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, 1998   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, 1998, there were outstanding 535,859,243 shares of Texaco Inc. Common Stock - par value $3.125.

PART I - FINANCIAL INFORMATION

TEXACO INC. AND SUBSIDIARY COMPANIES
STATEMENT OF CONSOLIDATED INCOME
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 1998 AND 1997

(Millions of dollars, except as noted)

	(Unaudited)			
	For the six months ended June 30,		For the three months ended June 30,	
	1998	1997	1998	1997
REVENUES				
Sales and services	$15,651	$22,796	$ 7,729	$10,983
Equity in income of affiliates, interest, asset sales and other	540	729	315	513
	16,191	23,525	8,044	11,496
DEDUCTIONS				
Purchases and other costs	12,086	17,969	5,972	8,671
Operating expenses	1,225	1,571	645	790
Selling, general and administrative expenses	572	836	296	417
Exploratory expenses	231	192	90	93
Depreciation, depletion and amortization	763	757	375	372
Interest expense	234	203	116	102
Taxes other than income taxes	225	268	109	129
Minority interest	30	37	15	16
	15,366	21,833	7,618	10,590

Income before income taxes	825	1,692	426	906
Provision for income taxes	224	141	84	335
NET INCOME	$ 601	$ 1,551	$ 342	$ 571
Preferred stock dividend requirements	$ 27	28	$ 13	$ 14
Net income available for common stock	$ 574	$ 1,523	$ 329	$ 557
Per common share (dollars)				
Basic net income	$ 1.08	$ 2.93	$ 0.62	$ 1.07
Diluted net income	$ 1.07	$ 2.85	$ 0.61	$ 1.05
Cash dividends paid	$ 0.90	$ 0.85	$ 0.45	$ 0.425
Average shares outstanding for computation of earnings per share (thousands)				
Basic	531,232	519,328	530,550	519,375
Diluted	550,598	539,963	549,775	539,863

See accompanying notes to consolidated financial statements.

TEXACO INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 1998 AND DECEMBER 31, 1997

(Millions of dollars)

	June 30, 1998 (Unaudited)	December 31, 1997
ASSETS		
Current Assets		
Cash and cash equivalents	$ 345	$ 311
Short-term investments - at fair value	48	84
Accounts and notes receivable, less allowance for doubtful accounts of $20 million in 1998 and $22 million in 1997	3,931	4,230
Inventories	1,214	1,483
Deferred income taxes and other current assets	344	324
Total current assets	5,882	6,432
Investments and Advances	7,234	5,097
Properties, Plant and Equipment - at cost	35,056	38,956
Less - accumulated depreciation, depletion and amortization	20,281	21,840
Net properties, plant and equipment	14,775	17,116
Deferred Charges	904	955
Total	$28,795	$29,600
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 689	$ 885
Accounts payable and accrued liabilities		
Trade liabilities	1,866	2,669
Accrued liabilities	1,266	1,480
Estimated income and other taxes	945	960
Total current liabilities	4,766	5,994
Long-Term Debt and Capital Lease Obligations	6,281	5,507
Deferred Income Taxes	1,803	1,825
Employee Retirement Benefits	1,241	1,224
Deferred Credits and Other Noncurrent Liabilities	1,548	1,639
Minority Interest in Subsidiary Companies	641	645
Total	16,280	16,834
Stockholders' Equity		
Market Auction Preferred Shares	300	300
ESOP Convertible Preferred Stock	440	457
Unearned employee compensation and benefit plan trust	(354)	(389)
Common stock (authorized: 700,000,000 shares, $3.125 par value; 567,606,290 shares issued)	1,774	1,774
Paid-in capital in excess of par value	1,669	1,688
Retained earnings	10,083	9,987
Other accumulated nonowner changes in equity		
Currency translation adjustment	(107)	(105)
Minimum pension liability adjustment	(14)	(16)
Unrealized net gain on investments	33	26
Total other accumulated nonowner changes in equity	(88)	(95)
	13,824	13,722
Less - Common stock held in treasury, at cost	1,309	956
Total stockholders' equity	12,515	12,766
Total	$28,795	$29,600

See accompanying notes to consolidated financial statements.

TEXACO INC. AND SUBSIDIARY COMPANIES
CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND 1997

(Millions of dollars)

	(Unaudited) For the six months ended June 30, 1998	1997
OPERATING ACTIVITIES		
Net income	$ 601	$ 1,551
Reconciliation to net cash provided by (used in) operating activities		
Receivable for refund of IRS deposits	-	(700)
Depreciation, depletion and amortization	763	757
Deferred income taxes	(21)	185
Exploratory expenses	231	192
Minority interest in net income	30	37
Dividends from affiliates less than equity in income	(116)	(144)
Gains on asset sales	(58)	(287)
Changes in operating working capital	(316)	(89)
Other - net	9	(52)
Net cash provided by operating activities	1,123	1,450
INVESTING ACTIVITIES		
Capital and exploratory expenditures	(1,503)	(1,451)
Proceeds from asset sales	113	742
Purchases of investment instruments	(405)	(608)
Sales/maturities of investment instruments	458	657
Payments from Equilon Enterprises LLC for prior years' capital expenditures	463	-
Other - net	25	(142)
Net cash used in investing activities	(849)	(802)
FINANCING ACTIVITIES		
Borrowings having original terms in excess of three months		
Proceeds	967	221
Repayments	(454)	(180)
Net increase (decrease) in other borrowings	201	(85)
Purchases of common stock	(404)	(36)
Dividends paid to the company's stockholders		
Common	(479)	(441)
Preferred	(28)	(28)
Dividends paid to minority shareholders	(35)	(40)
Net cash used in financing activities	(232)	(589)
CASH AND CASH EQUIVALENTS		
Effect of exchange rate changes	(8)	(6)
Increase during period	34	53
Beginning of year	311	511
End of period	$ 345	$ 564

See accompanying notes to consolidated financial statements.

TEXACO INC. AND SUBSIDIARY COMPANIES
CONDENSED STATEMENT OF CONSOLIDATED NONOWNER CHANGES IN EQUITY
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 1998 AND 1997

(Millions of dollars)

	(Unaudited) For the six months ended June 30, 1998	1997	For the three months ended June 30, 1998	1997
NET INCOME	$ 601	$1,551	$ 342	$ 571
Other nonowner changes in equity (net of tax)				
Currency translation adjustment	(2)	(15)	-	15
Minimum pension liability adjustment	2	-	-	-
Unrealized net gain (loss) on investments	7	(1)	2	10
	7	(16)	2	25
TOTAL NONOWNER CHANGES IN EQUITY	$ 608	$1,535	$ 344	$ 596

TEXACO INC. AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Formation of Equilon Enterprises LLC

On January 15, 1998, Texaco and Shell Oil Company reached agreement on the formation and operational start-up, effective January 1, 1998, of Equilon Enterprises LLC (Equilon), a Delaware limited liability company. Equilon is a joint venture that combines major elements of the companies' Western and Midwestern U.S. refining and marketing businesses and their nationwide trading, transportation and lubricants businesses. Texaco owns 44 percent and Shell owns 56 percent of Equilon.

Beginning January 1, 1998, we are accounting for our interest in Equilon using the equity method. Under this method, we reclassified the net amount of assets and liabilities of the businesses contributed to Equilon to Investments and Advances in the Consolidated Balance Sheet. We record our share of Equilon's results of operations on a one-line basis to Equity in Income of Affiliates in the Consolidated Statement of Income. Since Equilon is a limited liability company, we record the provision for income taxes and related liability applicable to our share of Equilon's income in our consolidated financial statements. Additionally, we now record transactions between Texaco and Equilon as outside third-party transactions. This change to the equity method of accounting results in significant variances between the 1998 and 1997 periods in the individual line captions appearing in our financial statements.

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.

Summarized unaudited financial information for Equilon, for the six and three month periods ended June 30, 1998, is presented below on a 100% Equilon basis (in millions of dollars):

	For the six months ended June 30, 1998	For the three months ended June 30, 1998
Gross revenues	$12,095	$6,070
Income before income taxes	$ 310	$ 198

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.

Under the terms of a consent agreement accepted by the Federal Trade Commission and similar agreements with the attorneys general of California, Hawaii, Oregon and Washington, certain assets will be divested, including Shell's Anacortes, Washington refinery, certain Texaco and Shell marketing assets in southern California and Hawaii, and certain pipeline interests.

On August 10, 1998, Shell Oil Company sold its ownership in the Anacortes refinery to Tesoro Petroleum Corporation, effective August 1, 1998. The total cash purchase price was $237 million, plus $39.6 million for estimated working capital, which will be adjusted at a later date to reflect actual net working capital. Equilon is entitled to the net proceeds of the sale and any resulting gain or loss.

Note 2. Formation of Motiva Enterprises LLC

Texaco, Shell Oil Company and Saudi Aramco reached agreement on the formation and operational start up, effective July 1, 1998, of Motiva Enterprises LLC (Motiva), a Delaware limited liability company. Motiva is a joint venture that 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's and Saudi Aramco's interest in these businesses were previously conducted by Star Enterprise (Star), a joint-venture partnership owned 50 percent by Texaco and 50 percent by Saudi Refining, Inc., a corporate affiliate of Saudi Aramco. Texaco and Saudi Refining, Inc., each owns 32.5 percent and Shell owns 35 percent of Motiva.

Beginning July 1, 1998, we are accounting for our interest in Motiva using the equity method. Previously, our interest in Star was also accounted for on the equity method of accounting. Accordingly, our investment in Motiva approximates our previous investment in Star.

Note 3. Inventories

The inventory accounts of Texaco Inc. and consolidated subsidiary companies are presented below (in millions of dollars):

	As of	
	June 30, 1998 (Unaudited)	December 31, 1997
Crude oil	$ 232	$ 308
Petroleum products and petrochemicals	757	893
Other merchandise	37	59
Materials and supplies	188	223
Total	$1,214	$1,483

Note 4. Contingent Liabilities

Information relative to commitments and contingent liabilities of Texaco Inc. and subsidiary companies is presented in Notes 16 and 18, pages 57-58 and 61, respectively, of Texaco Inc.'s 1997 Annual Report to Stockholders.

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

Note 5. 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 (in millions of dollars):

	For the six months ended June 30,		For the three months ended June 30,	
	1998	1997	1998	1997
Gross revenues	$8,555	$9,127	$4,249	$4,433
Income before income taxes	$ 589	$ 639	$ 270	$ 319
Net income	$ 426	$ 386	$ 222	$ 200

* * * * * * * * * * *

In the determination of preliminary and unaudited financial statements for the six-month and three-month periods ended June 30, 1998 and 1997, our accounting policies have been applied on a basis consistent with the application of such policies in our financial statements issued in our 1997 Annual Report to Stockholders. In our opinion, we have made all adjustments and disclosures necessary to present fairly our results of operations for such periods. These adjustments include normal recurring adjustments. The information is subject to year-end audit by independent public accountants. We make no forecasts or representations with respect to the level of net income for the year 1998.

* * * * * * * * * * *

SUPPLEMENTAL MARKET RISK DISCLOSURES

Information relative to Texaco's market risk sensitive instruments by major category at December 31, 1997 is presented in the Supplemental Market Risk Disclosures on pages 69 and 70 of Texaco Inc.'s Annual Report to Stockholders.

Texaco's forward exchange contracts outstanding at June 30, 1998 of approximately $2,167 million net buy contracts increased by $928 million from the $1,239 million outstanding at December 31, 1997. This increase principally resulted from the hedging of increased exposures to foreign currency denominated net monetary assets and liabilities and from the hedging of increased exposures related to foreign currency denominated capital projects. As of June 30, 1998, a hypothetical 10% change in currency exchange rates would generate an increase or decrease in fair value of approximately $217 million, compared to $124 million at December 31, 1997. This would be offset by an opposite effect on the related hedged exposures.

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

RESULTS OF OPERATIONS

Texaco's net income for the second quarter of 1998 was $342 million, or $0.61 per share, as compared with $571 million, or $1.05 per share, for the second quarter of 1997. Net income for the first six months of 1998 was $601 million, or $1.07 per share, as compared with $1,551 million, or $2.85 per share, for the first six months of 1997. Both the 1998 and 1997 periods included special items.

Net income before special items for the second quarter of 1998 was $335 million, or $0.60 per share, as compared with $440 million, or $0.81 per share, for the second quarter of 1997. For the first six months of 1998, net income before special items was $594 million, or $1.06 per share, as compared with $932 million, or $1.71 per share, for the first six months of 1997.

Continuing weak crude oil prices lowered second quarter results. Improved margins and higher sales volumes in the international downstream and an 11 percent increase in worldwide production only partially offset the effects of lower oil prices.

During the second quarter of 1998:

- International downstream margins and volumes were strong;
- Worldwide daily production increased 11 percent;
- Year-to-date cash operating expenses per barrel decreased six percent; and
- Year-to-date stock repurchases totaled $400 million.

The combination of excessive crude oil inventories and slower demand growth continues to keep downward pressure on prices. Recently announced production cuts by certain oil producing nations should lead to a better supply/demand balance and a recovery in prices. In this environment, we continue to strategically position the company for long-term profitability by focusing on increasing our reserve base.

Lower crude oil prices helped to improve downstream margins in the second quarter. Texaco's increasing presence in Latin American markets and the company's operational performance in Europe contributed to improved results. Additionally, profitability has been maintained in the Caltex area of operations, despite the highly volatile business environment.

Texaco, Shell Oil Company and Saudi Refining, Inc., a corporate affiliate of Saudi Aramco, finalized agreements for the July 1, 1998 operational start-up of Motiva Enterprises LLC. This U.S. downstream alliance combines Eastern and Gulf Coast refining and marketing operations. Earlier in the year, Equilon Enterprises LLC, a U.S. joint venture combining Texaco's and Shell's Western and Midwestern downstream assets, began operations.

Results for 1998 and 1997 are summarized in the following table. Details on special items are included in the functional analysis which follows this table.

	(Unaudited)			
	For the six months ended June 30,		For the three months ended June 30,	
	1998	1997	1998	1997
	(Millions of Dollars)			
Net income before special items	$ 594	$ 932	$ 335	$ 440
Gains on major asset sales	20	174	20	174
Tax benefits on asset sales	19	-	19	-
Alliance formation expenses	(32)	-	(32)	-
Financial reserves for various issues	-	(43)	-	(43)
U.S. tax issue	-	488	-	-
	7	619	7	131
Total net income	$ 601	$1,551	$ 342	$571

OPERATING EARNINGS

PETROLEUM AND NATURAL GAS

EXPLORATION AND PRODUCTION

United States

Exploration and production earnings in the U.S. for the second quarter of 1998 were $120 million, as compared with $189 million for the second quarter of 1997. For the first six months of 1998 and 1997, earnings were $227 million and $500 million, respectively. Results for 1998 included a second quarter special gain of $20 million from the sale of an interest in a natural gas pipeline. Excluding the special gain, results for the second quarter and first six months of 1998 totaled $100 million and $207 million, respectively. Results for 1997 included a second quarter special charge of $43 million for the establishment of financial reserves for royalty and severance tax issues. Excluding the special charge, results for the second quarter and first six months of 1997 totaled $232 million and $543 million, respectively.

U.S. exploration and production earnings in the second quarter and the first half of 1998 were below last year's levels due to the continued deterioration of crude oil prices. Average realized crude oil prices for the second quarter and first half of 1998 were $10.72 and $11.26 per barrel; more than 36 percent lower than the 1997 periods. The dramatic declines in price resulted from rising inventory levels and slowing worldwide demand growth. Slightly higher natural gas prices benefited second quarter 1998 results. For the first half of 1998, average natural gas prices were $2.10 per MCF, $.26 lower than last year. The lower natural gas prices were the result of milder weather, as well as increased inventory levels in this year's first quarter.

Production increased 10 percent for the second quarter and 11 percent for the first half of 1998. The increased production in the second quarter 1998 included new production from the Arnold, Oyster and Barite South fields located in the Gulf of Mexico. Both periods of 1998 included production from the Monterey properties acquired in November of 1997.

The company continued to pursue new reserve opportunities in the Gulf of Mexico, leading to higher exploration expenses this year. Exploration expenses for the second quarter and first half of 1998 were $51 million and $147 million before tax, $17 million and $71 million higher than the same periods of 1997.

International

Exploration and production earnings outside the U.S. for the second quarter of 1998 were $51 million, as compared with $240 million for the second quarter of 1997. For the first six months of 1998 and 1997, earnings were $91 million and $396 million, respectively. Results for 1997 included second quarter special gains of $161 million from the sales of a 15 percent interest in the Captain Field in the U.K. North Sea, an interest in Canadian gas properties and an interest in an Australian pipeline system. Excluding the special gains, results for the second quarter and first six months of 1997 totaled $79 million and $235 million, respectively.

International exploration and production earnings for the second quarter and first half of 1998 declined from 1997 as a result of lower crude oil prices. Average realized crude oil prices were $11.42 per barrel for the quarter, and $11.68 for the first half of 1998, decreasing 32 percent for the quarter and 36 percent for the first half.

Production increased 13 percent for the second quarter and 16 percent for the first half of 1998. Volumes in the U.K. North Sea increased from the Captain, Erskine and Galley fields. The Galley field began production in the second quarter of this year. Production also increased in the Partitioned Neutral Zone and Colombia, and as a result of our first quarter 1998 acquisition of a 20 percent interest in the Karachaganak field in Kazakhstan. Also, exploratory expenses in both periods were lower.

MANUFACTURING, MARKETING AND DISTRIBUTION

United States

Manufacturing, marketing and distribution earnings in the U.S. for the second quarter of 1998 were $64 million, as compared with $100 million for the second quarter of 1997. For the first six months of 1998 and 1997, earnings were $111 million and $106 million, respectively. Results for 1998 included a second quarter special charge of $32 million for alliance formation expenses, mainly our share of announced employee severance programs. Excluding the special charge, results for the second quarter and first six months of 1998 totaled $96 million and $143 million, respectively. Results for 1997 included a second quarter special gain of $13 million from the sale of credit card operations. Excluding the special gain, results for the second quarter and first six months of 1997 totaled $87 million and $93 million, respectively.

In the U.S. downstream, earnings for 1998 reflect the change in operations from the formation of Equilon Enterprises LLC, Texaco's downstream alliance with Shell Oil Company.

During this year's second quarter, margins benefited from lower crude oil prices. Refining operations improved in the West and Midwest, while in the East, results were adversely affected by downtime at several plants.

For the first half of this year, lower crude prices benefited product and lubricant margins. Crude oil trading operations also contributed to higher results. However, in the first quarter, weather conditions weakened demand for heating oil on the East Coast and gasoline on the West Coast. Also, first quarter refining results were affected by maintenance at the Martinez and Wood River plants.

Earnings for 1997 included the adverse effects of intense competition that squeezed margins in the West Coast marketplace, primarily in the first quarter. Refinery fires late in 1996 and early in 1997 negatively affected product yields and caused casualty loss expenses.

International

Manufacturing, marketing and distribution earnings outside the U.S. for the second quarter of 1998 were $194 million, as compared with $132 million for the second quarter of 1997. For the first six months of 1998 and 1997, earnings were $376 million and $236 million, respectively.

Refining margins improved in the U.K. and Panama due to lower crude costs. Improved marketing results reflected increased sales volumes and higher margins, primarily in the U.K., Brazil and other Latin America areas where operations have expanded. Scandinavian earnings improved following the 1997 price war in Norway.

In the Caltex area, higher 1998 earnings were a result of lower crude costs and partial recovery of the fourth quarter 1997 currency losses in Korea. However, a significantly higher volume of product was sold into the lower margin export market.

NONPETROLEUM

Nonpetroleum losses for the second quarter of 1998 were $2 million, as compared with earnings of $1 million for the second quarter of 1997. For the first six months of 1998, there were no earnings, as compared with earnings of $13 million for the first six months of 1997.

CORPORATE/NONOPERATING RESULTS

Corporate and nonoperating charges for the second quarter of 1998 were $85 million, as compared with charges of $91 million for the second quarter of 1997. Corporate and nonoperating charges for the first six months of 1998 were $204 million, as compared with earnings of $300 million for the first six months of 1997. Results for 1998 included a second quarter special item of $19 million for tax benefits attributable to the sale of an interest in a subsidiary. Excluding the special gain, charges for the second quarter and first six months of 1998 totaled $104 million and $223 million, respectively. Results for the first six months of 1997 included a first quarter special benefit of $488 million associated with an IRS settlement. Excluding this benefit, corporate and nonoperating charges totaled $188 million for the first six months of 1997.

Corporate and nonoperating results for the second quarter and first half of 1998 included increased interest expense due to higher debt levels. Additionally, results for 1998 included expenses for Texaco's corporate advertising campaign introduced in the second half of 1997.

LIQUIDITY AND CAPITAL RESOURCES

Our cash, cash equivalents and short-term investments were $393 million at June 30, 1998, as compared with $395 million at year-end 1997.

During 1998, our operations provided cash of $1,123 million. We raised an additional $711 million from net borrowings and $113 million from asset sales. We spent $1,503 million on our capital and exploratory program and paid $542 million in dividends to common, preferred and minority shareholders.

At June 30, 1998, our ratio of debt to total borrowed and invested capital was 34.6%, as compared with 32.3% at year-end 1997. At June 30, 1998, our long-term debt included $1.6 billion of debt scheduled to mature within one year, which we have both the intent and ability to refinance on a long-term basis. We maintain revolving credit facilities with commitments of $1.7 billion, which were unused at June 30, 1998.

Major debt activity during the first six months of 1998 follows:

- Borrowed $300 million at 6% for seven years and $153 million of Medium-Term Notes.
- Borrowed $150 million at 5.92% for seven years to cover expenditures at our Erskine field in the U.K. North Sea.
- Borrowed $131 million for four years and entered into an associated LIBOR-based floating rate swap to cover expenditures at our Tartan Field in the U.K. North Sea.
- Borrowed $94 million from the issuance of Zero Coupon Notes due 2005.
- Increased commercial paper by $400 million, to a total of $1.3 billion at June 30, 1998.
- Repurchased approximately $200 million of 10.61% Notes that we assumed in last year's acquisition of Monterey Resources.

During the first quarter of 1998, we purchased about $100 million of common stock in the open market. This completed a program under which we purchased $650 million of our common stock during the last two years. On March 30, 1998, we announced that we will purchase up to an additional $1 billion of our common stock, subject to market conditions, through open market purchases or privately negotiated transactions. Under this additional program we purchased about $300 million during the second quarter of 1998 and an additional $80 million in July 1998.

In April 1998, we received $463 million from Equilon, representing reimbursement of certain capital expenditures incurred prior to the formation of Equilon. In addition, we received $149 million from Equilon in July 1998 for certain specifically identified assets transferred for value to Equilon.

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

NEW ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS 131 requires that we report information about our business segments on the same basis used internally when assessing performance and allocating resources. We will adopt SFAS 131 for our 1998 audited financial statements. Presently, we disclose in our audited financial statements information about geographic segments only. We expect that our business segments will be substantially similar to those we presently identify in the Management's Discussion and Analysis section of our Forms 10-K and 10-Q.

In February 1998, the FASB issued SFAS 132, "Employers' Disclosure about Pension and Other Postretirement Benefits." We are required to adopt SFAS 132 for our 1998 audited financial statements and will modify our disclosures accordingly. SFAS 132 does not affect how we measure expense for pension or other postretirement benefits.

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," effective in the first quarter 2000. SFAS 133 establishes new accounting rules and disclosure requirements for derivative instruments. We will be assessing the impacts of SFAS 133.

CAPITAL AND EXPLORATORY EXPENDITURES

Capital and exploratory expenditures were $1,881 million for the first half of 1998 and $1,798 million in 1997.

In the U.S. upstream, development continued in the deepwater Gulf of Mexico. Expenditures in 1998 also increased for enhanced oil recovery projects using advanced thermal recovery techniques which raised production from the acquired Monterey properties and other core producing fields. Exploratory expenses increased as the company continued its program to grow oil and gas production and reserves.

Internationally, slightly higher upstream expenditures included our investment in the Karachaganak venture in Kazakhstan, a discovered reserve opportunity. Development work continued in the U.K. North Sea, Indonesia and other promising areas, while exploratory spending decreased in China.

Lower international downstream expenditures in the Caltex marketing areas were due to higher 1997 service station investments in Hong Kong.

Texaco continues to carefully assess investment projects given the current and projected industry environment. The company anticipates some adjustment in spending by deferring non-critical projects into future periods should the current low crude price environment persist.

YEAR 2000

The Year 2000 ("Y2K") problem concerns the inability of information and technology-based operating systems to properly recognize and process date-sensitive information beyond December 31, 1999. This could result in systems failures and miscalculations which could cause business disruptions. Equipment that uses a date, such as computers and operating control systems, may be affected. This includes equipment used by our customers and suppliers, as well as by utilities and governmental entities that provide critical services to us.

Many of our systems and related software are already Y2K compliant. We have an ongoing Y2K compliance program. This program is actively reviewing all hardware and software associated with our mainframe computers, personal computers and client/servers, telecommunications and embedded systems found in equipment throughout our producing, refining, transportation and marketing operations. This program consists of identifying and inventorying all software applications and systems, making required modifications, and testing. There are similar ongoing compliance programs in our major affiliates.

Based on information currently available, we estimate that the costs to modify our systems to achieve Y2K compliance will not exceed $75 million, of which about $20 million has been spent through June 30, 1998.

We are also gathering information about the Y2K readiness of utilities and governmental entities and of our customers and suppliers. Since we cannot state with certainty whether our operations will be materially adversely affected by their compliance problems, we are developing contingency plans in order to minimize the negative impacts on Texaco if they are not Y2K ready.

Our goal is to have all critical Texaco systems Y2K compliant during the first half of 1999. This should allow time before the millennium change to validate the system modifications and complete contingency plans for customers, suppliers and others who may not be Y2K compliant. While there can be no assurance that all such modifications and plans will be successful, we do not expect that any disruptions will have a material adverse effect on our overall financial position, results of operations, or liquidity.

The foregoing constitutes a "forward-looking statement" within the meaning of Section 27A of the Securities Act of 1933. It is based on management's current expectations, estimates and projections, which could ultimately prove to be inaccurate. Factors which could affect our ability to be Y2K compliant by the end of 1999 include the failure of customers, suppliers, governmental entities and others to achieve compliance, the inaccuracy of certifications received from them, and a shortage of necessary programmers, hardware and software.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to the discussion of Contingent Liabilities in Note 4 to the Consolidated Financial Statements of this Form 10-Q, Item 1 of Texaco Inc.'s Form 10-Q for the quarterly period ended March 31, 1998 and to Item 3 of Texaco Inc.'s 1997 Annual Report on Form 10-K, which are incorporated herein by reference.

Item 5. Other Information

	(Unaudited) For the six months ended June 30, 1998	1997	For the three months ended June 30, 1998	1997
	(Millions of dollars)			
FUNCTIONAL NET INCOME				
Operating earnings				
Petroleum and natural gas				
Exploration and production				
United States	$ 227	$ 500	$ 120	$ 189
International	91	396	51	240
Total	318	896	171	429
Manufacturing, marketing and distribution				
United States	111	106	64	100
International	376	236	194	132
Total	487	342	258	232
Total petroleum and natural gas	805	1,238	429	661
Nonpetroleum	-	13	(2)	1
Total operating earnings	805	1,251	427	662
Corporate/Nonoperating	(204)	300	(85)	(91)
Total net income	$ 601	$1,551	$ 342	$ 571
CAPITAL AND EXPLORATORY EXPENDITURES				
Exploration and production				
United States	$ 899	$ 781	$ 423	$ 429
International	551	546	261	264
Total	1,450	1,327	684	693
Manufacturing, marketing and distribution				
United States	183	152	95	92
International	228	308	129	207
Total	411	460	224	299
Other	20	11	6	7
Total	$1,881	$1,798	$ 914	$ 999
Exploratory expenses included above				
United States	$ 147	$ 76	$ 51	$ 34
International	84	116	39	59
Total	$ 231	$ 192	$ 90	$ 93

	(Unaudited)			
	For the six months ended June 30,		For the three months ended June 30,	
	1998	1997	1998	1997
OPERATING DATA				
Exploration and Production				
United States				
Net production of crude oil and natural gas liquids (000 BPD)	449	385	447	385
Net production of natural gas - available for sale (000 MCFPD)	1,721	1,666	1,703	1,677
Total net production (000 BOEPD)	736	663	731	665
Natural gas sales (000 MCFPD)	3,908	3,700	3,934	3,561
Average U.S. crude (per bbl)	$11.26	$18.29	$10.72	$16.95
Average U.S. natural gas (per mcf)	$ 2.10	$ 2.36	$ 2.05	$ 2.02
Average WTI (Spot) (per bbl)	$15.26	$21.38	$14.62	$19.97
Average Kern (Spot) (per bbl)	$ 8.31	$15.07	$ 7.75	$14.11
International				
Net production of crude oil and natural gas liquids (000 BPD)				
Europe	154	116	149	118
Indonesia	155	147	156	153
Partitioned Neutral Zone	106	92	105	94
Other	69	67	67	68
Total	484	422	477	433
Net production of natural gas - available for sale (000 MCFPD)				
Europe	251	207	245	172
Colombia	196	156	185	173
Other	118	93	112	83
Total	565	456	542	428
Total net production (000 BOEPD)	578	498	567	504
Natural gas sales (000 MCFPD)	721	574	665	528
Average International crude (per bbl)	$11.68	$18.22	$11.42	$16.91
Average U.K. natural gas (per mcf)	$ 2.64	$ 2.73	$ 2.64	$ 2.59
Average Colombia natural gas (per mcf)	$ 0.91	$ 1.09	$ 0.92	$ 1.12
Worldwide				
Total net production (000 BOEPD)	1,314	1,161	1,298	1,169

	(Unaudited)			
	For the six months ended June 30,		For the three months ended June 30,	
	1998	1997	1998	1997
OPERATING DATA				
Manufacturing, Marketing and Distribution				
United States				
Refinery input (000 BPD)				
Western U.S.	377	413	396	418
Eastern U.S.	323	332	333	328
Total	700	745	729	746
Refined product sales (000 BPD)				
Gasolines	530	505	554	512
Avjets	168	92	164	94
Middle Distillates	184	215	188	216
Residuals	107	72	119	59
Other	165	119	181	117
Total	1,154	1,003	1,206	998
International				
Refinery input (000 BPD)				
Europe	371	341	367	335
Caltex	428	411	419	414
Latin America/West Africa	64	59	70	55
Total	863	811	856	804
Refined product sales (000 BPD)				
Europe	582	495	602	494
Caltex	589	574	586	561
Latin America/West Africa	444	391	460	406
Other	51	55	56	74
Total	1,666	1,515	1,704	1,535

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- -- (2) Copy of the Asset Transfer and Liability Assumption Agreement dated as of July 1, 1998, among the parties, for the formation of Motiva Enterprises LLC.
- -- (11) Computation of Earnings Per Share of Common Stock.
- -- (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, 1997 (including portions of Texaco Inc.'s Annual Report to Stockholders for the year 1997) and a copy of Texaco Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998, as previously filed by the Registrant with the Securities and Exchange Commission, File No. 1-27.
- -- (27) Financial Data Schedule.

(b) Reports on Form 8-K:

During the second quarter of 1998, the Registrant filed Current Reports on Form 8-K for the following events:

1. April 1, 1998 (date of earliest event reported: March 30, 1998)

   Item 5. Other Events -- reported that Texaco announced a stock repurchase program for up to $1 billion.

2. April 23, 1998 (date of earliest event reported: April 23, 1998)

   Item 5. Other Events -- reported that Texaco issued an Earnings Press Release for the first quarter 1998.

3. April 29, 1998 (date of earliest event reported: April 28, 1998)

   Item 5. Other Events -- reported that stockholders of Texaco approved an amendment to the company's Rights Agreement dated March 16, 1989. The amendment extends the expiration date of the Rights Agreement until May 1, 2004.

SIGNATURES

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

Texaco Inc.

(Registrant)

By: R.C. Oelkers

(Comptroller)

By: R.E. Koch

(Assistant Secretary)

Date: August 11, 1998

Exhibit 2

==

ASSET TRANSFER

AND

LIABILITY ASSUMPTION AGREEMENT

among

STAR ENTERPRISE,

SAUDI REFINING, INC.,

TEXACO REFINING AND MARKETING (EAST) INC.,

SHELL OIL COMPANY,

SHELL NORCO REFINING COMPANY,

AND

MOTIVA ENTERPRISES LLC

dated as of

July 1, 1998

==

TABLE OF CONTENTS

SCHEDULES

EXHIBITS
- --------

ASSET TRANSFER AND LIABILITY ASSUMPTION AGREEMENT (the "Asset Transfer Agreement"), dated as of July 1, 1998, among Star Enterprise, a New York general partnership ("Star"), Saudi Refining, Inc., a Delaware corporation ("SRI"), Texaco Refining and Marketing (East) Inc., a Delaware corporation ("TRMI (East)"), Shell Oil Company, a Delaware corporation ("Shell"), Shell Norco Refining Company, a Delaware corporation ("Shell Norco") and Motiva Enterprises LLC, a Delaware limited liability company (the "Company").

R E C I T A L S :

WHEREAS, Texaco, Shell and SRI have entered into a Master Agreement, dated as of June 22, 1998, whereby they have agreed, inter alia, to enter into, and to cause the Company, Star and Shell Norco to enter into this Asset Transfer Agreement and certain other Motiva Joint Venture Documents for the purpose of organizing and operating the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged by each of the parties hereto, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS AND USAGE

SECTION 1.1. Defined Terms. Unless the context shall otherwise require, terms used and not defined herein shall have the meanings assigned thereto in Schedule A hereto and all rules as to usage set forth therein shall apply hereto. Schedule B hereto contains provisions regarding the Procedural Conventions and Dispute Resolution which shall govern this Asset Transfer Agreement. Such Schedules A and B are hereby incorporated herein by reference.

ARTICLE II

CONTRIBUTIONS TO THE COMPANY

SECTION 2.1. Contribution of Assets. At the Effective Time:

(a) First, SRI and TRMI (East), severally, shall (i) cause Star to transfer directly to the Company all of Star's right, title and interest in the Star Contributed Assets and (ii) transfer directly to the Company all of their respective right, title and interest in StarStaff Inc.; and

(b) Second, Shell and Shell Norco shall each transfer or cause to be transferred directly to the Company all of its and its Affiliates' right, title and interest in the Shell Contributed Assets.

SECTION 2.2. Transfer Subject to Permitted Exceptions and Agreement Terms. The Contributed Assets shall be transferred to the Company subject to Permitted Exceptions and in accordance with, and subject to, all provisions of the Master Agreement and this Asset Transfer Agreement whether or not any of the Transfer Instruments contains a specific exception for or reference to Permitted Exceptions, the Master Agreement or this Asset Transfer Agreement.

SECTION 2.3. Excluded Assets. No party to this Asset Transfer Agreement nor any of its Affiliates shall transfer any right, title or interest with respect to the Excluded Assets.

SECTION 2.4. Assignment of Contracts and Rights; Equitable Ownership. (a) Without limitation to any representation, warranty or indemnification obligation set forth in the Master Agreement, this Asset Transfer Agreement shall not constitute an agreement to assign or assume any Contributed Contract or any claim, right, benefit, or liability thereunder, if such assignment, without the approval or consent of a Third Party thereto, would be ineffective or would constitute a breach or other contravention thereof or give rise to any right of termination thereof and such approval or consent is not obtained. The party required to contribute such Contributed Contract shall use its reasonable efforts (which shall not require any payment of money to any Third Party by such party or any of its Affiliates) to obtain the approval or consent of such Third Party for the assignment to or assumption by the Company of any such Contributed Contract, claim, right, benefit or liability arising thereunder. If as of the Effective Time such assignment or assumption will be ineffective or will give rise to any right of termination thereof, the parties will cooperate in arranging a mutually agreeable alternative to enable the Company to obtain the benefits and assume the obligations under such Contributed Contract as of the Effective Time or as soon as practicable thereafter (including through a sub-contracting, sub-licensing, sub-participation or sub-leasing arrangement, or an arrangement under which the Person contributing such Contributed Contract would enforce such Contract for the benefit of the Company, with the Company, to the extent permissible, assuming such Person's executory obligations and any and all rights of such Person against the other party thereto). If the approval of the other party to such Contributed Contract is obtained, such approval will, as between the Person contributing such Contributed Contract and the Company, constitute a confirmation (automatically and without further action of the parties) that such Contributed Contract is assigned to the Company as of the Effective Time, and (automatically and without further action of the parties) that the liabilities with respect to such Contributed Contract are assumed as of the Effective Time.

(b) The parties hereto agree that if any Contributed Assets or any claim, right, benefit or liability thereunder are not transferred to the Company at the Effective Time as a result of any restriction under any Applicable Law or Contract that prohibits such transfer or makes such transfer unduly burdensome, the party required to contribute such Contributed Assets will use its reasonable efforts (which shall not require any payment of money to any Third Party by such party or any of its Affiliates) to obtain such Contractual Consents or Governmental Consents as might be required to consummate the contributions in respect of such assets as soon as practicable after the Effective Time. During the period between the Effective Time and the consummation of such contribution, such party shall operate all such assets pursuant to instructions from the Company and all benefits of, and risks arising out of or related to, the ownership and operation of such assets shall be for the account of the Company. The parties hereto agree that, at or as promptly as practicable after the Effective Time, they will enter (and will cause the Company and each applicable Affiliate and Specified Subsidiary to enter) into such agreements as might be reasonably required to carry out the intent of the immediately preceding sentence, including agreements (i) specifying, to the extent feasible, such assets, (ii) setting up separate accounting systems for such assets, (iii) providing for undertaking by the Company of any indemnity obligations of the contributing party in respect of such assets (other than such obligations set forth in the Motiva Joint Venture Documents), (iv) providing that until the legal ownership is transferred to the Company, each party will treat such assets in every respect as being equitably owned by the Company as of the Effective Time and (v) providing such further specific assurances as the Company or another party may reasonably request.

ARTICLE III

ASSUMPTION OF LIABILITIES

SECTION 3.1. Assumed Liabilities and Obligations; Exclusions. (a) At the Effective Time, the Company shall assume and thereafter pay, perform or discharge the Assumed Liabilities. Such assumption may be effectuated by the Company making full payments in respect of any Assumed Liability at the time of the discharge of such Assumed Liability to any Person which, after the Effective Time, remained liable in respect of such Assumed Liability and thereafter discharged such Assumed Liability in accordance with the terms of the agreement or instrument under which such Assumed Liability arose (but only to the extent that such discharge was in accordance with the terms of the relevant agreement or instrument as in effect at the Effective Time).

(b) Upon the terms and subject to the conditions hereof and in consideration of the transfer of the Contributed Assets, the Company shall, effective as of the Effective Time, perform and discharge all obligations of Shell, Shell Norco and Star under the Contributed Contracts.

(c) Except as otherwise provided in Section 3.1(a) above, after the Effective Time, neither Shell nor its Affiliates nor Star nor its Affiliates shall pay, perform or discharge, in whole or in part, any Assumed Liability or any obligation under the Contributed Contracts without the prior written consent of the Company.

ARTICLE IV

INSTRUMENTS OF TRANSFER

SECTION 4.1. Shell Instruments of Transfer. At the Closing, Shell and Shell Norco shall deliver such Shell Transfer Instruments (other than those referred to in Section 5.1(a)), in form and substance reasonably satisfactory to TRMI (East) and SRI, as shall be necessary or desirable to convey the Shell Contributed Assets to the Company, including:

(a)(i) the Shell Contributed Asset Master Bill of Sale, (ii) the Shell Contributed Asset Master Assignment and Assumption of Contracts, (iii) the Shell Contributed Asset Master Assignment and Assumption of Leases, (iv) the

the Shell Contributed Asset Master Deed, (v) the Shell Contributed Asset Master Subleases and Assignment and Assumption of Sublessor's Interest in User Subleases;

(b) a deed or deeds, in respect of the Norco Refinery and the Shell Terminals, substantially in the form of Exhibit G-1 annexed hereto; provided, however, that such modifications shall be made as are necessary to conform Exhibit G-1 to the requirements of Applicable Law in the jurisdictions where the real property conveyed by the deed or deeds in question is located; and

(c) any other bills of sale, endorsements, assignments and instruments necessary to transfer the Shell Contributed Assets, other than those provided for in Section 5.1(a).

SECTION 4.2. Star Instruments of Transfer. At the Closing, Star shall deliver such Star Transfer Instruments (other than those referred to in Section 5.1(b)), in form and substance reasonably satisfactory to Shell, as shall be necessary or desirable to convey the Star Contributed Assets to the Company, including:

(a)(i) the Star Contributed Asset Master Bill of Sale, (ii) the Star Contributed Asset Master Assignment and Assumption of Contracts, (iii) the Star Contributed Asset Master Assignment and Assumption of Leases, (iv) the Star Contributed Asset Master Deed, (v) the Star Contributed Asset Master Subleases and Assignment and Assumption of Sublessor's Interest in User Subleases;

(b) a deed or deeds, in respect of the Star Refineries and the Star Terminals, substantially in the form of Exhibit G-2 annexed hereto; provided, however, that such modifications shall be made as are necessary to conform Exhibit G-2 to the requirements of Applicable Law in the jurisdictions where the real property conveyed by the deed or deeds in question is located; and

(c) any other bills of sale, endorsements, assignments and instruments necessary to transfer the Star Contributed Assets, other than those provided for in Section 5.1(b).

ARTICLE V

CERTAIN POST-CLOSING MATTERS

SECTION 5.1. Post-Closing Recordings. (a) Shell agrees that it will use its best efforts to submit those deeds described in Section 4.1(b) to be recorded on behalf of the Company within ninety (90) Business Days after the later of the Closing Date or the Effective Time. Shell will use its best efforts to (i) deliver or cause to be delivered to the Company (x) deeds to be recorded substantially in the form of Exhibit G-1 (with such modifications as are necessary to conform Exhibit G-1 to the requirements of Applicable Law in the jurisdictions where the real property conveyed by the deed or deeds in question is located) for all real property owned by Shell or Shell Norco that is included in the Shell Contributed Assets, deeds for which were not delivered to the Company in accordance with Section 4.1(b), (y) all transfer and gains tax returns required by any Governmental Entity in respect of the properties transferred by such deeds, and (z) subject to Section 2.4 hereof, assignments of lease to be recorded substantially in the form of Exhibit H-1 with respect to all real property leased by Shell or Shell Norco that is included in the Shell Contributed Assets and (ii) cause such deeds and such assignments of leases (with respect to recorded leases) to be recorded, in each case, within one hundred eighty (180) days after the later of the Closing Date or the Effective Time. Promptly upon receipt of any evidence of recordation in connection with the recording of deeds provided for in this Section 5.1(a), Shell shall provide the Company with evidence of such recording. Costs of title and survey documentation, recordation, transfer taxes, deed stamps, sales taxes and similar charges relating to Shell Transfer Instruments delivered under Section 4.1 or under this Section 5.1(a) or otherwise arising out of the transfers contemplated pursuant to this Asset Transfer Agreement shall be borne by Shell or Shell Norco.

(b) Star agrees that it will use its best efforts to submit those deeds described in Section 4.2(b) to be recorded on behalf of the Company within ninety (90) Business Days after the later of the Closing Date or the Effective Time. Star will use its best efforts to (i) deliver or cause to be delivered to the Company (x) deeds to be recorded substantially in the form of Exhibit G-2 (with such modifications as are necessary to conform Exhibit G-2 to the requirements of Applicable Law in the jurisdictions where the real property conveyed by the deed or deeds in question is located) for all real property owned by Star that is included in the Star Contributed Assets, deeds for which were not delivered to the Company in accordance with Section 4.2(b), (y) all transfer and gains tax returns required by any Governmental Entity in respect of the properties transferred by such deeds, and (z) subject to Section 2.4 hereof, assignments of lease to be recorded substantially in the form of Exhibit H-2 with respect to all real property leased by Star that is included in the Star Contributed Assets and (ii) cause such deeds and such assignments of leases (with respect to recorded leases) to be recorded, in each case, within one hundred eighty (180) days after the later of the Closing Date or the Effective Time. Promptly upon receipt of any evidence of recordation in connection with the recording of deeds provided for in this Section 5.1(b), Star shall provide the Company with evidence of such recording. Costs of title and survey documentation, recordation, transfer taxes, deed stamps, sales taxes and similar charges relating to Star Transfer Instruments delivered under Section 4.2 or under this Section 5.1(b) or otherwise arising out of the transfers contemplated pursuant to this Asset Transfer Agreement shall be borne by Star.

(c) Except with respect to Contributed Assets covered under Section 2.4, all deeds and assignments of lease shall be dated the Effective Time, and notwithstanding the date of recordation thereof, as between the parties hereto the date of transfer with respect to the Contributed Assets shall be the Effective Time. Notwithstanding the foregoing, in the event that any penalties or interest will be payable to any Governmental Entity with respect to any recording or transfer tax or fee due to any difference in the date of the deeds and the recorded assignments of lease and the date of actual recordation, the party submitting such deed or assignment of lease may date such document as of such later date as may be necessary to prevent the incurrence of such penalties or interest, it being agreed that notwithstanding the date of such deed or assignment of lease, as between the parties, the date of transfer shall be the Effective Time. During the period between the Effective Time and the date of recordation of the deeds and any recorded assignments of lease, the transferor of the relevant Contributed Assets shall take no action adversely affecting the Company's title thereto.

SECTION 5.2. Access to and Retention of Records. As of the Effective Time, the Company shall acquire and take possession of the Books and Records, provided, that if any part of such Books and Records cannot without unreasonable effort be separated from books, records, files and other data that do not constitute Books and Records or relate to services to be provided to the Company, then Shell, Star, TRMI (East), SRI or their relevant Affiliates, as the case may be, shall retain such part of the Books and Records and make such part available to the Company as provided herein. Each of the parties hereto agrees that it shall, and shall cause its relevant Affiliates to, (i) preserve and keep the Books and Records or the parts thereof in its possession, as the case may be, (A) in accordance with their respective records retention programs, or (B) for any longer period as may be required by any Governmental Entity or ongoing litigation or a required by any of the Motiva Joint Venture Documents and (ii) during such period, subject to the Confidentiality Agreement, shall allow each other party's counsel, accountants, officers, employees and other representatives access to such Books and Records upon such other party's reasonable request and during normal business hours for the purpose of examining and, at the examining party's expense, copying them, to the extent reasonably required by such party in connection with (A) any insurance claims by, legal proceedings against or governmental investigations of such party, (B) the preparation of any tax return required to be filed by such party, the defense of any audit, examination, administrative appeal or litigation of any tax return, or (C) any other reasonable business purpose reasonably related to such party's or its Affiliates' Ownership Interest; provided that Star may transfer any Books or Records in its possession to the Company, SRI or TRMI (East) upon or in anticipation of its dissolution.

SECTION 5.3. Availability of Personnel. Each of the parties hereto shall afford, and shall cause their respective Affiliates to afford, to each other on a reasonable basis their respective personnel as necessary to permit the Company, as the case may be, to provide background information necessary to (i) prepare tax returns, (ii) prosecute Claims or (iii) investigate, defend against, or otherwise oppose any pending or threatened Claim against any party or any of such party's Affiliates, as the case may be, in each case, in connection with the Contributed Assets. The party affording its, or its Affiliates', personnel shall be reimbursed by the other party for its reasonable incremental out-of-pocket expenses of such personnel, but shall not charge any other fee to any other party hereto.

SECTION 5.4. Mail; Payments. (a) Each of Shell, Star, TRMI (East), Shell Norco and SRI authorizes and empowers the Company from and after the Effective Time to receive and open all mail and other communications directed to any of Shell, Star, TRMI (East), Shell Norco, SRI or their Affiliates and received by the Company, and, except for matters as to which Shell, TRMI (East), SRI or any of their respective Affiliates is providing indemnification under any Motiva Joint Venture Document, to act with respect to such communications in such manner as the Company may elect if such communications relate to the Contributed Assets. If such communications do not relate to the Contributed Assets or relate to matters as to which Shell, TRMI (East) or SRI is providing indemnification under any Motiva Joint Venture Document, the Company shall forward the same promptly to the party (or parties) providing such indemnification or to whom such communications relate. Each of Shell, Star, TRMI (East), Shell Norco and SRI shall, and shall cause their respective Affiliates to, promptly deliver to the Company any cash, checks, other instruments of payment and funds to which the

Company is entitled and shall hold such cash, checks, other instruments of payment and funds in trust for the Company until such delivery. The Company shall promptly deliver to Shell, Star, TRMI (East), SRI, Shell Norco or their Affiliates, as applicable, any cash, checks or other instruments of payment to which such entity is entitled and shall hold such cash, checks or other instruments of payment in trust for such entity until such delivery.

(b) The Company authorizes and empowers Shell, Star, TRMI (East), Shell Norco, SRI and their Affiliates from and after the Effective Time to receive and open all mail and other communications directed to the Company and received by any such entity, and to act with respect to such communications in such manner as such entity may elect if such communications do not relate to the Contributed Assets or do relate to matters as to which such entity or any of its Affiliates is providing indemnification under any Motiva Joint Venture Document or, if such communications do relate to the Contributed Assets and not to such indemnified matters, to forward the same promptly to the Company.

SECTION 5.5. Existing Insurance Coverage. If, after December 1, 1997, any of Shell, Star, TRMI (East), Shell Norco, SRI or their Affiliates receives, directly or indirectly, from any insurer cash proceeds attributable to (i) casualty and property (but not liability or business interruption for periods prior to the Effective Time) insurance coverage applicable to any of the Contributed Assets with respect to any occurrence or any series of related occurrences on or after December 1, 1997 or (ii) real property title insurance in respect of any of the Contributed Assets, which proceeds, in either the case of clause (i) or (ii), aggregate in excess of $1,000,000 for such occurrence or series of related occurrences, then such recipient shall pay over such cash proceeds to the Company (net of any deductible, co-payment, retro fees, premiums, costs or other charges payable to the insurance carrier or obligations to reimburse the insurance carrier for which it is liable and net of the cost of collection) except to the extent that (x) the damage or loss incurred as a result of such occurrence or series of occurrences was repaired, restored or reimbursed by or on behalf of such recipient prior to the Effective Time or will be obligated to be reimbursed by such recipient pursuant to the Motiva Joint Venture Documents or (y) Shell, SRI and Texaco have otherwise expressly agreed in writing that such proceeds shall not be paid over to the Company. Any such payment paid over to the Company shall reduce any amounts payable by such recipient or its Affiliates with respect to such occurrence under Article 8 of the Master Agreement. Any other insurance proceeds received by any of Shell, Star, TRMI (East), Shell Norco, SRI or their Affiliates with respect to any occurrence or series of occurrences prior to the Effective Time shall be retained by such recipient.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

SECTION 6.1. Representations and Warranties of Shell and Shell Norco. Each of Shell and Shell Norco represents and warrants to each of the other parties hereto as follows; provided that Shell and Shell Norco shall have no liability to any other party hereto or any other Person (including any Person indemnified under Article 8 of the Master Agreement) for the breach of any representation or warranty hereunder to the extent that the facts or circumstances that gave rise to such breach:

(i) were actually disclosed in writing in the Due Diligence Process to any of the Due Diligence Representatives of such other party;

(ii) would reasonably be expected to be discovered by such other party based on facts or circumstances so disclosed in writing during the Due Diligence Process; or

(iii) were actually known to such other party or such other party's Due Diligence Representatives on or prior to the Closing Date.

(a) Good, Indefeasible or Marketable Title. With such exceptions as would not, individually and in the aggregate, have a Company Material Adverse Effect, each entity contributing Shell Contributed Assets pursuant to Section 2.1 has good (and in the case of interests in real property, indefeasible or marketable) title to all Shell Contributed Assets so contributed thereby, free of all Liens other than (x) Permitted Exceptions and (y) provisions in contracts, licenses and agreements which prohibit or otherwise restrict assignment and upon the granting of the deeds and other instruments of transfer provided for herein, the Company shall receive good (and in the case of interests in real property, indefeasible or marketable) title to the Shell Contributed Assets as described above.

For the avoidance of doubt, in the event that any representation or warranty with respect to title to the Shell Contributed Assets set forth in any of the Shell Transfer Instruments or implied by Applicable Law may be interpreted to create representations or warranties other than those set forth in this Section 6.1(a), the representation and warranty set forth in this Section 6.1(a) shall govern and such other representations and warranties shall be without force or effect.

(b) Pro Forma Financial Information. With such exceptions as would not, individually and in the aggregate, have a Company Material Adverse Effect:

(i) the Shell Pro Forma Financial Information represents Shell's good faith allocation of the results of operations and cash flows of Shell's oil products business segment, for the periods indicated therein, among (A) the Shell Valuated Units, (B) the businesses being contributed to Equilon (including the assets to be held separately pursuant to the Consent Order), (C) Shell's interest in the business conducted by DPRLP and (D) the Shell Excluded Assets;

(ii) the Shell oil products business segment information referred to in clause (i) was included in Shell's audited financial statements for the periods indicated therein; and

(iii) the Shell Pro Forma Financial Information was not necessarily prepared in accordance with GAAP, but was prepared with due care after reasonable inquiry and is a fair presentation of the financial performance of the Shell Valuated Units for the periods indicated therein.

(c) Shell Contributed Assets. With such exceptions as would not, individually and in the aggregate, have a Company Material Adverse Effect, except for the Shell Excluded Assets and the Shell Intellectual Property Rights, the Shell Contributed Assets constitute all of the assets used for or necessary to the operation of the Shell Valuated Units in the ordinary course of business and in substantially the same manner as such Shell Valuated Units were operated as of December 1, 1997.

SECTION 6.2. Representations and Warranties Regarding Star. Each of Star, TRMI (East) and SRI represents and warrants to each of the other parties hereto as follows; provided that Star, TRMI (East) and SRI shall have no liability to any other party hereto or any other Person (including any Person indemnified under Article 8 of the Master Agreement) for the breach of any representation or warranty hereunder to the extent that the facts or circumstances that gave rise to such breach:

(i) were actually disclosed in writing in the Due Diligence Process to any of the Due Diligence Representatives of such other party;

(ii) would reasonably be expected to be discovered by such other party based on facts or circumstances so disclosed in writing during the Due Diligence Process; or

(iii) were actually known to such other party or such other party's Due Diligence Representatives on or prior to the Closing Date.

(a) Good, Indefesible or Marketable Title. With such exceptions as would not, individually and in the aggregate, have a Company Material Adverse Effect, Star has good (and in the case of interests in real property, indefeasible or marketable) title to all Star Contributed Assets so contributed thereby, free of all Liens other than (x) Permitted Exceptions and (y) provisions in contracts, licenses and agreements which prohibit or otherwise restrict assignment and upon the granting of the deeds and other instruments of transfer provided for herein, the Company shall receive good (and in the case of interests in real property, indefeasible or marketable) title to the Star Contributed Assets as described above.

For the avoidance of doubt, in the event that any representation or warranty with respect to title to the Star Contributed Assets set forth in any of the Star Transfer Instruments or implied by Applicable Law may be interpreted to create representations or warranties other than those set forth in this Section 6.2(a), the representation and warranty set forth in this Section 6.2(a) shall govern and such other representations and warranties shall be without force or effect.

(b) Financial Information. With such exceptions as would not, individually and in the aggregate, have a Company Material Adverse Effect, the Star Financial Statement (i) has been prepared with due care after reasonable inquiry and (ii) is a fair presentation of the financial performance and cash flow of Star.

(c) Star Contributed Assets. With such exception as would not, individually and in the aggregate, have a Company Material Adverse Effect, except for the Star Excluded Assets and the Texaco Intellectual Property Rights, the Star Contributed Assets constitute all of the assets used for or necessary to the operation of Star in the ordinary course of business and in substantially the same manner as Star was operated as of December 1, 1997.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1. Further Assurance. (a) From and after the Effective Time, each of the parties hereto shall, at any time and from time to time, at the request of any other party hereto, make, execute and deliver, or use its best efforts to cause to be made, executed and delivered, such assignments, conveyances, deeds, bills of sale, filings and other instruments, agreements (including any agreements which may be necessary or desirable in connection with the making of any filing or the obtaining of any approval in any jurisdiction), consents and assurances and take or cause to be taken all such action as the parties hereto may reasonably request for the effectual consummation of this Asset Transfer Agreement and the Motiva Joint Venture Transactions. It is understood that this Section 7.1(a) may be applied to require the assignment or conveyance (i) to the Company of assets owned or leased by any party or its Affiliates that constitute Shell Contributed Assets or Star Contributed Assets but by mistake were not assigned or conveyed to the Company at the Effective Time, or (ii) to any party or Affiliate of a party of assets transferred to the Company that were not listed on the Asset List (or was listed on the Asset List but was an Excluded Asset or the non-contributed portion of a Shell Common Contract or Shell Shared Asset) and are not Shell Contributed Assets or Star Contributed Assets, but were assigned or conveyed by mistake to the Company.

(b) From time to time after the Effective Time, as and when requested by the Company, TRMI (East) shall, or shall cause its Worldwide Affiliates to execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as any other party may reasonably deem necessary or desirable to transfer legal or beneficial title to any Star Contributed Asset which should have been transferred by TRMI (East) or its Worldwide Affiliates to Star effective as of December 31, 1988 in accordance with the transaction documents by which Star was formed which for any reason was not transferred.

SECTION 7.2. Effectiveness. This Asset Transfer Agreement shall be effective as of the Effective Time.

SECTION 7.3. Exclusivity. For avoidance of doubt, Section 8.01 of the Master Agreement shall constitute the exclusive remedy for any misrepresentation or breach of warranty or covenant contained in or arising under this Asset Transfer Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Asset Transfer Agreement to be duly executed as of the day and year first above written.

STAR ENTERPRISE

By: SAUDI REFINING, INC.
PARTNER

By /s/ F. R. Woelfel

Title: President and Chief Executive Officer

By: TEXACO REFINING AND MARKETING (EAST) INC.
PARTNER

By /s/ L. Wilson Berry Jr.

Title: Vice President

SAUDI REFINING, INC.

By /s/ F. R. Woelfel

Title: President and Chief Executive Officer

TEXACO REFINING AND
MARKETING (EAST) INC.

By /s/ G. F. Tilton

Title: Chairman

SHELL OIL COMPANY

By /s/ J. M. Morgan

Title: Senior Vice President

SHELL NORCO REFINING COMPANY

By /s/ W. G. Hougland

Title: Attorney-in-Fact

MOTIVA ENTERPRISES LLC

By /s/ L. Wilson Berry Jr.

Title: CEO

EXHIBIT 11

TEXACO INC. AND SUBSIDIARY COMPANIES
COMPUTATION OF EARNINGS PER SHARE OF COMMON STOCK
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 1998 AND 1997

(millions of dollars, except as noted)

	(Unaudited)			
	For the six months ended June 30,		For the three months ended June 30,	
	1998	1997(a)	1998	1997(a)
Basic Net Income Per Common Share:				
Net income less preferred stock dividend requirements	$ 574	$ 1,523	$ 329	$ 557
Average shares outstanding (thousands)	531,232	519,328	530,550	519,375
Basic net income per share (dollars)	$ 1.08	$ 2.93	$ 0.62	$ 1.07
Diluted Net Income Per Common Share:				
Net income less preferred stock dividend requirements	$ 574	$ 1,523	$ 329	$ 557
Adjustments, mainly ESOP preferred stock dividends	17	18	8	9
Net income for diluted net income per share	$ 591	$ 1,541	$ 337	$ 566
Average shares outstanding (thousands)	531,232	519,328	530,550	519,375
Adjustments, mainly ESOP preferred stock	19,366	20,635	19,225	20,488
Shares outstanding for diluted computation (thousands)	550,598	539,963	549,775	539,863
Diluted net income per share (dollars)	$ 1.07	$ 2.85	$ 0.61	$ 1.05

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

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
OF TEXACO ON A TOTAL ENTERPRISE BASIS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND
FOR EACH OF THE FIVE YEARS ENDED DECEMBER 31, 1997

(Millions of dollars)

	For the Six Months Ended June 30, 1998	Years Ended December 31, 1997	1996	1995	1994(a)	1993(a)
Income from continuing operations, before provision or benefit for income taxes and cumulative effect of accounting changes effective 1-1-95......................	$ 919	$3,514	$3,450	$1,201	$1,409	$1,392
Dividends from less than 50% owned companies more or (less) than equity in net income................	(4)	(11)	(4)	1	(1)	(8)
Minority interest in net income............................	30	68	72	54	44	17
Previously capitalized interest charged to income during the period................................	9	25	27	33	29	33
Total earnings....................................	954	3,596	3,545	1,289	1,481	1,434
Fixed charges:						
Items charged to income:						
Interest charges....................................	319	528	551	614	594	546
Interest factor attributable to operating lease rentals..................................	45	112	129	110	118	91
Preferred stock dividends of subsidiaries guaranteed by Texaco Inc.........................	17	33	35	36	31	4
Total items charged to income......................	381	673	715	760	743	641
Interest capitalized...................................	12	27	16	28	21	57
Interest on ESOP debt guaranteed by Texaco Inc..........	2	7	10	14	14	14
Total fixed charges...............................	395	707	741	802	778	712
Earnings available for payment of fixed charges............ (Total earnings + Total items charged to income)	$1,335	$4,269	$4,260	$2,049	$2,224	$2,075
Ratio of earnings to fixed charges of Texaco on a total enterprise basis.............................	3.38	6.04	5.75	2.55	2.86	2.91

(a) Excludes discontinued operations.

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TEXACO INC.'S SECOND QUARTER 1998 FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

6-MOS
DEC-31-1998
JAN-1-1998
JUN-30-1998
345
48
3,951
20
1,214
5,882
35,056
20,281
28,795
4,766
6,281
0
659
1,861
9,995
28,795
15,651
16,191
12,086
13,311
1,821
0
234
825
224
601
0
0
0
601
1.08
1.07