceeded last year due to higher natural gas prices. Market conditions early in the year kept natural gas prices above last year's levels, while crude oil prices receded slightly. U.S. natural gas prices declined in the second quarter from the first quarter historic levels as demand softened and storage injections from April into July improved inventory levels. Our average realized natural gas prices for the second quarter and six months 2001 were $4.48 and $5.86 per thousand cubic feet (MCF), 37 percent and 105 percent higher than last year. For the second quarter and first six months 2001, our average realized crude oil prices were $22.51 and $23.42 per barrel, ten percent and five percent lower than last year.

Daily production decreased ten percent for the second quarter to 531,000 barrels of oil equivalent per day (BOEPD) and 11 percent for the first six months to 533,000 BOEPD. More than 40 percent of this expected reduction in the second quarter and almost half for the first six months was due to last year's sales of non-core producing properties. The balance of the decrease was due to natural field declines and lower production in our California fields as we economically reduced steam production due to high natural gas prices.

Operating expenses increased for the second quarter and for the first six months as higher natural gas prices led to significantly higher utilities expenses and production taxes. Exploratory expenses for the second quarter were $17 million before tax, $5 million lower than last year. Exploratory expenses for six months 2001 were $49 million before tax, $8 million higher than last year.

Results for the first six months of 2000 included special charges of $107 million, including $40 million in the second quarter, for net losses on the sales of non-core producing properties. This charge was comprised of write-downs of assets sold to their sales prices and related disposal costs, partially offset by gains on the sales of certain other assets.

International

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
Operating income before special items	$505	$488	$262	$195
Special items	--	66	--	66
Operating income	$505	$554	$262	$261

International exploration and production operating results for the second quarter of 2001 were higher than last year due to higher natural gas prices, increased production volumes and lower operating expenses. Earnings for the first six months of 2001 were slightly higher than last year due to higher natural gas prices and lower operating expenses. Our average realized natural gas prices for the second quarter and six months 2001 were $1.78 and $1.90 per MCF, 24 percent and 30 percent higher than last year. Average realized crude oil prices were $22.58 per barrel for the second quarter and $22.10 per barrel for six months, four percent and six percent below last year.

Daily production increased four percent for the second quarter from last year to 532,000 BOEPD and was flat for the first six months at 548,000 BOEPD. Production from our ongoing operations increased nine percent for the second quarter and six percent for six months, mainly in the North Sea, the Partitioned Neutral Zone and in Latin America. Partly offsetting this increase were the sales of non-core producing properties last year which caused a decrease in production of five percent for the second quarter and six percent for the first six months.

Operating expenses decreased three percent in the second quarter and 13 percent for six months due to the sales of non-core producing properties. Exploratory expenses for the second quarter were $46 million before tax, $8 million higher than last year. Exploratory expenses for the first six months were $63 million before tax, $9 million lower than last year.

Results for the second quarter of 2000 included a special benefit of $80 million for net gains on the sale of non-core producing properties and a special charge of $14 million for net losses resulting from the Erskine pipeline interruption in the U.K. North Sea.

Refining, Marketing and Distribution

United States

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
Operating income before special items	$234	$93	$196	$80
Special items	--	(30)	--	(35)
Operating income	$234	$63	$196	$45

U.S. refining, marketing and distribution earnings improved dramatically as compared with last year for both the second quarter and first six months.

Motiva's earnings for the second quarter and first six months of 2001 benefited from significantly improved refining margins and high refinery run rates in an environment of tight supplies and industry refinery maintenance. In marketing, margins improved materially in the second quarter and results were slightly higher for the year.

During the second quarter and first six months of 2001, Equilon's earnings improved due to substantially higher refining margins and improved refinery operations. Maintenance activity in 2001 decreased from 2000 levels. Earnings also benefited from higher lubricant margins, strong trading results and higher utilization of proprietary pipelines. These improvements were reduced by extremely high West Coast utilities expenses. Marketing earnings for Equilon declined from last year due to depressed fuel marketing margins as pump prices lagged increases in supply costs in a very competitive market. This was especially true in the Los Angeles area where retail fuel margins were under intense pressure. Marketing margins began to strengthen significantly in mid-May and remained strong for the rest of the quarter.

Results for the first six months of 2000 included a second quarter special charge of $31 million for the loss on the sale of the Wood River refinery, a charge for a patent litigation issue of $17 million, including $4 million in the second quarter, and a first quarter gain of $18 million for an employee benefits revision.

International	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
Operating income before special items	$150	$153	$62	$90
Special items	--	(12)	--	--
Operating income	$150	$141	$62	$90

International refining and marketing earnings for the second quarter of 2001 declined from last year. Operating results decreased significantly in Europe due to weak U.K. marketing margins, which were depressed by our inability to recover higher supply costs in the marketplace. European refining earnings were comparable with last year. In the Asia Pacific area, lower refining margins and trading results negatively impacted earnings. Overall results in Latin America were in line with last year, with improved refining earnings but lower marketing results.

Results for the first six months of 2001 declined slightly. European earnings decreased substantially from weak markets, particularly in the U.K. The inability to recover increased supply costs in the marketplace resulted in depressed marketing margins. Lower sales volumes and unscheduled maintenance negatively impacted refining results. Earnings increased in the Asia Pacific area from improved marketing margins and higher trading results. Operations in Latin America improved with higher refining margins in Panama. However, lower sales volumes and the weakening of the local currency in Brazil caused marketing results to decline.

Results for 2000 included a first quarter special charge of $12 million for employee separation costs. See the section entitled Reorganizations, Restructurings and Employee Separation Programs on page 15 of this Form 10-Q for additional information.

GLOBAL GAS, POWER AND ENERGY TECHNOLOGY

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
Operating income	$23	$20	$18	$ --

During the second quarter and the first six months of 2001, operating results benefited from improved natural gas margins, sales of services which assist customers in managing risk, and expanded storage and transportation activities. Results also benefited from power projects in Indonesia and Thailand. Operating results were negatively impacted by expenses for a new gasification project in Singapore and higher fuel expense for the cogeneration facilities.

OTHER BUSINESS UNITS

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
Operating loss before special items	$(12)	$ (2)	$ (9)	$ (2)
Special items	(25)	--	(25)	--
Operating loss	$(37)	$ (2)	$(34)	$ (2)

Our other business units mainly includes our insurance operations and E-Business activities. Results before special items were lower than last year due to higher costs associated with E-Business activities.

Results for the second quarter of 2001 included a special charge of $25 million for write-downs associated with selected E-Business investments, including our investment in PetroCosm, a procurement marketplace, which ceased operations. These impairments were caused by management's assessment of current technology market conditions which indicated that the declines in value of these investments were other than temporary.

CORPORATE/NON-OPERATING

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
Results before special items	$(247)	$(263)	$(123)	$(115)
Special items	(11)	39	(8)	(7)
Total Corporate/Non-operating	$(258)	$(224)	$(131)	$(122)

Corporate and non-operating results before special items improved for the first six months of 2001 as a result of lower interest rates and average debt levels, and lower overhead expenses. Corporate expenses for the second quarter were slightly higher than the second quarter of last year due to lower tax benefits on overhead and interest.

Results for the first six months of 2001 included a special charge of $11 million, including $8 million in the second quarter, for costs associated with the proposed merger with Chevron. Results for 2000 included a first quarter special benefit of $46 million for favorable income tax settlements in the quarter and a second quarter special charge of $7 million for the early extinguishment of debt associated with the anticipated sale of an offshore producing facility in the U.K. North Sea.

LIQUIDITY AND CAPITAL RESOURCES

Our cash, cash equivalents and short-term investments were $212 million at June 30, 2001, compared with $253 million at year-end 2000.

During the first six months of 2001, strong earnings from our operations provided cash of $2.1 billion. We also had cash inflows of $120 million from asset sales and $224 million from net borrowings. We spent $1,477 million on our capital investment program, paid $569 million in common, preferred and minority interest dividends and used $300 million to redeem our Market Auction Preferred Shares.

As of June 30, 2001, our ratio of total debt to total borrowed and invested capital was 32.8%, compared with 33.7% at year-end 2000. At June 30, 2001, our long-term debt included $2,564 million of debt scheduled to mature within one year, which we have both the intent and ability to refinance on a long-term basis. As of June 30, 2001, we maintained, but did not use, $2,575 million in revolving credit facilities that provide liquidity and support our commercial paper program.

We consider our financial position to be sufficiently strong to meet our anticipated future financial requirements.

REORGANIZATIONS, RESTRUCTURINGS AND EMPLOYEE SEPARATION PROGRAMS

During the first quarter of 2000, we announced an employee separation program for our international downstream, primarily our marketing operations in Brazil and Ireland. We accrued $17 million ($12 million, net of tax) for employee separations, curtailment costs and special termination benefits for about 200 employees. These separation accruals are shown as selling, general and administrative expenses in the Consolidated Statements of Income. By the end of the first quarter of 2001, the estimated employee reductions were met, and we had satisfied all remaining obligations in accordance with the plan provisions.

CAPITAL AND EXPLORATORY EXPENDITURES

Capital and exploratory expenditures, including our share of affiliates, were $1,776 million for the first six months of 2001 compared with $1,769 million for the same period last year.

Led by a 30 percent increase in the U.S., upstream expenditures increased more than nine percent from 2000 levels. Investment continued to focus on drilling and workover activity in New Orleans and the Permian Basin. Internationally, development work continued in the Hamaca heavy oil project in Venezuela, the Agbami field offshore Nigeria and the Malampaya natural gas project in the Philippines. In Kazakhstan, development work continued in Karachaganak and in North Buzachi, where phase two appraisal drilling was recently completed.

U.S. downstream expenditures were higher than last year as a result of increased marketing development and refinery projects. Internationally, spending slowed with lower marketing investments in the Caribbean and Central America.

Global gas, power and energy technology spending for 2001 included a 50 percent investment in the Sunrise Power Project, which is jointly owned with Edison International Company. Overall spending for global gas, power and energy technology decreased from last year due to the completion of projects in Thailand and Singapore and the 2000 purchase of a 20 percent interest in Energy Conversion Devices, Inc., an alternate energy technology company.

CALIFORNIA POWER SITUATION

The electric utility deregulation plan adopted by the state of California in 1996 required utilities to dispose of a portion of their power generation assets. That plan further provided that utilities that serve California purchase power on the open market, and, in turn, sell power to the retail customers at capped rates. During the fourth quarter of 2000, and continuing in the first quarter of 2001, California's power and gas markets experienced significant price volatility. This commodity volatility exposed the California utilities to significantly higher prices for power purchases, which could not be fully recovered through rates charged to their customers. As a result, the utilities have failed to pay some of their suppliers for certain power deliveries in the last quarter of 2000 and the first quarter of 2001, and one of the utilities, Pacific Gas & Electric Company (PG&E), has filed for protection under Chapter 11 of the bankruptcy laws. As both supplier to and purchaser from the utility companies, Texaco has financial and operational exposure in California. While the possible outcomes for the California utility situation remain uncertain, we believe that they will not have a material adverse impact on our financial condition or results of operations. Our principal exposure is the risk of non-recovery of outstanding receivables held by our 50%-owned affiliates for power sales to PG&E and Southern California Edison Company (SCE) under long-term Qualifying Facility (QF) contracts. As of June 30, 2001, these receivables in the aggregate approximated $55 million from PG&E and $254 million from SCE (Texaco share: $28 million and $127 million, respectively). The affiliates are receiving payment in full on current sales to both utilities, and expect to ultimately recover substantially all QF receivables.

CHEVRON-TEXACO MERGER

Chevron's merger with Texaco is expected to be completed within the twelve-month timeframe envisioned when the transaction was announced in October 2000. Remaining conditions include the receipt of necessary regulatory clearances and approval by Texaco and Chevron stockholders. The merger is expected to qualify as a "pooling of interests," which means that the companies will be treated as if they had always been combined for accounting and financial reporting purposes.

FORWARD-LOOKING STATEMENTS

Portions of the foregoing discussion contain a number of "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In particular, statements made concerning our expected performance and financial results in future periods, in addition to statements concerning our proposed merger with Chevron, such as statements as to the consummation and expected benefits of the merger, are based on our current expectations and beliefs and are subject to a number of known and unknown risks and uncertainties. This could cause actual results to differ materially from those described in the "forward-looking statements." The following factors known to us, among other factors, could cause our actual results to differ materially from those described in the "forward-looking statements": incorrect estimation of reserves; inaccurate seismic data; mechanical failures; decreased demand for crude oil, natural gas, motor fuels and other products; worldwide and industry economic and political conditions; inaccurate forecasts of crude oil, natural gas and petroleum product prices; increasing price and product competition; price fluctuations; higher costs, expenses and interest rates; the possibility that the merger will not be consummated or that the anticipated benefits from the proposed merger with Chevron cannot be fully realized; the possibility that costs or difficulties related to the integration of our businesses with Chevron will be greater than we expected; and fluctuations and/or increases in financial and operational exposure arising from the California power situation. In addition, you are encouraged to review our latest reports filed with the Securities and Exchange Commission, including our 2000 Annual Report on Form 10-K filed with the SEC on March 26, 2001, which describes a number of additional risks and uncertainties that could cause actual results to vary materially from those listed in the "forward-looking statements" made in this Quarterly Report on Form 10-Q.

SUPPLEMENTAL MARKET RISK DISCLOSURES

We are exposed to the following types of market risks:
- o The price of crude oil, natural gas and petroleum products
- o The value of foreign currencies in relation to the U.S. dollar
- o Interest rates

We use derivative financial instruments, such as futures, forwards, options and swaps, in managing these risks. There were no material changes during the first six months of 2001 in our exposures to loss from possible future changes in the price of crude oil, natural gas and petroleum products, the value of foreign currencies in relation to the U. S. dollar or interest rates.

During the first six months of 2001, the notional amount of interest rate swaps having variable rate exposure decreased by $755 million. During the same period, our variable rate debt increased approximately $900 million.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We have provided information about legal proceedings pending against Texaco in Note 8 to the Consolidated Financial Statements of this Form 10-Q, in Item 1 of our first quarter 2000 Form 10-Q and in Item 3 of our 2000 Annual Report on Form 10-K. Note 8 of this Form 10-Q, Item 1 of our first quarter 2000 Form 10-Q and Item 3 of our 2000 Form 10-K are 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 a Notice of Violation that was issued during the second quarter of 2001.

- o On or about June 12, 2001, Region IX of the United States Environmental Protection Agency issued a Notice of Violation to Texaco California Inc. (TCI) and Texaco Exploration and Production Inc. (TEPI) alleging violations of the Clean Air Act for failure to install pollution control equipment on certain facilities in the Midway-Sunset and Kern River Oil Fields in Kern County, California. TCI and TEPI have negotiated a settlement of these claims in the form of a Consent Decree that is presently subject to public comment and court approval. Under the terms of the proposed Consent Decree, TCI and TEPI have agreed to install vapor recovery equipment at certain facilities in the Midway-Sunset and Kern River Oil Fields based upon an agreed upon schedule and pay a civil penalty in the amount of $568,000, plus accrued interest. A civil complaint and the proposed Consent Decree were lodged with the United States District Court in Fresno, California on July 16, 2001.

Item 5. Other Information

	For the six months ended June 30, 2001	For the six months ended June 30, 2000	For the three months ended June 30, 2001	For the three months ended June 30, 2000
	(Millions of dollars) (Unaudited)			
CAPITAL AND EXPLORATORY EXPENDITURES				
Exploration and production				
United States	$ 500	$ 384	$ 286	$ 209
International	878	879	461	526
Total	1,378	1,263	747	735
Refining, marketing and distribution				
United States	151	136	88	71
International	122	141	70	41
Total	273	277	158	112
Global gas, power and energy technology	120	184	108	156
Total segments	1,771	1,724	1,013	1,003

Other business units	5	45	2	42
Total	$1,776	$1,769	$1,015	$1,045
Exploratory expenses included above				
United States	$ 49	$ 41	$ 17	$ 22
International	63	72	46	38
Total	$ 112	$ 113	$ 63	$ 60

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
	(Unaudited)			
OPERATING DATA				
EXPLORATION AND PRODUCTION				
United States				
Net production of crude oil and natural gas liquids (MBPD)	325	371	325	364
Net production of natural gas - available for sale (MMCFPD)	1,246	1,355	1,237	1,349
Total net production (MBOEPD)	533	597	531	589
Natural gas sales (MMCFPD)	4,526	3,724	4,426	4,054
Average U.S. crude (per bbl)	$23.42	$24.67	$22.51	$24.90
Average U.S. natural gas (per mcf)	$ 5.86	$ 2.86	$ 4.48	$ 3.28
Average WTI (Spot) (per bbl)	$28.29	$28.94	$27.88	$28.97
Average Kern (Spot) (per bbl)	$20.69	$23.00	$21.48	$23.17
International				
Net production of crude oil and natural gas liquids (MBPD)				
Europe	116	120	112	98
Indonesia	128	124	123	124
Partitioned Neutral Zone	147	135	147	136
Other	52	68	50	64
Total	443	447	432	422
Net production of natural gas - available for sale (MMCFPD)				
Europe	233	248	200	205
Colombia	206	197	210	188
Other	190	148	192	145
Total	629	593	602	538
Total net production (MBOEPD)	548	546	532	512
Natural gas sales (MMCFPD)	645	626	618	567
Average International crude (per bbl)	$22.10	$23.47	$22.58	$23.64
Average International natural gas (per mcf)	$ 1.90	$ 1.46	$ 1.78	$ 1.44
Average U.K. natural gas (per mcf)	$ 3.24	$ 2.32	$ 2.84	$ 2.27
Average Colombia natural gas (per mcf)	$ 1.44	$ 1.03	$ 1.47	$ 1.12
Worldwide				
Total worldwide net production (MBOEPD)	1,081	1,143	1,063	1,101

	For the six months ended June 30,		For the three months ended June 30,	
	2001	2000	2001	2000
	(Unaudited)			
OPERATING DATA				
Refining, Marketing and Distribution				
United States				
Refinery input (MBPD)				
Equilon area	200	286	202	295
Motiva area	313	270	317	279
Total	513	556	519	574
Refined product sales (MBPD)				
Equilon area	676	725	700	760
Motiva area	434	353	450	365
Other	367	318	361	344
Total	1,477	1,396	1,511	1,469
International				
Refinery input (MBPD)				
Europe	371	375	376	385
Caltex area	361	354	356	361
Latin America/West Africa	70	58	74	64
Total	802	787	806	810
Refined product sales (MBPD)				
Europe	671	626	687	616
Caltex area	520	555	517	530
Latin America/West Africa	487	457	474	466
Other	196	92	209	91
Total	1,874	1,730	1,887	1,703

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

-- (20) Copy of Texaco Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (including portions of Texaco Inc.'s Annual Report to Stockholders for the year 2000), dated March 26, 2001 (amended by Form 10-K/A filed on May 18, 2001), and a copy of Texaco Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001, dated May 14, 2001, all incorporated herein by reference, SEC File No. 1-27.

(b) Reports on Form 8-K:

During the second quarter of 2001, we filed a Current Report on Form 8-K for the following event:

1. April 26, 2001

Item 5. Other Events -- reported that Texaco issued an Earnings Press Release for the first quarter of 2001.

SIGNATURES

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

Texaco Inc.
(Registrant)

By: George J. Batavick
(Comptroller)

By: Michael H. Rudy
(Secretary)

Date: August 9, 2001

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
OF TEXACO ON A TOTAL ENTERPRISE BASIS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND
FOR EACH OF THE FIVE YEARS ENDED DECEMBER 31, 2000
(Millions of dollars)

	For the Six Months Ended June 30, 2001	Years Ended December 31, 2000	1999	1998	1997	1996
Income from continuing operations, before provision or benefit for income taxes and cumulative effect of accounting changes effective 1-1-98	$2,959	$4,457	$1,955	$ 892	$3,514	$3,450
Dividends from less than 50% owned companies more or (less) than equity in net income	(139)	145	189	--	(11)	(4)
Minority interest in net income	76	125	83	56	68	72
Previously capitalized interest charged to income during the period	11	22	14	22	25	27
Total earnings	2,907	4,749	2,241	970	3,596	3,545
Fixed charges						
Items charged to income						
Interest charges	269	561	587	664	528	551
Interest factor attributable to operating lease rentals	39	82	90	120	112	129
Total items charged to income	308	643	677	784	640	680
Preferred stock dividends of subsidiaries guaranteed by Texaco Inc.	27	50	55	33	33	35
Interest capitalized	40	76	28	26	27	16
Interest on ESOP debt guaranteed by Texaco Inc.	--	--	--	3	7	10
Total fixed charges	375	769	760	846	707	741
Earnings available for payment of fixed charges (Total earnings + Total items charged to income)	$3,215	$5,392	$2,918	$1,754	$4,236	$4,225
Ratio of earnings to fixed charges of Texaco on a total enterprise basis	8.57	7.01	3.84	2.07	5.99	5.70