

New Prospects. New Perspectives.

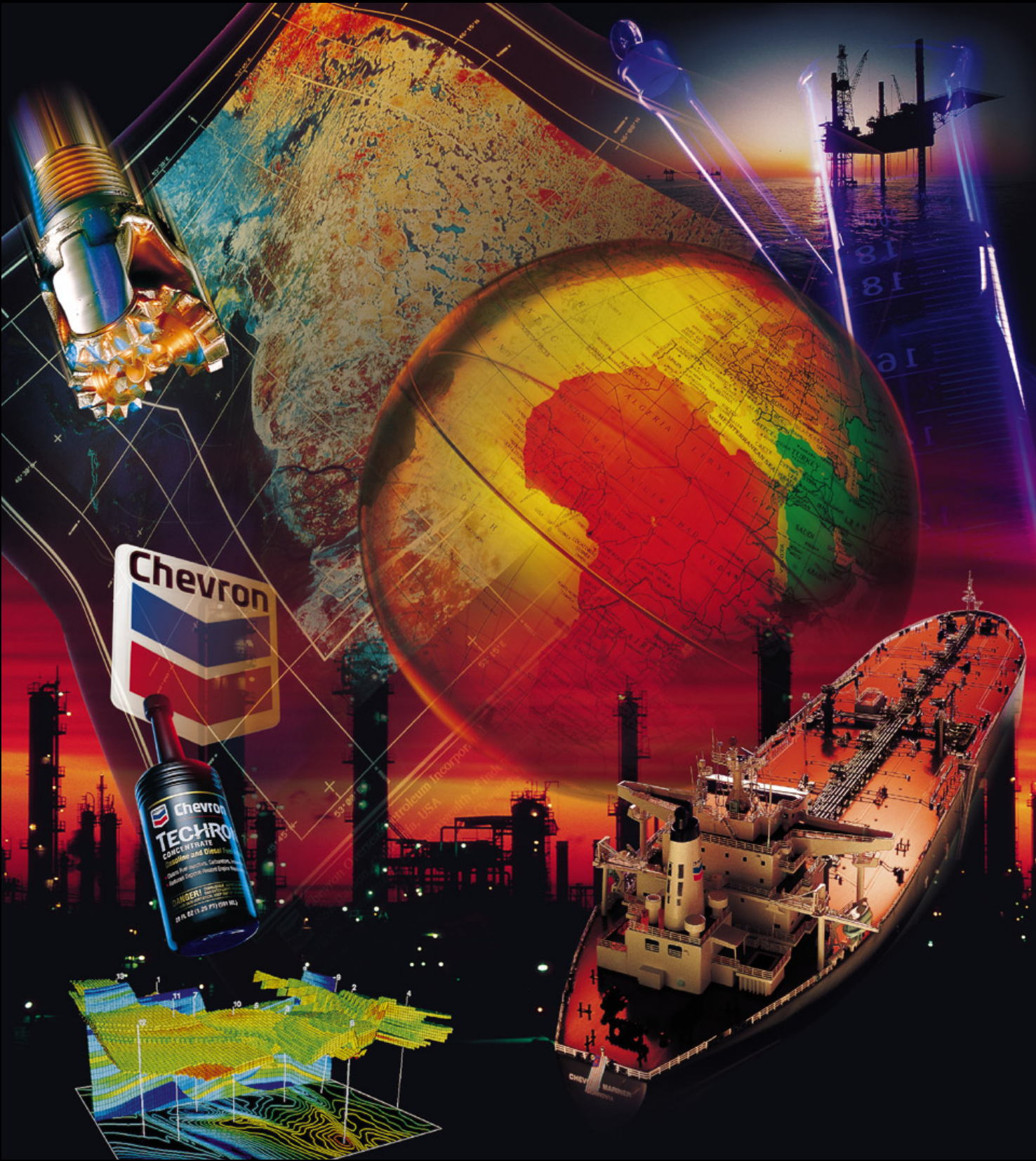


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Whenever possible, Chevron prints on recycled and recyclable paper. The company has printed its Annual Reports on recycled paper since 1990.



Chevron at a Glance

BUSINESS

EXPLORATION AND PRODUCTION

Explores for and produces crude oil and natural gas in the United States and 24 other countries. Third-largest U.S. natural gas producer. Worldwide net production was more than 1.4 million barrels a day of oil and equivalent gas.

Competitive Advantage: Balanced U.S. and international short- and long-term opportunities create high-value portfolio.

REFINING

Converts crude oil into a variety of refined products, including motor gasoline, diesel and aviation fuels, lubricants, asphalt, chemicals and other products. Chevron is one of the largest refiners in the United States.

Competitive Advantage: Largest supplier of California reformulated gasoline.

MARKETING

One of the leading U.S. marketers of refined products, including motor gasoline, diesel and aviation fuels, lubricants and other products. Retail outlets number 7,800 in the United States, 200 in Canada and 500 in the United Kingdom; Caltex supplies 8,400 retail outlets worldwide.

Competitive Advantage: No gasoline sold provides better performance or lower emissions than Chevron gasolines with Techron.

SUPPLY AND DISTRIBUTION

Purchases, sells, trades and transports – by pipeline, tanker and barge – crude oil, liquefied natural gas, natural gas liquids (such as propane and butane), chemicals and refined products.

Competitive Advantage: Chevron's fleet maintains the best safety and environmental record among major oil companies.

CHEMICALS

Main products are ethylene, benzene, styrene, normal alpha olefins, paraxylene, polyethylene, polystyrene and a variety of additives for fuels and lubricants.

Competitive Advantage: Using proprietary technology, Chevron is a low-cost leader and manufacturer of benzene, paraxylene and normal alpha olefins.

COAL

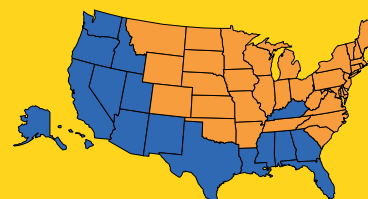
Mines and markets coal, ranking among the top 20 coal producers in the United States.

Competitive Advantage: More than half the company's reserves are environmentally desirable low-sulfur coal.

AREAS OF OPERATION

Major producing areas include the Gulf of Mexico, California, the Rocky Mountains, Texas, Canada, the North Sea, Australia, Indonesia, Angola, Nigeria and Kazakhstan. Exploration areas include the above, as well as frontiers such as Bolivia, Colombia, Congo, Peru, Ireland and Namibia.

Principal U.S. locations are El Segundo and Richmond, Calif.; Pascagoula, Miss.; Salt Lake City, Utah; El Paso, Texas; and Honolulu, Hawaii. Also refines in Canada, Wales and (through its Caltex affiliate) Asia, Africa, the Middle East, Australia and New Zealand.



■ Chevron holds 9 percent or greater gasoline market share.

Retail locations also in Canada, the United Kingdom and (through Caltex) in Asia, Africa, the Middle East, Australia and New Zealand.

Cargo trading offices in Houston; Walnut Creek, Calif.; London; Abidjan, Côte d'Ivoire; Singapore; Mexico City; and Moscow. Interests in pipelines throughout the United States and in Africa, Australia, Indonesia, Papua New Guinea, Europe and the Middle East. Tanker operations worldwide.

Plants in 10 states and in France, Brazil and Japan. Through affiliates and subsidiaries, operates or markets in more than 80 countries.

Mines in New Mexico, Wyoming, Alabama and Kentucky; partnership interests in Illinois and Indiana.

To Our S t o c k h o l d e r s**'We've developed new perspectives
on the way we do business.'**

I'm very optimistic about Chevron's future. I'm also proud of the company's performance, not only during 1995, but for the past several years. What we've accomplished has set the stage for what lies ahead. And I see the future as a time of achievement and growth.

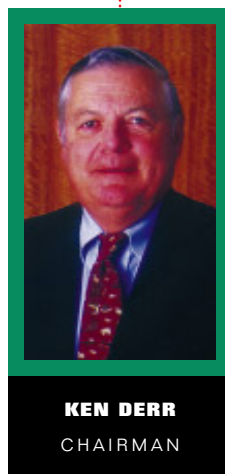
We've built a strong foundation. We've also learned – sometimes the hard way – how to operate successfully in the business environment of the '90s. We're leaner. We work more economically. We're more entrepreneurial. And we have better growth opportunities.

OPERATING EARNINGS CLIMB

Briefly, our earnings for 1995, excluding special charges, were nearly \$2 billion, an increase of 17 percent over 1994. Most of our businesses had excellent years, with chemicals and international upstream (exploration and production) producing record earnings. However, the special charges, including the adoption of a new required accounting standard, brought our net income down to \$930 million. More information on our financial results follows on the next pages. Detailed financial information starts on Page 25.

**FINDING NEW PROSPECTS AND
NEW PERSPECTIVES**

I believe that 1995 marked the beginning of a new growth period. Over the past few years, we've focused on our core businesses and disposed of many non-core assets. We've also invested in many areas that are starting to pay off – both financially and in



KEN DERR
CHAIRMAN

new opportunities. For instance, we invested about \$1 billion in new facilities at our California refineries to make cleaner-burning reformulated gasolines. This has positioned our U.S. downstream (refining and marketing) operations for greater profitability. Another example is the progress made by Caltex, our 50 percent-owned international downstream affiliate, on several expansion projects. And there are upstream efforts under way worldwide.

From these and numerous other changes, we've found the resources to seek out and take advantage of new prospects. We've developed new perspectives on the way we do business.

**BUILDING A STRONG FOUNDATION
THE CHEVRON WAY**

A key component of our foundation is a document called *The Chevron Way*. (See Page 6.) It includes Chevron's Mission and Vision, as well as four other important statements. Together, these documents articulate our goals, values and principles.

**TECHNOLOGY PROVIDES
A COMPETITIVE ADVANTAGE**

Technology always has been a Chevron strength. Our technical and scientific knowledge and experience not only have contributed to our success worldwide, but also are key reasons Chevron often is the partner of choice in international joint ventures.

In exploration and production, Chevron is a leader in such technologies as reservoir simulation and both three- and four-dimensional seismic imaging. (Time is the added

dimension.) Our gasoline additive, Techron, is unsurpassed in reducing car emissions and maintaining vehicle performance. Chevron Chemical Company has two new proprietary technologies – Aromax and Eluxyl.

CUTTING COSTS STILL A PRIORITY

In today's business world, cost control is no longer a competitive advantage. It's a competitive necessity. We've taken more than \$1.5 billion out of our cost structure in the past five years, including nearly \$300 million in 1995.

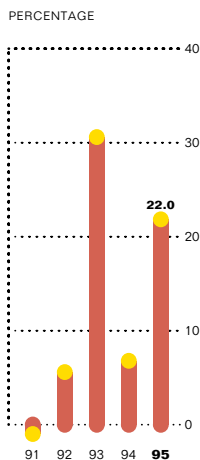
MEETING SAFETY GOALS

We've made enormous progress in meeting our goal of having the best safety record among our key competitors. In the past two years, we've cut our rate of recordable incidents nearly in half. Once again, Chevron employees have risen to meet a challenge.

INVESTING IN THE FUTURE

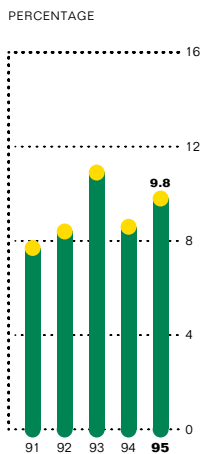
Our planned spending for 1996 clearly reflects our optimism about Chevron's future. We're investing more capital because we see tremendous opportunities. We've set our capital and exploratory budget at \$5.3 billion, up about 10 percent from 1995 spending. About \$3 billion will go to worldwide exploration and production, a 10 percent increase over last year. In line with our strategic intent to focus on international opportunities, about \$2 billion will be spent outside the United States. However, we also believe that there are excellent U.S. opportunities and plan to increase U.S. spending 19 percent to more than \$1 billion.

AVERAGE ANNUAL RETURN TO STOCKHOLDERS



Chevron stockholders have averaged an annual return of almost 16 percent over the past seven years.

RETURN ON AVERAGE CAPITAL EMPLOYED*



Chevron's goal is to earn 12 percent on its employed capital.

*Excluding special items

On the other hand, planned spending on worldwide refining, marketing and transportation – set at \$1.5 billion – will be down about 20 percent. Much of the reduction will come in the United States, where we have completed the major investments in our California refineries to meet federal and state requirements for cleaner gasoline. The remaining major item is \$500 million for our worldwide chemicals business.

STRONG SHOWING FOR RESERVES REPLACEMENT

1995 was an outstanding year for adding new oil and natural gas to our inventory. Chevron replaced 138 percent of its oil and natural gas production with new proved reserves. The replacement rate for international operations was 178 percent; for U.S. operations, 92 percent.

Worldwide, more than 700 million barrels of oil and equivalent gas were added to reserves, with more than 50 percent coming from new drilling. At year-end, Chevron's worldwide proved reserves stood at 6 billion barrels of oil and equivalent gas.

CAPITALIZING ON OUR NEW PROSPECTS

Chevron is rich in excellent short- and long-term growth opportunities. Many of these are described starting on Page 10, but I'd like to highlight some of them. For instance...

- The huge Britannia gas field in the North Sea.
- A large discovery offshore Congo.
- New fields under development offshore Congo and Angola.

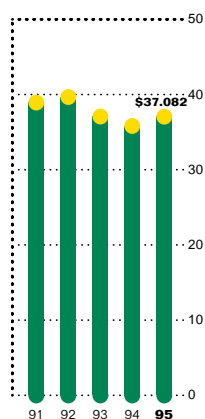
Financial Highlights

Millions of dollars, except per-share amounts	1995	1994	% Change
Net income	\$ 930	\$ 1,693	(45)%
Sales and other operating revenues	\$36,310	\$35,130	3%
Capital and exploratory expenditures*	\$ 4,800	\$ 4,819	—
Total assets at year-end	\$34,330	\$34,407	—
Total debt at year-end	\$ 8,327	\$ 8,142	2%
Stockholders' equity at year-end	\$14,355	\$14,596	(2)%
Cash flow from operating activities	\$ 4,075	\$ 2,896	41%
Common shares outstanding at year-end	652,327	651,751	—
<i>(Thousands)</i>			
Per-share data			
Net income	\$ 1.43	\$ 2.60	(45)%
Cash dividends	\$ 1.925	\$ 1.85	4%
Stockholders' equity	\$ 22.01	\$ 22.40	(2)%
Market price at year-end	\$ 52³/₈	\$ 44 ⁵ / ₈	17%
Total debt/total debt plus equity	36.7%	35.8%	
Return on average stockholders' equity	6.4%	11.8%	
Return on average capital employed (ROCE)	5.3%	8.7%	

*Includes equity in affiliates

TOTAL REVENUES

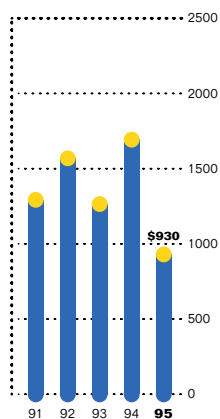
BILLIONS OF DOLLARS



Revenues increased on higher prices for crude oil, refined products and chemicals.

NET INCOME

MILLIONS OF DOLLARS

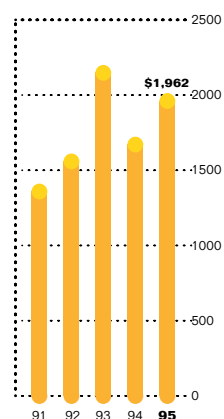


Special items and the adoption of a new accounting standard reduced earnings by \$1.032 billion.

EARNINGS, EXCLUDING

SPECIAL ITEMS

MILLIONS OF DOLLARS



Record chemicals and international upstream profits led to a 17 percent increase in adjusted earnings.

Operating Highlights

	1995	1994	% Change
Net production of crude oil and natural gas liquids*	1,001	993	1%
<i>(Thousands of barrels per day)</i>			
Net production of natural gas*	2,433	2,631	(8)%
<i>(Millions of cubic feet per day)</i>			
Sales of natural gas*	3,379	3,059	10%
<i>(Millions of cubic feet per day)</i>			
Refinery input*	1,523	1,836	(17)%
<i>(Thousands of barrels per day)</i>			
Sales of petroleum products*	2,346	2,497	(6)%
<i>(Thousands of barrels per day)</i>			
Net proved reserves of crude oil, condensate and natural gas liquids*	4,343	4,167	4%
<i>(Millions of barrels)</i>			
Net proved reserves of natural gas*	10,070	9,967	1%
<i>(Billions of cubic feet)</i>			
Chemicals sales revenues**	\$3,953	\$3,362	18%
<i>(Millions of dollars)</i>			
Number of employees at year-end	43,019	45,758	(6)%

*Includes equity in affiliates

**Includes sales to other Chevron companies. 1994 amount restated to conform with 1995 presentation.

PERFORMANCE MEASURES

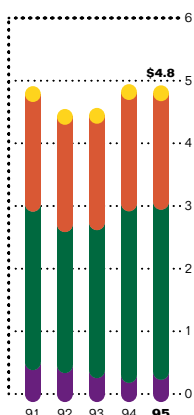
To help achieve its goal of being No.1 among its major competitors in providing total return on stockholders' investment, Chevron has established several performance measures to track its progress. Some of these are listed below and are discussed throughout this report. The terms are defined on Page 24.

	1995	1994	1993
Earnings, Excluding Special Items <i>(Millions of dollars)</i>	\$1,962	\$1,671	\$2,148
Adjusted Operating Expenses <i>(Millions of dollars)</i>	\$7,856	\$8,143	\$8,283
Operating Expenses Per Barrel	\$ 6.81	\$ 6.57	\$ 6.51
ROCE, Excluding Special Items	9.8%	8.6%	10.9%
Total Stockholder Return	22.0%	6.8%	30.6%

CAPITAL & EXPLORATORY

EXPENDITURES*

BILLIONS OF DOLLARS



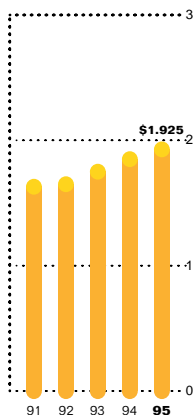
■ Refining & Marketing
■ Exploration & Production
■ Other

International spending accounted for 56 percent of total 1995 expenditures.

*Includes equity in affiliates

CASH DIVIDENDS PAID

DOLLARS PER SHARE

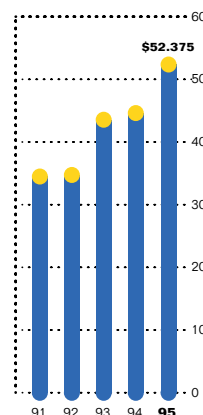


Annual dividends increased for the eighth consecutive year.

CHEVRON YEAR-END

COMMON STOCK PRICE

DOLLARS PER SHARE



In 1995, stockholders earned a 22 percent return, assuming reinvested dividends.

- The Escravos natural gas project in Nigeria.
- The giant Hibernia Field offshore Newfoundland.
- The huge Tengiz oil field in Kazakstan.
- The prolific Norphlet natural gas trend in the Gulf of Mexico.
- The Green Canyon venture in the deep waters of the Gulf of Mexico.
- New opportunities in such diverse areas as Vietnam, Peru and Azerbaijan.

Growth does not mean investing capital only in traditional petroleum projects. There are projects that come from looking at our business from a new perspective...

- Chevron's exclusive marketing alliance with McDonald's in 12 states.
- A new global lubricants business.
- The proposed merger of our natural gas and natural gas liquids businesses with NGC Corporation announced in January.
- A new international chemicals business unit.
- An agreement with the Venezuelan national oil company to operate a major oil field.

These lists are by no means complete. But they give an idea of the variety and scope of the opportunities Chevron is pursuing.

MAKING PROGRESS ON OUR

LONG-TERM GOAL

Our five-year goal (1994–1998) remains the same – to outperform our competition and provide the highest rate of total stockholder return (a combination of stock price appreciation plus dividends). To meet that goal, I think we'll need at least a 15 percent annualized rate. Although our rate for 1994 and 1995 averaged 14 percent, it was lower than some of our key competitors'. We're going to have to try harder. And we will.



JIM SULLIVAN
VICE CHAIRMAN

Another important financial measure – return on capital employed – ROCE. Chevron's ROCE for 1995, excluding special items, was 9.8 percent, up from 8.6 percent the year before. We're doing better, but we're still under the 12 percent I believe will be the minimum needed to be No. 1.

SETTING NEW GOALS

On February 1, we set another goal that I think we'll need to meet if we're to be tops in total stockholder return – to reach \$3 billion in annual operating earnings within the next three years. That's a big step. We're at about \$2 billion now.

I announced this new goal at our annual employee teleconference, which reached 165 locations worldwide, because if we do it – or I should say – *when* we do it, it will be Chevron employees who make it happen.

LOOKING AHEAD TO A

BRIGHT FUTURE

I've mentioned a lot of reasons to be optimistic about Chevron's future. None is more important than our employees. We have an abundance of outstanding opportunities worldwide that promise excellent returns in the short term and sustained earnings in the long term. Equally important, we have the team in place to make our plans a reality.

KENNETH T. DERR

Chairman of the Board

February 23, 1996

The Chevron Way

Chevron has revised its Mission and Vision statements to present a broader, more compelling view of its business. They emphasize Chevron's vision to be "Better than the Best" and its primary objective of achieving excellent financial performance. These statements and four other key documents – Committed Team Values, Total Quality Management, Protecting People and the Environment, and Vision Metrics – comprise *The Chevron Way*. Together, they sum up not only what Chevron is and what it does, but also what it stands for and what it believes in. They provide an integrated framework for the company's goals, values, strategies and initiatives.

Mission

We are an international company providing energy and chemical products vital to the growth of the world's economies. Our mission is to create superior value for our stockholders, our customers and our employees.

Vision

Our vision is to be Better than the Best, which means:

- Employees are proud of their success as a team
- Customers, suppliers and governments prefer us
- Competitors respect us
- Communities welcome us
- Investors are eager to invest in us

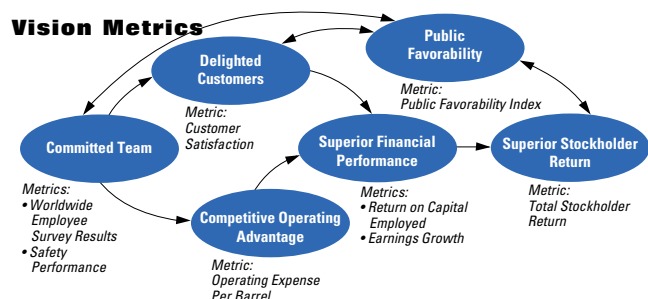
Our primary objective is to exceed the financial performance of our strongest competitors. Our goal is to be No. 1 among our competitors in Total Stockholder Return for the period 1994–1998. We will balance long-term growth and short-term results in pursuit of this objective.

Our approach to the business is based on:

- Committed Team Values
- Total Quality Management
- Protecting People and the Environment

We will be guided by the Strategic Intents in our Corporate Strategic Plan and will measure progress with the Vision Metrics.

Vision Metrics



Committed Team Values

Chevron people working together as a team are the key to success. These values guide our decisions and behavior:

- | | |
|-----------------------|---------------|
| ▪ Honesty & Integrity | ▪ Recognition |
| ▪ Trust | ▪ Achievement |
| ▪ Diversity | ▪ Partnership |
| ▪ Communication | ▪ Alignment |

Total Quality Management

This is the process we use to manage our business. It is based on integrating quality principles into everything we do. It has the power to direct change, align and focus efforts, and ensure that we meet the needs of our customers, employees, stockholders and communities. The principles of Total Quality Management include:

- | | |
|------------------------|--------------------------|
| ▪ Leadership | ▪ Process Management |
| ▪ Customer Focus | ▪ Continuous Improvement |
| ▪ Strategy Development | ▪ Learning Organization |
| ▪ Teamwork | ▪ Measurement |

Protecting People and the Environment

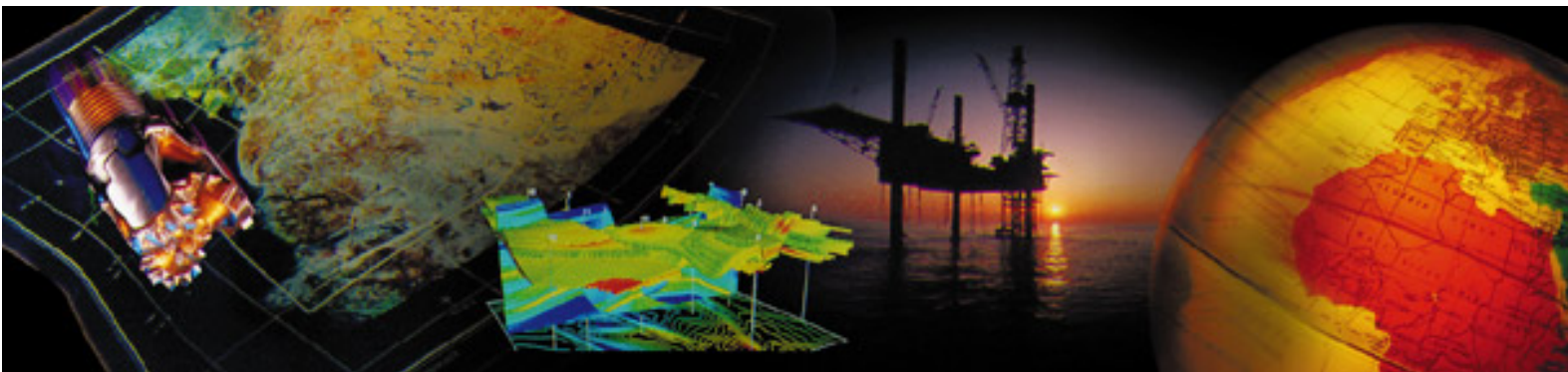
We are committed to protecting the safety and health of people and the environment. We will conduct our business in a socially responsible and ethical manner. Our goal is to be the industry leader in safety and health performance, and to be recognized worldwide for environmental excellence. We will achieve this goal through:

- | | |
|------------------------|----------------------|
| ▪ Safety | ▪ Conservation |
| ▪ Compliance | ▪ Advocacy |
| ▪ Pollution Prevention | ▪ Property Transfer |
| ▪ Community Outreach | ▪ Transportation |
| ▪ Product Stewardship | ▪ Emergency Response |

New Prospects. New Perspectives.

In an era of rapid change, intense competition and an increasingly global economy, it's not enough to conduct business in the usual way. The best opportunities may be in once-unlikely places. New technology is bringing the unreachable within grasp. In hundreds of ways, Chevron is bringing innovation, energy and new insights to its work. Following are examples of how the company is taking advantage of new prospects and looking at its business from new perspectives.

New Prospects. New Perspectives.



YOU CAN GO HOME AGAIN

Looking at business from a different perspective – along with a healthy dose of nostalgia – has led to a new alliance in Venezuela. In an agreement with Maraven, Venezuela's state oil company, Chevron will return after a 20-year absence to further develop Boscan – an oil field it discovered in 1946. Also, a supply agreement will provide crude oil to Chevron refineries, and a Chevron-Maraven partnership will market asphalt and other products in the western United States.

This marks the first time that Chevron will operate a field this large (1.6 billion barrels of estimated recoverable reserves) on a service contract basis; the first time Chevron's production, refining and marketing businesses have joined together to forge an alliance with another country; and the first time since Venezuela nationalized its oil industry in 1975 that an international oil company has taken responsibility for so much Venezuelan production – 80,000 barrels a day, expected to grow to 115,000.

Chevron's expertise in heavy oil and its environmental record

were key selling points. In addition, the alliance is a natural. Boscan oil, a premier asphaltic crude, is perfectly suited to Chevron's asphalt refineries.

TECHNOLOGY: TAKING IT TO THE FOURTH DIMENSION

Indonesia's giant Duri Field, a 1941 discovery operated by 50 percent-owned Caltex Pacific Indonesia (CPI), has yielded more than 1 billion barrels of oil and is still divulging subsurface secrets that will ensure continued production.

Steam injection of Duri began in 1985, and the field now is the site of the world's largest steamflood project. With the help of four-dimensional (4-D) seismic technology – 3-D surveys reshot periodically, with time being the fourth dimension – CPI scientists now are getting a clearer picture of how steam moves through Duri's underground formations. This enables the company to better judge where and at what rate to inject steam to increase oil production.

A leader in this new technology, considered a breakthrough in reservoir management, Chevron also has 4-D surveys under way in the Gulf of Mexico and Nigeria.

NATURAL GAS BUSINESSES: A NEW STRATEGIC POSITION

A new entrepreneurial merger signals a strategic shift in the company's natural gas and natural gas liquids businesses. The intended merger of two company organizations – Warren Petroleum Company and the Natural Gas Business Unit of Chevron U.S.A. Production Company – with NGC Corporation will form North America's largest processor and marketer of natural gas and natural gas liquids.

The merged company, in which Chevron will have about 28 percent ownership, is expected to have a strong competitive position in the growing deregulated energy services sector, with the advantages of Chevron's assets and experience in processing and marketing natural gas and natural gas liquids and NGC's leading position in energy marketing, including electric power.

The new company will retain the NGC name. It brings economies of scale, a greater operational flexibility to meet customers' needs, and opportunities to expand into new North American and international markets – factors expected to greatly benefit Chevron and NGC.



THE PROCESS MAKES THE PROJECT

A formalized, disciplined method of managing projects recently has taken root in Chevron. Originally designed to oversee large capital projects, the Chevron Project Development & Execution Process (CPDEP) has proved itself valuable in many areas. With its structured way of making decisions and analyzing risk, CPDEP has improved how the company approaches such varied tasks as negotiating mergers and acquisitions, developing training curricula and conducting environmental assessments.

CPDEP involves all stakeholders at the appropriate time and ensures that the right questions are asked and performance is consistently measured against project objectives and against competitors.

This systematic measurement is just one of many tools that allow one project team to learn from the experiences of others.

At Chevron's El Segundo, Calif., refinery, for example, CPDEP guided the facility's modernization to make new, reformulated gasoline. Doing more of the engineering work early

resulted in greater predictability and, thus, fewer changes in later project phases. As a result, the \$500 million project came in 14 percent under budget, on schedule and with an exemplary safety record.

CHEVRON READIES ITS DEEPEST GULF VENTURE

Chevron is moving ahead on its first venture in a new frontier of U.S. petroleum production – the deep waters of the Gulf of Mexico. Engineers are studying several designs for a floating platform that will be placed in one of the area's most promising prospects, the Green Canyon 205 Field 100 miles offshore Louisiana. The structure, which will be installed in water a half-mile deep, also will be a stepping stone for Chevron's aggressive deep-water exploration program.

Exploration and production in the gulf beyond the 600-foot depth has intensified since it was learned that many of the sand formations there flow crude oil at a much higher rate than those closer to shore, which reduces the development costs.

DOWNSTREAM EXPANDS INTERNATIONAL FOCUS

Chevron's upstream businesses – exploration and production – have long been noted for their international scope. Now adding some muscle to global expansion are new opportunities in manufacturing and marketing, the downstream side of the petroleum business.

In particular, the petrochemicals and lubricants businesses boast new-found strengths.

Chevron's Aromax and Eluxyl technologies – used to make benzene and paraxylene, respectively – form the cornerstone of a strategy to penetrate fast-growing markets, particularly in the Pacific Rim.

An additives plant is planned for Singapore, and an Aromax plant is being developed for Saudi Arabia. Possible ventures in Thailand, Indonesia, China, Mexico and Venezuela also are in the works.

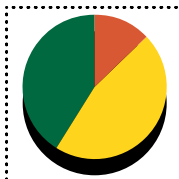
Chevron also has consolidated its U.S. and international lubricants units to better meet the needs of customers on a worldwide basis. Recognized as a low-cost producer and technology leader in lubricants, the company plans to build on the strength of the Chevron brand.

Strategies for the future

Chevron's plans and goals are based on eight key strategies. These strategies underlie the company's vision to be "Better than the Best." They support Chevron's mission to create superior value for its stockholders, customers and employees. While global business conditions shift and change, these strategies guide the company as it seeks new prospects and gains new perspectives.

EMPLOYEE OWNERSHIP OF STOCK - 1995 YEAR-END

PERCENTAGE



■ Chevron Employees - 13%
■ Institutions - 46%
■ Individuals - 41%

Chevron employees own more shares than any other single investor group.

Employees.

BUILD A COMMITTED TEAM TO ACCOMPLISH THE CORPORATE MISSION

Of the eight strategic intents, "building a committed team" is most basic to Chevron's success. When employees feel that they're part of a team, when they want to excel for the benefit of their colleagues and company, they provide a real competitive advantage.

A new document, *The Chevron Way*, articulates the company's key values and sets a standard of excellence for employees.

Company promotes commitment. Chevron encourages commitment in many ways. By sharing decision-making with employees who have the greatest knowledge of a subject, management reinforces teamwork and increases employees' contributions to the business.

Chevron also rewards commitment by sharing its profits and ownership with employees. About 90 percent of employees are members of the company's profit sharing and savings plans. Cumulatively, they own 84 million shares, which makes employees the largest owner of Chevron. Two other programs, Chevron Success Sharing and a broad-based stock option plan, reward employees with special incentive

pay when the company meets certain financial and operational targets.

Employee survey spurs change. In 1996, Chevron is conducting its fourth worldwide employee survey, asking opinions about work, commitment and company policies. The company will use the results to fine-tune its employee practices. For instance, Chevron has responded to past surveys by improving its programs for upward feedback, leadership training and filling open jobs. Perhaps the most dramatic shift has been a new emphasis on "people skills." Because employees have placed a premium on supervisors' ability to work well with people, such skills have become an important promotion prerequisite, along with technical and business savvy.

International Upstream.

CONTINUE EXPLORATION AND PRODUCTION GROWTH IN INTERNATIONAL AREAS

One of Chevron's most promising areas of financial and operational growth is international upstream (exploration and production). In 1995, Chevron's international operations posted record earnings.

HIGHLIGHTS - INTERNATIONAL UPSTREAM

Millions of dollars	1995	1994	1993
Earnings, Excluding Special Items	\$ 811	\$ 519	\$ 641
Capital and Exploratory Expenditures	\$1,835	\$1,931	\$1,599
Net Liquids Production (MBPD)	651	624	556
Net Natural Gas Production (MMCFPD)	565	546	469
Net Liquids Reserves (MMBbl)	3,155	2,967	2,906
Net Natural Gas Reserves (BCF)	4,538	4,391	3,927

MBPD = Thousands of barrels per day; MMCFPD = Millions of cubic feet per day;

MMBbl = Millions of barrels; BCF = Billions of cubic feet

International production, reserves climb.

Chevron's proved reserves outside the United States increased for the sixth straight year, climbing 6 percent to 3.9 billion barrels. Combined daily net production also climbed for the sixth year in a row and averaged 745,000 barrels of oil and equivalent gas, up 4 percent from 1994 and 43 percent from 1989.

Congo highlights West Africa. One of Chevron's newest and largest discoveries is Moho Marine 1, offshore Congo. Nearby, the N'Kossa Field is scheduled to start production in 1996 and peak at about 120,000 barrels a day in 1997. Chevron holds a 30 percent interest in both fields.

Angola sets record. In 1995, Chevron's Angolan production reached a new high of more than 420,000 barrels a day. Recoverable reserves are estimated at more than 1 billion barrels. Production has begun from the Kokongo Field, and a special early production system is now in place in the Nemba Field. Work also is under way on full development of the Nemba/Lomba fields and the N'Dola/Sanha fields. Exploration has expanded to include a new area farther offshore. Chevron's interest in the Angolan concession areas is 39.2 percent.

Nigerian gas project moves ahead. Phase I of the Escravos Gas Project is scheduled to start up in 1997. Chevron holds a 40 percent interest in the \$570 million project, which daily will market about 170 million cubic feet of the natural gas that currently is produced (but not recovered) along with crude oil.

Average crude oil production from Chevron fields was about 384,000 barrels a day in 1995, of which Chevron's net share was 133,000 barrels a day.

Duri Field boosts Indonesian production.

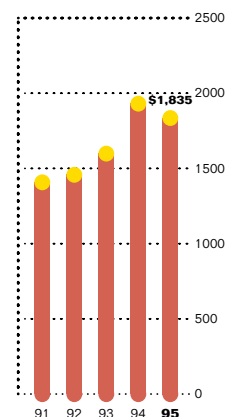
In 1995, the Duri Field produced its billionth barrel of oil. Assisted by the world's largest steamflood project, the field yields more than 300,000 barrels a day, a level expected to continue for years. The field, with an estimated 2 billion barrels of recoverable oil, is operated by 50 percent-Chevron-owned Caltex Pacific Indonesia (CPI).

CPI's daily net crude oil production reached 753,000 barrels in 1995. Chevron also explores and produces through 50 percent-owned Amoseas Indonesia. Chevron's share of Indonesian production was 174,000 barrels a day.

North Sea booms. Chevron holds a 30 percent interest in the Britannia Project, which has estimated recoverable reserves of 2.6

**INTERNATIONAL
EXPLORATION &
PRODUCTION CAPITAL
& EXPLORATORY
EXPENDITURES***

MILLIONS OF DOLLARS



International accounted for 68 percent of 1995 worldwide exploration and production expenditures.

*Includes equity in affiliates

PROJECT: Gorgon gas field		PROJECT NOTES: Appraisal drilling continues on this huge field, which lies 75 miles offshore. The field will be developed as a liquefied natural gas project, either as a stand-alone effort or as an expansion of the existing North West Shelf Project.
LOCATION: Offshore Western Australia		
RESERVES: Estimated 8 trillion cubic feet		



trillion cubic feet of natural gas and 140 million barrels of condensate and natural gas liquids. First production is scheduled for late 1998. Britannia underlies the Alba oil field, now producing 82,000 barrels a day, with estimated recoverable reserves of 400 million barrels. Chevron holds a 33 percent interest in Alba.

Tengiz production ready to expand. Work continues on Chevron's 50-50 joint venture with the Republic of Kazakhstan to develop Tengiz, one of the world's largest oil fields. Production capacity remained at 95,000 barrels a day in 1995, with oil exports limited to 55,000 barrels a day. Tengiz and partners are pursuing marketing alternatives that could enable production capacity to expand to 130,000 barrels a day by year-end 1996. Chevron also continues to play an active role in developing one or more pipeline routes that will allow for full development of the field's potential.

Australia's operations grow. Chevron and partners are studying alternatives for developing two huge natural gas fields – Gorgon and Chrysaor. One plan calls for a new liquefied natural gas plant; the other would integrate the fields into an expansion of the existing, highly successful North West Shelf Project. Chevron holds interests in the two fields varying between 28 and 50 percent and has a 16.67 percent interest in the North West Shelf.

In addition, two new oil fields, Wanaea and Cossack, started production in November and are producing at a combined rate of 115,000 barrels a day. Chevron holds a 16.67 percent interest.

New fields under way in Papua New

Guinea, China. Two new Papua New Guinea fields – Gobe Main and South East Gobe – are being developed. Horizontal drilling will help maintain production at nearby Kutubu at 100,000 barrels a day. Chevron holds a 19 percent share.

In China, two additional fields started producing in mid-1995, raising daily production to about 120,000 barrels. Chevron, with a 16.33 percent interest, is one of four partners.

Chevron expands in South America. One of Chevron's most innovative new projects is its alliance with Maraven, the state-owned oil company of Venezuela, to develop the Boscan Field. (See Page 8.) The company also is exploring 1.77 million acres in Peru and 260,000 acres in Colombia.

Hibernia continues on course. Chevron Canada Resources, the company's Canadian upstream subsidiary, continues work on the massive production platform that will tap the Hibernia Field offshore Newfoundland. First production is expected by the end of 1997. Estimated recoverable reserves are about 600 million barrels of oil, with Chevron holding a 27 percent interest.

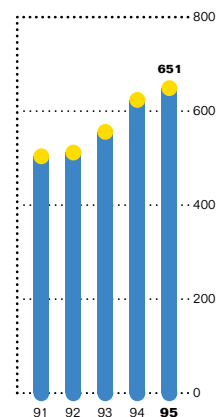
1995 saw first production from the Simonette Field in western Canada. Chevron holds more than a 60 percent interest in the field, which has estimated recoverable reserves of 50 million barrels of oil equivalent.

Technology provides a competitive edge.

Chevron is supplying a variety of technical assistance in Kuwait's Burgan oil field, the world's second largest.

INTERNATIONAL NET CRUDE OIL & NATURAL GAS LIQUIDS PRODUCTION*

THOUSANDS OF BARRELS PER DAY

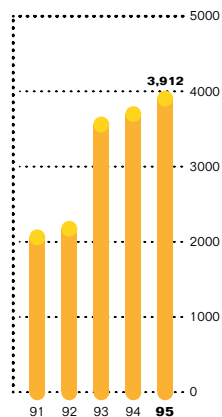


Net liquids production continued to increase, reflecting the emphasis on international opportunities.

*Includes equity in affiliates

INTERNATIONAL NET PROVED RESERVES*

MILLIONS OF OEC** BARRELS



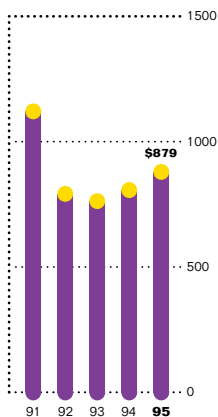
In 1995, Chevron replaced 178 percent of its international oil and gas production.

*Includes equity in affiliates

**Oil and equivalent gas

U.S. EXPLORATION & PRODUCTION CAPITAL & EXPLORATORY EXPENDITURES

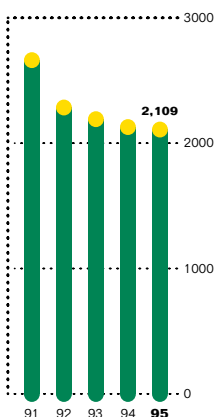
MILLIONS OF DOLLARS



Chevron has major development projects under way that should help stabilize its U.S. production.

U.S. NET PROVED RESERVES

MILLIONS OF OEG* BARRELS



In 1995, Chevron replaced 92 percent of its U.S. oil and gas production.

*Oil and equivalent gas

Chevron Petroleum Technology Company provides cost-effective, state-of-the-art technology that gives Chevron a competitive advantage throughout its worldwide operations. The company also works to develop technology that will help create new business opportunities.

U.S. Upstream.

GENERATE CASH FROM NORTH AMERICAN EXPLORATION AND PRODUCTION OPERATIONS, WHILE MAINTAINING VALUE THROUGH SUSTAINED PRODUCTION LEVELS

The perspective of Chevron U.S.A. Production Company principally as a generator of cash for the corporation is broadening. A tighter exploration focus, more effective use of technology and lower-cost operations are enabling the company to capitalize on attractive opportunities and increase short- and long-term earnings.

Reserve replacement increases. In 1995, Chevron increased its U.S. reserve replacement to 92 percent, the highest in seven years. The company also contributed almost \$700 million in cash, while increasing capital spending 7 percent to more than \$800 million. Capital expenditures are expected to grow an additional 19 percent in 1996, to \$950 million.

Chevron moves into deep water. Some of Chevron's greatest U.S. opportunities are in the Gulf of Mexico. Leases acquired in 1995 increase Chevron's holdings of deep-

water acreage to more than 550,000 acres. Chevron's first deep-water project is the Green Canyon 205 Field, where the company plans to install a drilling and production platform in 2,600 feet of water. (See Page 9.)

Chevron is largest holder of shallow-water acreage. The company's 1.6 million acres of holdings in shallow water (less than 600 feet) are the largest in the gulf. Of that amount, 900,000 acres are core producing properties. Infrastructure in place for existing shallow-water production allows Chevron to quickly produce from new drilling and gives the company a competitive advantage as it develops projects in deep water.

Some of the most productive shallow-water projects are in the Norphlet Trend, which has an estimated 9 trillion cubic feet of recoverable natural gas, with Chevron's share estimated at more than 1.5 trillion cubic feet.

Technological leadership paying dividends. The company's expertise in three-dimensional (3-D) seismic technology is paying off in places like the Laredo area of South Texas. New drilling methods and 3-D seismic work are giving new life to Eugene Island 238, a Gulf of Mexico field first developed in the 1960s. Reservoir simulation and steam management techniques also have helped Chevron become one of the lowest-cost operators in the heavy oil fields of Central California.

Acquisitions create opportunities. As part of its strategy to acquire attractive properties, Chevron bought the Pakenham Field

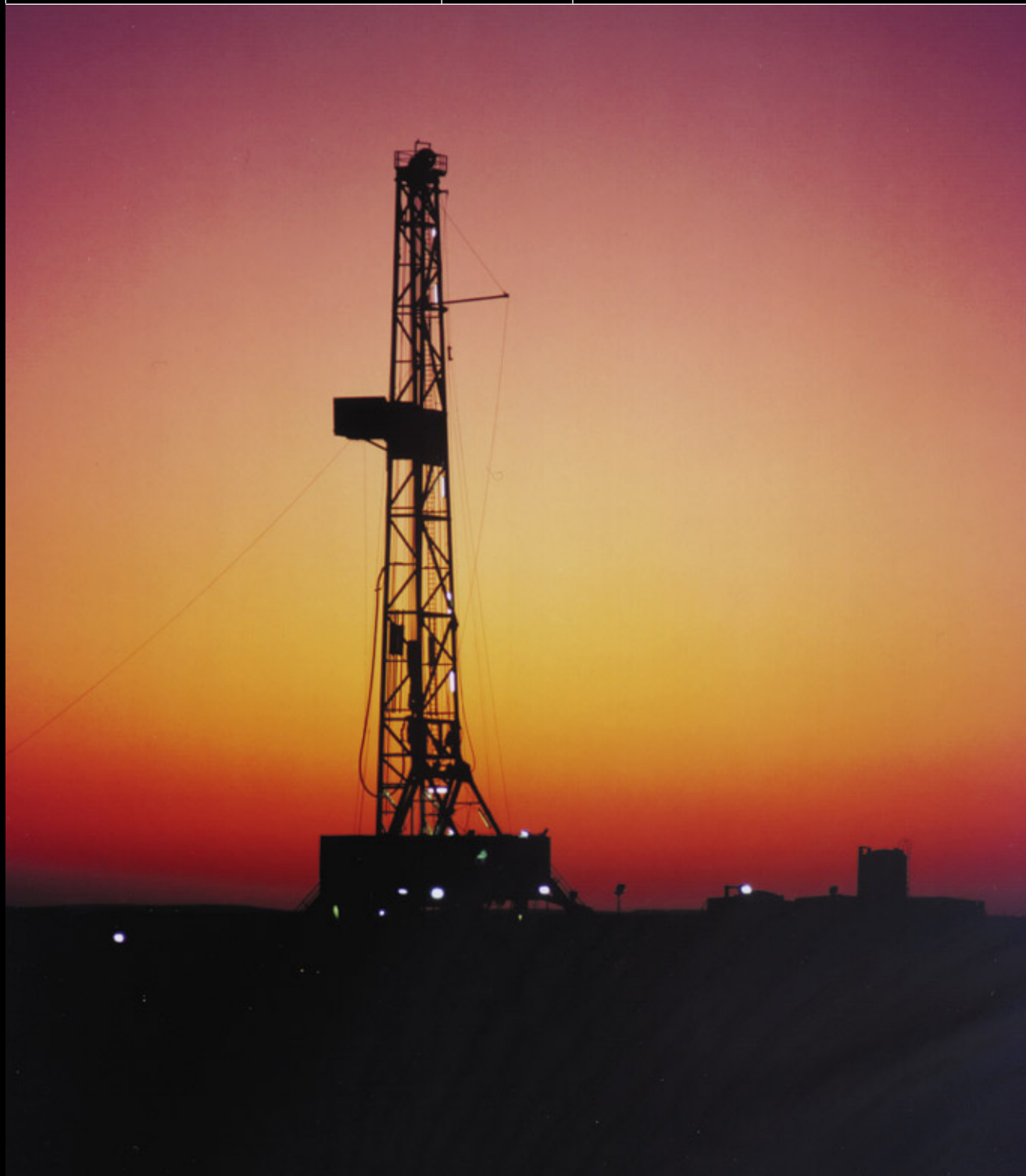
PROJECT: **Pakenham gas field**

LOCATION: **Terrell County, Texas**

PRODUCTION: **34 million cubic feet a day**



PROJECT NOTES: Drilling around the clock, Chevron is on schedule to develop the field, which is expected to have a 20-year production life. The company plans to drill more than 100 wells and reach peak production of 70 million cubic feet a day by 1999.



HIGHLIGHTS - U.S. UPSTREAM

Millions of dollars, except per-share amounts

	1995	1994	1993
Earnings, Excluding Special Items	\$ 552	\$ 584	\$ 702
Cash Flow After Capital and Exploratory Expenditures	\$ 672	\$ 753	\$1,211
Capital and Exploratory Expenditures	\$ 879	\$ 807	\$ 763
Net Liquids Production (MBPD)	350	369	394
Net Natural Gas Production (MMCFPD)	1,868	2,085	2,056
Net Liquids Reserves (MMBbl)	1,187	1,200	1,279
Net Natural Gas Reserves (BCF)	5,532	5,576	5,484
Production Expense per OEG Barrel	\$ 5.11	\$ 4.81	\$ 4.91

MBPD = Thousands of barrels per day; MMCFPD = Millions of cubic feet per day;

MMBbl = Millions of barrels; BCF = Billions of cubic feet; OEG = Oil and equivalent gas

in West Texas in 1994. Since then, 26 wells have been drilled. Daily net production of 34 million cubic feet of gas is expected to climb to 70 million cubic feet by 1999.

Natural gas merger strengthens business. The planned merger (announced in January 1996) of Chevron's North American natural gas marketing and natural gas liquids businesses with NGC Corporation (see Page 8) repositions these activities into important growth-oriented businesses.

refineries in Port Arthur, Texas, and Philadelphia. Now the company is significantly reducing overall capital expenditures and concentrating its spending on customer-driven marketing strategies.

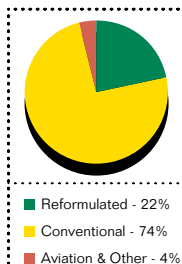
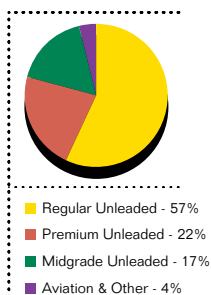
Safety, reliability remain top priorities.

In 1995, weak industry margins combined with scheduled maintenance and operational problems at several refineries to severely depress earnings compared with 1994. Improving the performance of its refineries by ensuring incident-free operations remains Chevron's No.1 priority. Employees are focused on continued improvement in safety and environmental performance along with equipment and process reliability.

Chevron teams up with McDonald's.

Chevron has signed an alliance with McDonald's to develop a network of retail sites – which join Chevron service stations and convenience stores with McDonald's restaurants – in 12 Western and Southwestern states. As of January 1996, the two companies operated 17 sites and have many more planned for the future.

**U.S. GASOLINE SALES
VOLUMES BY GRADE
AND TYPE**
PERCENTAGE



In 1996, Chevron will begin selling cleaner-burning gasolines mandated in California.

U.S. Downstream.

**ACHIEVE TOP FINANCIAL PERFORMANCE
IN U.S. REFINING AND MARKETING**

To capitalize on the company's strong marketing position, Chevron Products Company has reshaped its refining portfolio and is shifting the majority of its 1996 investment spending to marketing.

During 1994 and 1995, the company finished a \$1 billion upgrade and modification of its two California refineries and sold

PROJECT: **Chevron station with McDonald's**

LOCATION: **Shreveport, Louisiana**

SERVICE: **Quality products, quick service**

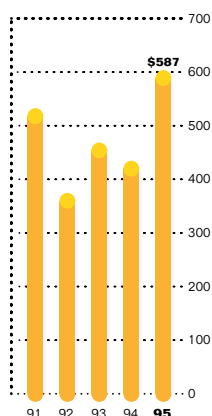


PROJECT NOTES: Increasing its focus on customers, Chevron has formed an alliance with McDonald's, developing 17 joint locations, with more planned. The popular sites combine Chevron service stations and convenience stores with McDonald's restaurants.



CALTEX NET INCOME

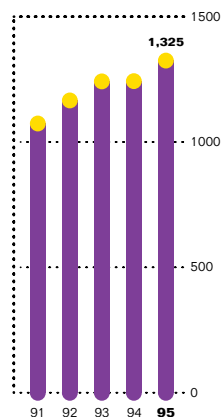
MILLIONS OF DOLLARS



1995 earnings included a \$172 million gain related to a land sale.

CALTEX SALES OF REFINED PRODUCTS

THOUSANDS OF BARRELS PER DAY



Caltex sales of refined products continued to increase, up 6 percent from 1994.

HIGHLIGHTS - U.S. DOWNSTREAM

Millions of dollars

	1995	1994	1993
Earnings, Excluding Special Items	\$ 75	\$325	\$555
Capital and Exploratory Expenditures	\$892	\$885	\$949
Refined Products Sales (MBPD)	1,117	1,314	1,423
Refinery Capacity (MBPD)	1,044	1,201	1,395
Refinery Input (MBPD)	925	1,213	1,307
Number of Service Stations	7,788	7,903	8,340

MBPD = Thousands of barrels per day

Chevron is largest producer of cleanest gasoline. Chevron, one of the largest refiners in the United States, also is the largest producer of California reformulated gasoline, the cleanest base gasoline in the world. By June 1996, all Chevron stations in California will be selling the state-mandated fuel.

New gasolines with Techron debut. In spring 1995, a nationwide advertising campaign starring talking, animated cars introduced Chevron's new gasolines with the additive Techron. Now, all Chevron gasolines – conventional, oxygenated and reformulated – have Techron and are unsurpassed at reducing automobile emissions, while also protecting and maintaining vehicle performance. All three major U.S. automakers use Chevron gasolines for the tough, 50,000-mile emission-system durability test required by the Environmental Protection Agency for new vehicles.

FastPay system expands. Chevron is a leader in providing electronic pay-at-the-pump stations, with 83 percent of company-owned and -leased sites equipped with FastPay in January 1996.

Global prospects beckon. Some functions of Chevron International Oil Company have merged with Chevron Products Company to form a global lubricants business and better

align crude supply and trading functions. (See Page 9.) The new lubricants business will expand Chevron's supplier relationship with worldwide equipment manufacturers and other industrial users. This group also will license technology developed by Chevron Research and Technology Company.

Caltex.

GROW CALTEX IN ATTRACTIVE MARKETS, WHILE ACHIEVING SUPERIOR COMPETITIVE FINANCIAL PERFORMANCE

Caltex, Chevron's 50 percent-owned refining and marketing affiliate, entered its 60th year in 1995 as the industry's largest and most successful joint venture. The company operates in about 60 countries, many in the booming Asia-Pacific region.

Caltex's aggressive \$8 billion, five-year investment strategy includes restructuring in mature markets, enhancing marketing, upgrading refineries and strengthening positions in frontier markets.

Operating earnings increase. Despite continued low refining margins, operating earnings improved in 1995. Sales of petroleum products grew 6 percent to more than 1.3 million barrels a day.

Caltex restructures. Caltex companies in mature markets are reorganizing for greater efficiency. In Japan, the company is selling its 50 percent interest in Nippon Petroleum Refining Company to its partner, Nippon Oil Company, for about \$2 billion. Caltex will maintain a presence in Japan through its affiliate, Koa Oil Company, and continued relationships with Nippon Oil.

To gain synergies of reduced costs and increased market share, Caltex and Ampol Limited have merged to form the largest oil company in Australia – Australian Petroleum Pty. Limited. The new company has 30 percent of the gasoline market.

Company to roll out new image. Retail investments are a major part of Caltex's spending plan, which includes introduction of a bold new image at many of its 4,200 branded service stations.

South Korea targeted for growth. Honam Oil, a jointly owned venture of Caltex and the LG Group, has earmarked more than \$4.4 billion for refining and marketing projects in South Korea through the year 2000. Included in this is a 220,000-barrel-a-day expansion at the Yocheon Refinery that will make it one of the world's largest.

Expansion planned in growth markets. Caltex's new \$1.7 billion Star Refinery in Thailand is scheduled to start production in 1996. In the Philippines, where Caltex has more than 30 percent of the gasoline market, it will build more than 200 service stations and convenience stores, and re-image almost 700 others over the next five years.

Caltex has formed a joint venture with a state-owned enterprise to build China's largest liquefied petroleum gas terminal and blending and storage facility. Also, the company plans to pursue opportunities in India, Indonesia and Vietnam.

Chemicals.

CONTINUE TO IMPROVE COMPETITIVE FINANCIAL PERFORMANCE IN CHEMICALS, WHILE DEVELOPING ATTRACTIVE OPPORTUNITIES FOR GROWTH

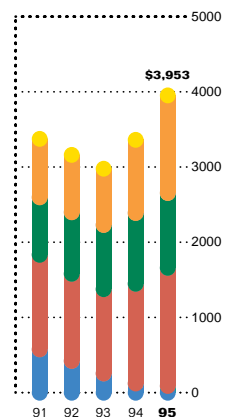
In 1995, Chevron Chemical Company had the highest operating earnings in its history – more than doubling its 1994 total to \$524 million, excluding special items. The company also dramatically improved its return on assets, finishing second among its competitors. Chevron, like the entire industry, benefited from a market in which demand for most petrochemicals outpaced supplies.

Focus is on strategies. The company focused on increasing efficiency and lowering the costs of producing core products – ethylene, benzene and their derivatives – and on exploiting technology developments as a platform for growth. Two such technologies – Aromax and Eluxyl – have commanding competitive advantages: Aromax produces higher yields of benzene at lower cost than conventional methods, and Eluxyl produces high-purity paraxylene at a cost among the lowest in the industry.

Plant expansions under way. In Texas, the company is increasing ethylene capacity at its Port Arthur plant by 70 percent and

CHEMICALS REVENUES BY PRODUCT*

MILLIONS OF DOLLARS



Revenues increased for all major products, reflecting both higher prices and sales volumes.

*Includes sales to other Chevron companies

PROJECT: **Port Arthur chemical plant**

LOCATION: **Port Arthur, Texas**

PRODUCTION: **Ethylene and propylene**



PROJECT NOTES: An expansion will increase ethylene capacity 70 percent to 1.7 billion pounds a year by year-end 1997. Ethylene is a feedstock for Chevron's growing production of polyethylene and normal alpha olefins, used to produce a variety of plastics.



HIGHLIGHTS - CHEMICALS

Millions of dollars	1995	1994	1993
Earnings, Excluding Special Items	\$ 524	\$ 215	\$ 31
Chemicals Sales and Other Operating Revenues*	\$3,953	\$3,362	\$2,977
Sales of Aromatics and Derivatives (MMLb)	4,211	3,812	3,446
Sales of Olefins and Derivatives (MMLb)	5,204	4,701	4,150
Sales of Additives (MMGal)	137	130	123

* Includes sales to other Chevron companies. 1994 and 1993 amounts restated to conform with 1995 presentation.

MMLb = Millions of pounds; MMGal = Millions of gallons

boosting linear low-density polyethylene production at its Cedar Bayou facility by 65 percent. In Ohio, Chevron Chemical is increasing polystyrene capacity 45 percent at its Marietta facility. In Saudi Arabia, the company formed a 50-50 joint venture to build a \$600 million aromatics complex using Aromax technology, and plans are under way to build a lube oil and fuel additives plant in Singapore to supply high-growth markets in Asia.

Company restructures for growth. The company consolidated two of its three divisions to boost efficiency and effectiveness in its U.S. business. An international group was formed to pursue new growth opportunities for products such as benzene, paraxylene and alpha olefins.

Non-core businesses.

BE SELECTIVE IN NON-CORE BUSINESSES

Four Chevron companies operate outside the corporation's core business focus. These businesses are managed for cash flow and

profitability, and for growth when attractive opportunities exist.

Canadian subsidiary boosts sales. In 1995, Chevron Canada Limited increased its sales of refined products, earning its third-highest operating income. Chevron Canada is the largest branded marketer of transportation fuels in British Columbia (21 percent share). The company also manages Chevron's 50 percent interest in Alberta Envirofuels, a very low-cost producer of MTBE (methyl tertiary butyl ether), an oxygenate used in reformulated gasoline.

Low margins hamper U.K. subsidiary.

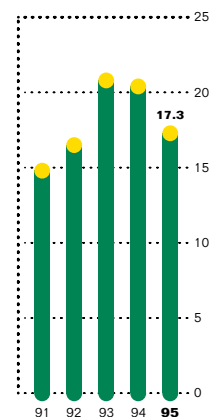
The earnings of Gulf Oil (Great Britain), Chevron's marketing and refining subsidiary, were squeezed by tight industry margins and planned refinery maintenance shutdowns. In its marketing business, the company sold 30 non-core service stations and plans to build on its brand strength by continuing to develop stations in core markets. This, combined with ongoing cost-cutting and return to full refinery operations, is expected to improve profitability.

Mild winter gives coal company shivers.

Unseasonably mild weather from winter 1994 through summer 1995 reduced utility

NET COAL SALES*

MILLIONS OF TONS

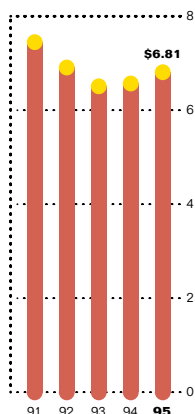


Sales declined 15 percent as mild weather reduced demand.

*Including interests in affiliates

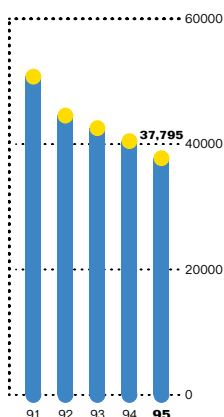
**OPERATING, SELLING &
ADMINISTRATIVE
EXPENSES, EXCLUDING
SPECIAL ITEMS**

DOLLARS PER BARREL



Although total costs decreased almost \$300 million, costs per barrel increased because of lower volumes.

**NUMBER OF EMPLOYEES
AT YEAR-END***



Since 1991, Chevron has reduced its work force by about 13,000 people.

*Excludes service station personnel

HIGHLIGHTS - COSTS

Millions of dollars

	1995	1994	1993
Operating, Selling and Administrative Expenses, Excluding Special Items*	\$7,856	\$8,143	\$8,283
Operating, Selling and Administrative Expenses, per Equivalent Barrel of Production and Sales	\$ 6.81	\$ 6.57	\$ 6.51

* Expenses are on a performance-measurement basis, which includes the cost of the company's own fuel consumed in operations and was \$1,012, \$1,027 and \$1,017 in 1995, 1994 and 1993, respectively. This "cost" is eliminated in the consolidated financial statements.

customers' demand for coal. Operating earnings for The Pittsburg & Midway Coal Mining Co. (P&M), which runs five mines, fell 23 percent from the previous year. Productivity improvements, cuts in operating costs and increased demand have positioned P&M for a better 1996.

Chevron sells real estate business.

Chevron is exiting the real estate development business and expects to complete the sale of Chevron Land and Development Company properties in 1996. All of the company's properties are in California.

inflation. Initiatives currently under way are expected to reduce costs again this year.

Efficiency improved, costs cut. Chevron is cutting costs by consolidating some regional offices and support functions of two departments (Human Resources and Finance) and two operating companies (Chevron Products Company and Chevron Chemical Company).

Chevron also has sold its 22-story Plaza Tower One office building in Denver. This is consistent with the company's ongoing effort to cut costs and reduce surplus office space.

'Breakthroughs' continue savings. Four corporatewide "breakthroughs" – projects yielding large, permanent savings – have substantially lowered Chevron's costs.

A breakthrough designed to improve energy efficiency has saved about \$440 million since 1992. In a breakthrough focused on suppliers, Chevron has saved about \$110 million since 1994 by working more efficiently with 25 percent fewer suppliers. A project-implementation breakthrough has saved additional millions by creating a uniform process for selecting, developing and executing capital projects. (See Page 9.) Finally, the company is improving inventory management to reduce the amount of its working capital.

Reduce Costs.

FOCUS ON REDUCING COSTS ACROSS ALL ACTIVITIES

Cost consciousness has become so ingrained throughout Chevron that employees scrutinize the costs of every project, benchmark those costs against other companies and improve processes wherever possible.

In 1995, Chevron's ongoing operating and administrative costs dropped nearly \$300 million from 1994 and were more than \$1.5 billion lower than in 1991. While some of this is due to operations sold, Chevron has sustained a significant cost savings in spite of

Report on the environment

Commitment to the environment is a top priority at Chevron, and the company continually works to improve an already well-respected environmental record. Chevron and its employees show their commitment in many ways, including safe and reliable operations, volunteer efforts, contributions and open dialogue with communities. The company implements its environmental policy through a program called "Protecting People and the Environment," which emphasizes Chevron's goal to be recognized worldwide for environmental excellence.

Time, money well spent. Ernie Larsen in Pascagoula, Miss., who organizes the refinery's semiannual beach cleanup, and Grace Freasier in San Francisco, who leads employee trips to Yosemite National Park for restoration projects, are just two examples of the thousands of employees who volunteer to help improve the environment each year. The corporation matches employees' commitment through a variety of actions worldwide. These range from donating land for a wilderness park in Southern California to contributing money to dozens of projects, including a prairie wilderness preservation plan in Canada, to sponsoring a series of educational programs to save the cheetah in Namibia.

Cleaner-burning gasolines hit California. Chevron invested \$1 billion in its Richmond and El Segundo refineries to produce two cleaner-burning gasolines – one meeting federal requirements and the other an even more environmentally stringent California formula. California service stations must sell the new products by June 1, 1996. According to the California Air Resources Board, the cleaner fuels will eliminate

3 million pounds of car and light-truck pollutants a day, the equivalent of taking 3.5 million cars off California roads.

Environmental expenditures increase. In 1995, Chevron spent \$1.4 billion on worldwide environmental protection, more than 40 percent of which was spent producing cleaner-burning fuels.

Audits ensure high standards. Chevron conducts corporate compliance reviews, and operating companies routinely carry out self-audits to ensure that facilities conform with applicable laws and company environmental, safety and health policies.

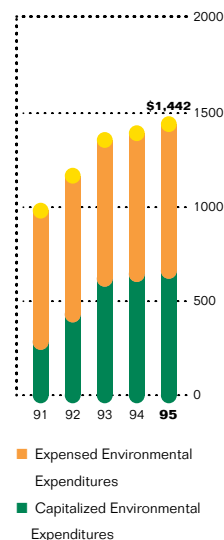
Drills keep company prepared. Each year, Chevron conducts drills to train employees in responding to spills and other emergencies. In 1995, thousands of employees from response teams throughout the company participated in training exercises.

Shipping maintains superior record. Of the 540 million barrels of oil carried by Chevron's owned and chartered fleet in 1995, less than 1.5 barrels was spilled. While any release is unacceptable, this is the equivalent of filling a 20-gallon gas tank 25,000 times and spilling one teaspoonful.

New hydraulic fluid goes beyond standards. Chevron has developed a hydraulic fluid that combines superior technical performance with environmental friendliness. Designed for heavy machinery operating in sensitive environments, the recyclable and inherently biodegradable fluid exceeds criteria set by the Environmental Protection Agency and U.S. Fish and Wildlife Service.

U.S. ENVIRONMENTAL CAPITAL EXPENDITURES & EXPENSES

MILLIONS OF DOLLARS



With the completion of major clean-air projects, capital spending is expected to decline in 1996.

Glossary of energy and financial terms

ENERGY TERMS

Condensates Liquid hydrocarbons produced with natural gas, separated from the gas by cooling and other means.

Development Following discovery, drilling and related activities necessary to begin production of oil or natural gas.

Enhanced Recovery Techniques used to increase or prolong production from oil and natural gas fields. Common methods include waterflood and steamflood.

Exploration Searching for oil and/or natural gas, including topographical surveys, geologic studies, geophysical surveys, seismic surveys and drilling wells.

Integrated Petroleum Company A company engaged in all aspects of the industry – from exploration, development and production of crude oil and natural gas (*upstream*) to refining, marketing and transporting products (*downstream*).

Liquefied Natural Gas (LNG) Gas that is liquefied under extremely cold temperatures and high pressure to facilitate storage or transportation in specially designed vessels.

Liquefied Petroleum Gas (LPG) Light gases, such as butane and propane, that can be maintained as liquids while under pressure.

Natural Gas Liquids (NGL) Separated from natural gas, these include ethane, propane, butanes and natural gasoline.

Oil Equivalent Gas (OEG) The volume of natural gas that can be burned to give the same amount of heat as a barrel of oil (6,000 cubic feet of gas equals one barrel of oil).

Oxygenated Gasoline Contains an oxygen blending component, such as ether or alcohol, that reduces exhaust emissions.

Petrochemicals Derived from petroleum, at Chevron they include aromatics, used to make plastics, adhesives, synthetic fibers and household detergents; olefins, used to make packaging, plastic pipes, tires, batteries, household detergents and synthetic motor oils; and Oronite Additives, used to control deposits and improve performance in fuels and lubricants.

Production Oil or natural gas produced. *Total production* refers to all the oil and gas produced from a property. *Gross production* is the company's share of total production minus any partner's share before deducting royalties. *Net production* is the gross production minus royalties paid to land owners.

Reformulated Gasoline Gasoline changed in chemical makeup to reduce exhaust emissions, usually by reducing volatility and aromatics content and adding oxygenates.

California reformulated gasoline, with more stringent specifications required by the state's Air Resources Board, reduces emissions more than the federally mandated formula.

Reserves The amount of oil or gas that can be recovered from deposits. *Proved reserves* are the estimated quantities that geologic and engineering data demonstrate can be produced with reasonable certainty from known reservoirs under existing economic and operating conditions. Reserve estimates change as additional information becomes available. *Recoverable reserves* are those that can be produced using all known primary and enhanced recovery methods.

Reservoir The underground rock formation containing oil and/or natural gas.

FINANCIAL TERMS

Cash Flow from Operating Activities The cash earnings of the business, it is an indicator of the company's ability to pay dividends and fund capital programs.

Earnings Total revenues, less total expenses (including taxes). Used interchangeably with *net income*.

Operating Earnings Income generated by the ongoing operations of the company, excluding special items or adjustments caused by changes in accounting principles.

Operating Expenses per Barrel A key Chevron performance measure calculated by taking operating, selling, general and administrative expenses, adding own-use fuel costs, subtracting special items and then dividing by production and sales volumes.

Margin The difference between the cost of purchasing or producing a product and the sales price.

Return on Capital Employed (excluding special items) One of Chevron's key measurements, ROCE is calculated by dividing net income (adjusted for after-tax interest expense and special items) by the average of total debt, minority interest and stockholders' equity for the year.

Special Items Transactions not considered representative of the company's ongoing operations. These transactions, as defined by management, can obscure the underlying results of operations and affect comparability between years.

Stockholders' Equity The owners' share of the company, this is the difference between total assets and total liabilities.

Total Stockholder Return An important Chevron measurement, it is the return to stockholders from stock price appreciation and reinvested dividends for a period of time.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

KEY FINANCIAL RESULTS

Millions of dollars, except per-share amounts

	1995	1994	1993
Sales and Other Operating Revenues	\$36,310	\$35,130	\$36,191
Net Income	\$ 930	\$ 1,693	\$ 1,265
Special (Charges) Credits Included in Net Income	\$ (1,032)	\$ 22	\$ (883)
Per Share:			
Net Income	\$ 1.43	\$ 2.60	\$ 1.94
Dividends	\$ 1.925	\$ 1.85	\$ 1.75
Return On:			
Average Capital Employed	5.3%	8.7%	6.8%
Average Stockholders' Equity	6.4%	11.8%	9.1%

Chevron's net income for 1995 was \$930 million, down substantially from \$1.693 billion in 1994 and \$1.265 billion in 1993. However, special items, particularly in 1995 and 1993, and a new accounting standard on asset impairment that was adopted in 1995, affected the comparability of the company's reported results. Special items and the new accounting standard, after related tax effects, decreased reported earnings by \$1.032 billion in 1995 and \$883 million in 1993, while increasing earnings by \$22 million in 1994. Excluding the effects of the new accounting standard in 1995 and special items in all years, operating earnings of \$1.962 billion in 1995 were up 17 percent from the \$1.671 billion earned in 1994, but down 9 percent from 1993's operating earnings of \$2.148 billion.

OPERATING ENVIRONMENT AND OUTLOOK. After four years of declining crude oil prices, Chevron's crude oil realizations

increased in 1995. The company's U.S. realizations averaged \$1.48 per barrel higher than in 1994, and international realizations were up \$1.24. However, worldwide crude oil supplies continue to be plentiful and are expected to remain so for the foreseeable future. Non-OPEC crude oil sources have proliferated, and OPEC member countries continue to influence crude oil prices through their production levels.

On the other hand, U.S. natural gas prices continued to decline, falling an average of 26 cents per thousand cubic feet to \$1.51, as supplies of this commodity continue to exceed demand, which is heavily dependent on weather conditions

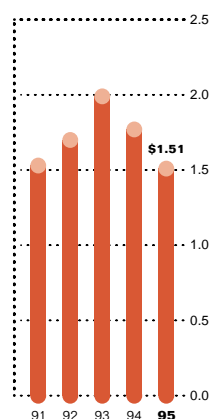
and the price of alternate fuels, such as fuel oil. The company's international gas realizations also were down an average 11 cents per thousand cubic feet to \$1.73.

Industry refined product sales margins continued to be weak worldwide throughout the year. U.S. refining margins were especially low in the Gulf Coast region, and marketing margins were weak on both the Gulf and West Coasts, as ample supplies and a competitive marketplace prevented product prices from fully reflecting the higher crude oil costs. These same reasons held down product prices in the company's international refining and marketing areas in the United Kingdom, Canada and, through its Caltex affiliate, the Asia-Pacific region.

In addition, Chevron's U.S. refining operations were negatively affected by significant refinery downtime in 1995 for planned major maintenance and, to a lesser extent, for unplanned downtime due to refinery problems. The company's Richmond, California, refinery was down much of the fourth quarter for upgrades required to produce California-mandated cleaner-burning gasolines.

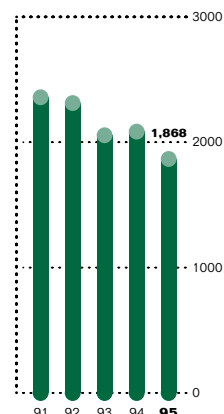
The chemicals industry continued to strengthen in 1995's first half, as strong demand translated to higher prices and increased sales volumes for Chevron's olefins and aromatics products. These favorable conditions peaked midyear and softened throughout the second half of 1995 and into 1996. Also, the company's Port Arthur, Texas, ethylene unit was down for unplanned maintenance in early 1996. The company does not expect that 1996 chemicals results will be as strong as 1995's.

U.S. NATURAL GAS PRICES
DOLLARS PER THOUSAND CUBIC FEET



Natural gas prices fell 15 percent in 1995, but rebounded late in the year due to unusually cold weather.

U.S. NET NATURAL GAS PRODUCTION
MILLIONS OF CUBIC FEET PER DAY



Development projects in the Gulf of Mexico should stabilize natural gas production.

Management's Discussion and Analysis of Financial Condition and Results of Operations – Continued

Unusually cold weather in the eastern and central United States in late 1995 and into 1996 pushed natural gas prices sharply higher due to increased heating demand and low customer inventory levels. Crude oil prices also rose on increased heating oil demand. The Henry Hub natural gas spot price, an industry marker, was \$2.91 per thousand cubic feet at year-end 1995 and continued to increase into 1996, but retreated to \$2.72 by late February 1996. Chevron's posted price for West Texas Intermediate (WTI), a benchmark crude oil, was \$18.50 per barrel at year-end 1995 and \$18.00 at February 23, 1996.

Chevron has no major refinery maintenance scheduled for 1996 and is positioned to refine and market the California

cleaner-burning gasolines mandated in the second quarter. Weak industry sales margins have continued into 1996, and it is uncertain whether the increased cost of manufacturing these fuels initially will be recovered in the marketplace. Also, customer acceptance of the new gasolines, together with the overall industry supply and demand situation, could affect the company's 1996 results.

The company continues to review its operations to improve its competitiveness and profitability. In 1995, the decision was made to exit the real estate development business, a non-core activity located in California, and completion of the sale of these properties is expected in the first half of 1996.

U.S. gasoline marketing is being reorganized to more efficiently serve the customer by combining regional offices and consolidating support functions;

the international and U.S. trading and lubricants businesses are being integrated into global organizations; and the chemicals operations are being reorganized into geographic areas to facilitate international growth. Two staff functions – Human Resources and Finance – are each adopting a shared services approach to provide support to other Chevron organizations, and a new financial information system is being installed throughout the company. All these initiatives are intended to help the company accomplish its strategic intents more effectively and at a lower cost.

In December 1995, Chevron entered into a service agreement with Maraven, a subsidiary of Venezuela's national oil company, to operate and further develop the Boscan heavy oil field in Venezuela. The field currently produces about 80,000 barrels per day. As operator, Chevron will receive a per-barrel fee. Concurrently, agreements were entered into to supply heavy crude oil to four Chevron U.S. refineries and to form a

joint venture with Maraven to market Chevron-made asphalt in the western United States. These activities are expected to be in full operation by mid-1996.

Caltex, Chevron's 50 percent-owned refining and marketing affiliate, is selling its 50 percent interest in a refining company in Japan to its partner, Nippon Oil Company, for about \$2 billion. The sale, which will result in a significant gain, is expected to be completed in the first half of 1996. The sales proceeds are expected to fund dividends to the stockholders and to help fund Caltex expansion projects in higher-growth areas of the Asia-Pacific region. Caltex's new grass-roots refinery in Thailand is scheduled for completion in mid-1996.

In January 1996, Chevron announced its intent to merge substantially all of its U.S. natural gas liquids and natural gas marketing businesses with NGC Corporation. The company believes the merger will position these activities for greater growth. If an agreement is reached, the transaction is expected to be completed by midyear. Chevron will have, through common and preferred stock holdings, an approximate 28 percent equity interest in the resulting company, which will be North America's largest natural gas marketer, as well as the largest processor and marketer of natural gas liquids. In addition, Chevron expects to negotiate separate agreements for the new company to market Chevron's North American natural gas production and provide energy and feedstock requirements to its refineries and chemicals facilities.

INTERNATIONAL EXPLORATION AND PRODUCTION DEVELOPMENTS

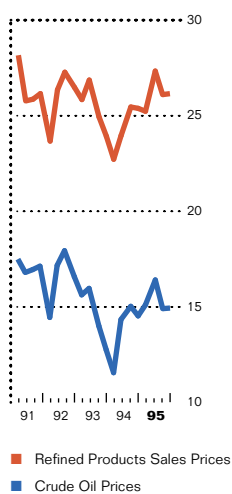
Production from Tengizchevroil (TCO), a 50 percent-owned joint venture with the Republic of Kazakhstan, continues to be constrained by lack of sufficient export capability. In 1995, liquids production averaged 58,000 barrels per day, up from 46,000 in 1994. At year end, daily production was at 64,000 barrels. Crude oil production capacity currently is 95,000 barrels per day, which is significantly less than the field's potential. Further field development is dependent upon the availability of additional export capability or the securing of other marketing alternatives. The partners remain committed to realizing the full potential of the project and are developing additional markets as they continue to explore political and commercial solutions to the export situation. Chevron's cash investment in TCO at year-end 1995 was \$717 million.

Chevron has significant oil-producing properties and major development projects under way in Nigeria and Angola's Cabinda exclave, both of which continue to experience political uncertainty and civil unrest. Although its operations generally have been unaffected, the company continues to closely monitor developments. In 1995, Chevron's net share of production averaged 133,000 and 118,000 barrels per day in Nigeria and Angola, respectively. In prior years, Chevron's partner in Nigeria, the government-owned Nigerian National Petroleum Corporation (NNPC), had fallen behind in paying its cash calls to Chevron and to other oil companies operating in Nigeria. During 1995, NNPC made considerable progress in bringing its payments to a more-current basis.

The respective participants in the U.K. and Norwegian sectors of the North Sea Statfjord field have been unable to

**QUARTERLY U.S. CRUDE OIL
PRICES VS. U.S. REFINED
PRODUCTS SALES PRICES**

DOLLARS PER BARREL



Over time, the price of crude oil is the major driver of refined products sales prices.

agree on an equity redetermination in the field and have submitted the matter for resolution by an independent expert. Chevron's share of 1995 production from Statfjord was 28,000 oil and equivalent gas barrels per day in 1995.

ENVIRONMENTAL MATTERS. Virtually all aspects of the businesses in which the company engages are subject to various federal, state and local environmental, health and safety laws and regulations. These regulatory requirements continue to increase in both number and complexity, and govern not only the manner in which the company conducts its operations, but also the products it sells. Most of the costs of complying with myriad laws and regulations pertaining to its operations and products are embedded in the normal costs of conducting its business.

Using definitions and guidelines established by the American Petroleum Institute, Chevron estimates its worldwide environmental spending in 1995 was about \$1.442 billion for its consolidated companies. Included in these expenditures were \$663 million of environmental capital expenditures and \$779 million of costs associated with the control and abatement of hazardous substances and pollutants from ongoing operations. The total amount also includes spending charged against reserves established in prior years for environmental cleanup programs (but not non-cash provisions to increase these reserves or establish new ones during the year).

In addition to the costs for environmental protection associated with its ongoing operations and products, the company may incur expenses for corrective actions at various current and previously owned facilities and waste-disposal sites. An obligation to take remedial action may be incurred as a result of the enactment of laws, such as the federal Superfund law, or the issuance of new regulations, or as the result of the company's own policies in this area. Accidental leaks and spills requiring cleanup may occur in the ordinary course of business. In addition, an obligation may arise when operations are closed or sold, or at non-Chevron sites where company products have been handled or disposed of. Most of the expenditures to fulfill these obligations relate to facilities and sites where past operations followed practices and procedures that were considered acceptable under standards existing at the time, but now require investigatory and/or remedial work to meet current standards.

During 1995, the company recorded \$140 million of before-tax provisions (\$90 million after tax) for environmental remediation efforts, including Superfund sites. Also, included in the company's provision for the expected loss from exiting its real estate development activities was \$37 million (\$24 million after tax) for estimated environmental cleanup liabilities retained in connection with the sale of certain properties. Actual expenditures charged against these provisions and other previously established reserves amounted to \$162 million in 1995. At year-end 1995, the company's environmental remediation reserves were \$1.234 billion, including \$60 million related to Superfund sites.

Under provisions of the Superfund law, the Environmental Protection Agency (EPA) has designated Chevron a

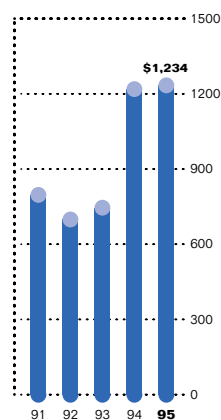
Potentially Responsible Party (PRP) or has otherwise involved it in the remediation of 251 hazardous waste sites. At year-end 1995, the company's cumulative share of costs and settlements for approximately 174 of these sites, for which payments or provisions have been made in 1995 and prior years, was about \$131 million, including a provision of \$17 million made during 1995. No single site is expected to result in a material liability for the company at this time. For the remaining sites, investigations are not yet at a stage where the company is able to quantify a probable liability or determine a range of reasonably possible exposure. The Superfund law provides for joint and several liability. Any future actions by the EPA or other regulatory agencies to require Chevron to assume other responsible parties' costs at designated hazardous waste sites are not expected to have a material effect on the company's consolidated financial position or liquidity.

It is likely the company will continue to incur additional charges beyond those reserved for environmental remediation relating to past operations. These future costs are indeterminate due to such factors as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions that may be required, the determination of the company's liability in proportion to other responsible parties and the extent to which such costs are recoverable from third parties. While the amounts of future costs may be material to the company's results of operations in the period in which they are recognized, the company does not expect these costs to have a material effect on its consolidated financial position or liquidity. Also, the company does not believe its obligations to make such expenditures have had or will have any significant impact on the company's competitive position relative to other domestic or international petroleum or chemicals concerns. Although environmental compliance costs are substantial, the company has no reason to believe they vary significantly from similar costs incurred by other companies engaged in similar businesses in similar areas. The company believes that such costs ultimately are reflected in the petroleum and chemicals industries' prices for products and services.

Over the past several years, the petroleum industry has incurred major capital expenditures to meet clean-air regulations, such as the 1990 amendments to the Clean Air Act in the United States. For companies operating in California, where Chevron has a significant presence, the California Air Resources Board has imposed even stricter requirements. Over the past five years, Chevron spent approximately \$1.8 billion on capital projects to comply with air quality related measures.

YEAR-END ENVIRONMENTAL REMEDiation RESERVES

MILLIONS OF DOLLARS



Reserve additions of \$177 million were nearly offset by spending charged against the reserve.

Management's Discussion and Analysis

of Financial Condition and Results of Operations – Continued

The bulk of this required spending has been completed. For 1996, total estimated environmental capital expenditures are estimated at \$244 million, compared with \$663 million spent in 1995, reflecting the completion of major air quality projects. These capital costs are in addition to the ongoing costs of complying with other environmental regulations and the costs to remediate previously contaminated sites.

In addition to the reserves for environmental remediation discussed above, the company maintains reserves for dismantlement, abandonment and restoration of its worldwide oil, gas and coal properties at the end of their productive lives. Most such costs are environmentally related. Provisions are recognized on a unit-of-production basis as the properties are produced. The amount of these reserves at year-end 1995 was \$1.7 billion and is included in accumulated depreciation, depletion and amortization in the company's consolidated balance sheet.

For the company's other ongoing operating assets, such as refineries, no provisions are made for exit or cleanup costs that may be required when such assets reach the end of their useful lives unless a decision to sell or otherwise abandon the facility has been made.

OTHER CONTINGENCIES. At year-end 1995, the company had \$250 million of suspended exploratory wells included in properties, plant and equipment. The wells are suspended pending a final determination of the commercial potential of the related oil and gas fields. These well costs will be capitalized or expensed depending on the results of future drilling activity and development decisions.

The company is the subject of various lawsuits and claims and other contingent liabilities. These are discussed in the notes to the accompanying consolidated financial statements. The company believes that the resolution of these matters will not materially affect its financial position or liquidity, although losses could be material with respect to earnings in any given period.

The company utilizes various derivative instruments to manage its exposure to price risk stemming from its integrated petroleum activities. Some of the instruments may be settled by delivery of the underlying commodity, whereas others can only be settled by cash. All these instruments are commonly used in the global trade of petroleum products and are relatively straightforward, involve little complexity and, with the exception of certain long-term natural gas swaps, are of a short-term duration. Most of the activity in these instruments is intended to hedge a physical transaction; hence gains and losses arising from these instruments offset, and are recognized concurrently with, gains and losses from the underlying commodities. The company believes it has no material market or credit risks to its operations, financial position or liquidity as a result of its commodities and other derivatives activities, including forward exchange contracts and interest rate swaps, and that its control systems are designed to monitor and manage its financial exposures in accordance with company policies and procedures.

NEW ACCOUNTING STANDARDS. Effective October 1, 1995, the company adopted a new accounting standard, Statement of

Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The adoption of this standard required non-cash charges amounting to \$659 million after tax, mostly related to impairment write-downs of U.S. oil and gas producing properties. Impairment of the properties under the new standard is determined on an individual field basis, whereas previously impairment was evaluated using an aggregated approach.

SFAS No. 123, "Accounting for Stock-Based Compensation," establishes financial and reporting standards for stock-based employee compensation plans, which will be effective for Chevron's 1996 financial statements. The statement encourages, but does not require, companies to adopt a fair-value-based method of accounting for such plans, in place of current accounting standards. Companies electing to continue their existing accounting must make pro forma disclosures of net income as if the fair-value-based method of accounting had been applied. The company is evaluating the statement and has made no decision whether to adopt the new accounting or continue its present accounting.

SPECIAL ITEMS. Net income is affected by transactions that are unrelated to, or are not representative of, the company's ongoing operations for the periods presented. These transactions, defined by management and designated "special items," can obscure the underlying results of operations for a year as well as affect comparability between years. Following is a table that summarizes the (losses) gains, on an after-tax basis, from special items included in the company's reported net income.

<i>Millions of dollars</i>	1995	1994	1993
Asset Write-offs and Revaluations			
New Accounting Standard	\$ (659)	\$ —	\$ —
Other	(304)	—	(71)
Environmental Remediation Provisions	(90)	(304)	(90)
Restructurings and Reorganizations	(50)	(45)	(554)
Prior-Year Tax Adjustments	(22)	344	(130)
Asset Dispositions	7	48	122
LIFO Inventory Gains (Losses)	2	(10)	(46)
Other	84	(11)	(114)
Total Special Items	\$(1,032)	\$ 22	\$(883)

ASSET WRITE-OFFS AND REVALUATIONS. In 1995, an estimated loss of \$168 million was recognized in connection with the company's decision to exit its real estate development business. Included in this charge was \$24 million for anticipated environmental remediation costs. Concurrent with implementing the new accounting standard for asset impairment in 1995, and in preparation for installation of the company's new financial information system, a comprehensive review of all the company's fixed assets was conducted. As a result of this review, asset write-offs of \$94 million were recorded. Also, the write-down of certain assets made obsolete by the conversion of two West Coast refineries to produce the new California-mandated reformulated gasolines amounted to \$38 million. Other miscellaneous asset write-offs in 1995 amounted to \$4 million. In 1993, asset write-offs of \$71 million comprised certain U.S. refinery assets, U.S. and Canadian production assets, and miscellaneous corporate assets.

ENVIRONMENTAL REMEDIATION PROVISIONS pertain to estimated future costs for environmental cleanup programs at certain of the company's U.S. service stations, marketing terminals, refineries, chemical locations, and oil and gas properties; divested operations in which Chevron has liability for future cleanup costs; and sites, commonly referred to as Superfund sites, for which the company has been designated a PRP by the EPA. Provisions for environmental remediation amounted to \$90 million in 1995, \$304 million in 1994 and \$90 million in 1993.

RESTRUCTURINGS AND REORGANIZATIONS charges in 1995 were \$50 million, including \$12 million related to restructurings at Chevron's Caltex affiliate, and consisted principally of voluntary and involuntary employee severance provisions in connection with reorganizations of various business activities. The 1993 charge of \$554 million was composed primarily of a write-down of the company's Philadelphia and Port Arthur, Texas, refinery facilities and related inventories to their realizable values. In estimating the refineries' realizable values, the company took into account certain environmental cleanup obligations. The charges also included provisions for environmental site assessments and employee severance. In 1994, a \$45 million adjustment was made to the 1993 charge as the result of environmental remediation actions agreed to with regulatory agencies, and retained by the company, in connection with the terms of the sale of the Port Arthur refinery, and to recognize the effect of the refinery sale on the company's chemicals operations. The Philadelphia refinery was sold in August 1994, and the Port Arthur refinery sale was completed in February 1995. At year-end 1995, the balance remaining in the refineries' reserve was for estimated environmental cleanup liabilities and was included in the company's total environmental reserves.

PRIOR-YEAR TAX ADJUSTMENTS are generally the result of the settlement of audit issues with taxing authorities or the re-evaluation by the company of its tax liabilities as a result of new developments. Also, adjustments are required for the effect on deferred income taxes of changes in statutory tax rates. In 1995, charges for prior-year tax adjustments were \$22 million, relating primarily to a change in the Australian income tax rate. Tax adjustments in 1994 increased earnings \$344 million, including the net reversal of \$301 million of tax and related interest reserves resulting from the company's global settlement with the Internal Revenue Service (IRS) for issues relating to the years 1979 through 1987. Tax adjustments decreased earnings \$130 million in 1993, which included the effect of a one percent increase in the U.S. corporate income tax rate.

ASSET DISPOSITIONS in 1995 increased earnings a net \$7 million and consisted of sales of a fertilizer plant, natural gas storage facility, and a small oil and gas property in the United States. The 1994 sale of the company's lead and zinc prospect in Ireland generated an after-tax profit of \$48 million. The Ortho lawn and garden products business was the major asset sold in 1993, generating a \$130 million gain.

LIFO INVENTORY LIQUIDATION GAINS (LOSSES) result from the reduction of inventories in certain inventory pools valued under the Last-In, First-Out (LIFO) accounting method. LIFO

effects increased net income in 1995 by \$2 million as inventories were liquidated at historical costs that were lower than the current year costs. LIFO losses decreased net income in 1994 and 1993 by \$10 million and \$46 million, respectively, when inventories were liquidated at historical costs that were higher than costs incurred in those years. These amounts include the company's equity share of Caltex LIFO inventory effects. Chevron's consolidated petroleum inventories were 93 million barrels at year-end 1995 and 99 million barrels at year-end 1994 and 1993.

OTHER SPECIAL ITEMS in 1995 benefited earnings a net \$84 million. A gain of \$86 million related to a sale of land by a Caltex affiliate in Japan and a refund of \$27 million for federal lease costs were offset partially by litigation and other costs. Charges in 1994 for litigation and regulatory settlements of \$31 million were offset partially by a casualty insurance recovery of \$20 million. In 1993, net additions of \$70 million to reserves for various litigation and regulatory issues and a one-time cash bonus award to employees of \$60 million, were offset partially by a favorable inventory adjustment of \$16 million.

RESULTS OF OPERATIONS. Operating results for 1995 were strong in all areas except for U.S. downstream operations where very poor results severely affected total earnings. Both chemicals and international upstream businesses turned in record earnings, and U.S. upstream operations performed well despite low natural gas prices. International oil and gas production and reserves increased for the sixth consecutive year. In 1995, international oil and gas production was up 4 percent, and the company replaced about 178 percent of its international production through proved reserve additions, resulting in a worldwide replacement rate of about 138 percent.

U.S. downstream results in 1995 were affected by scheduled major maintenance turnarounds at all the company's core refineries, particularly an extended turnaround of the Richmond, California, refinery to tie in new units required to produce the new California-mandated reformulated fuels. This, along with some unplanned refinery problems and low industry refining margins, resulted in severely depressed earnings for these operations.

Results for 1994 compared with 1993 were depressed by lower average crude oil and natural gas prices and lower sales margins on refined products. Crude oil prices were especially low in the first quarter of 1994, and U.S. refined products margins were very weak in the second quarter. In addition to these industry conditions, the company experienced unscheduled refinery downtime and other refinery operating problems at its U.S. operations that further reduced earnings, particularly in the first half of 1994. Chemicals operations, however, were very strong, benefiting from improved industry fundamentals and the restructuring and cost-reduction programs undertaken in recent years.

SALES AND OTHER OPERATING REVENUES were \$36.3 billion, compared with \$35.1 billion in 1994 and \$36.2 billion in 1993. Revenues improved from 1994 primarily because of higher prices for crude oil and refined products and higher chemicals prices and sales volumes, partially offset by lower

Management's Discussion and Analysis

of Financial Condition and Results of Operations – Continued

refined products sales volumes and lower natural gas prices. The decline in 1994 revenues from 1993 was due to lower prices for crude oil, natural gas and refined products, together with lower refined products sales volumes. Higher crude oil and refined products prices, together with increased volumes of third-party purchased products, accounted for the increases in **PURCHASED CRUDE OIL AND PRODUCTS** costs in 1995.

OTHER INCOME in all years included net gains resulting from the disposition of non-core assets, which caused other income to fluctuate from year to year.

OPERATING, SELLING AND ADMINISTRATIVE EXPENSES, adjusted for special items, declined \$272 million in 1995. Annual operating costs in 1995 were \$1.3 billion less than

in 1991, the base measurement year set when the company launched its cost-reduction program in early 1992. Although a portion of this cost reduction is a result of operations disposed of over the years, much of the decrease is due to a significant reduction in the company's ongoing cost structure. Operating expenses in 1995 were negatively affected by scheduled refinery shutdowns and maintenance. Unanticipated costs associated with unscheduled refinery shutdowns and other refinery operating problems also affected operating costs in both 1995 and 1994.

Reported selling, general and administrative expenses in 1994 were unusually low due to a reversal of \$319 million of accrued interest reserves on federal income taxes

payable resulting from the company's settlement with the IRS of most issues for nine open tax years.

Millions of dollars	1995	1994	1993
Operating Expenses	\$5,974	\$6,383	\$7,104
Selling, General and Administrative Expenses	1,384	963	1,530
Total Operational Costs	7,358	7,346	8,634
Eliminate Special Charges Before Tax	(514)	(230)	(1,368)
Adjusted Ongoing Operational Costs	\$6,844	\$7,116	\$7,266

DEPRECIATION, DEPLETION AND AMORTIZATION increased in 1995 from 1994 and 1993 because of the impairment of certain fixed assets together with other adjustments to fixed asset carrying values.

TAXES on income were \$859 million in 1995, \$1.110 billion in 1994 and \$1.161 billion in 1993, equating to effective income tax rates of 48 percent, 39.6 percent and 47.9 percent for each of the three years, respectively. The 1995 tax rate reflected a shift in taxable earnings from lower tax-rate countries to higher tax-rate countries. This increase in the tax rate

was offset partially by higher tax credits and an increase in equity earnings recorded on an after-tax basis. The lower 1994 tax rate is attributable to the effect of favorable prior-year tax adjustments resulting from a global settlement with the IRS of most issues for the years 1979 through 1987, which included the reversal of excess interest reserves with little associated tax effect. Taxes in 1993 included unfavorable prior-year tax adjustments, including a one percent increase in the statutory U.S. corporate income tax rate.

CURRENCY TRANSACTIONS decreased net income \$15 million and \$64 million in 1995 and 1994, respectively, compared with an increase of \$46 million in 1993. These amounts include the company's share of affiliates' currency transactions. The loss on currency transactions in 1995 resulted from fluctuations in the value of the Canadian and Nigerian currencies relative to the U.S. dollar, while in 1994 it was due primarily to fluctuations in the value of the Australian and Philippine currencies. In 1993, gains resulted from fluctuations in the currency of Nigeria.

RESULTS BY MAJOR OPERATING AREAS

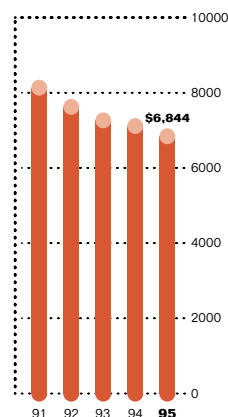
Millions of dollars	1995	1994	1993
Exploration and Production			
United States	\$ 72	\$ 518	\$ 566
International	690	539	580
Total Exploration and Production	762	1,057	1,146
Refining, Marketing and Transportation			
United States	(104)	40	(170)
International	345	239	252
Total Refining, Marketing and Transportation	241	279	82
Total Petroleum	1,003	1,336	1,228
Chemicals	484	206	143
Coal and Other Minerals	(18)	111	44
Corporate and Other	(539)	40	(150)
Net Income	\$ 930	\$1,693	\$1,265

SPECIAL ITEMS BY MAJOR OPERATING AREAS

Millions of dollars	1995	1994	1993
Exploration and Production			
United States	\$ (480)	\$(66)	\$(136)
International	(121)	20	(61)
Total Exploration and Production	(601)	(46)	(197)
Refining, Marketing and Transportation			
United States	(179)	(285)	(725)
International	62	(10)	1
Total Refining, Marketing and Transportation	(117)	(295)	(724)
Total Petroleum	(718)	(341)	(921)
Chemicals	(40)	(9)	112
Coal and Other Minerals	(65)	48	—
Corporate and Other	(209)	324	(74)
Total Special Items			
Included in Net Income	\$(1,032)	\$ 22	\$(883)

U.S. EXPLORATION AND PRODUCTION earnings in 1995, excluding special items, were down 5 percent from 1994 levels and 21 percent from 1993. Operationally, higher crude

OPERATING, SELLING & ADMINISTRATIVE EXPENSES, EXCLUDING SPECIAL ITEMS
MILLIONS OF DOLLARS



Chevron continues to lower its cost structure, down \$1.3 billion since 1991.

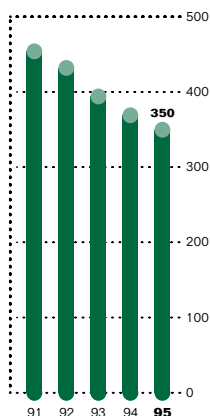
oil prices in 1995 did not fully offset the effects of lower production volumes and lower natural gas prices. Natural gas accounts for about half the company's combined U.S. oil and gas production. Lower average crude oil and natural gas prices and lower crude oil production levels in 1994 contributed to the earnings decline from 1993.

U.S. Exploration and Production

Millions of dollars	1995	1994	1993
Earnings, Excluding Special Items	\$552	\$584	\$702
Asset Write-Offs and Revaluations			
New Accounting Standard	(490)	—	—
Other	(7)	—	(13)
Environmental Remediation Provisions	(8)	(51)	(13)
Restructurings and Reorganizations	—	—	(2)
Prior-Year Tax Adjustments	—	—	(40)
Asset Dispositions	(2)	—	(54)
LIFO Inventory (Losses) Gains	—	(4)	1
Other	27	(11)	(15)
Total Special Items	(480)	(66)	(136)
Reported Earnings	\$ 72	\$518	\$566

U.S. NET CRUDE OIL & NATURAL GAS LIQUIDS PRODUCTION

THOUSANDS OF BARRELS PER DAY



Production decreased 5 percent from 1994.

Net liquids production for 1995 averaged 350,000 barrels per day, down 5 percent from 369,000 barrels per day in 1994 and down 11 percent from 394,000 barrels per day in 1993. Net natural gas production in 1995 averaged about 1.9 billion cubic feet per day, compared with 2.1 billion cubic feet per day in 1994 and 1993. The production declines resulted from producing property sales and from normal field declines, partially offset by new production. The company has several projects under way, including major long-term development projects in the Gulf of Mexico, which are expected to stabilize its U.S. oil and gas production volumes.

The company's average crude oil realizations were \$15.34 per barrel in 1995, an increase of \$1.48 from \$13.86 per barrel in 1994 and a 76 cent increase over the \$14.58 per barrel averaged in 1993. Crude oil prices began falling in the second half of 1993, reached a low point early in 1994, recovered by year-end 1994 and remained relatively steady during 1995.

Average natural gas prices were \$1.51 per thousand cubic feet in 1995, down 26 cents from the 1994 average of \$1.77 per thousand cubic feet. Natural gas prices also fell throughout 1994, down 22 cents from \$1.99 in 1993. Natural gas prices increased in December 1995 and have remained strong into 1996, reflecting increased demand caused by abnormally cold weather in the eastern United States.

Ongoing operating expenses and exploration expenses in 1995 both declined from 1994 and 1993 levels. Ongoing

depreciation expense declined each year as a result of lower production volumes.

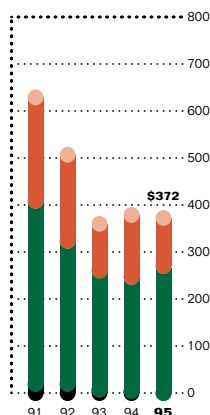
INTERNATIONAL EXPLORATION AND PRODUCTION earnings in 1995 reflected higher crude oil sales volumes and prices. Also contributing to the improved results was the benefit of significantly lower effective tax rates in West Africa, primarily

International Exploration and Production

Millions of dollars	1995	1994	1993
Earnings, Excluding Special Items	\$811	\$519	\$641
Asset Write-Offs and Revaluations			
New Accounting Standard	(81)	—	(19)
Restructurings and Reorganizations	(10)	—	(2)
Prior-Year Tax Adjustments	(22)	20	(63)
Asset Dispositions	—	—	29
LIFO Inventory Losses	(1)	—	(1)
Other	(7)	—	(5)
Total Special Items	(121)	20	(61)
Reported Earnings	\$690	\$539	\$580

EXPLORATION EXPENSES

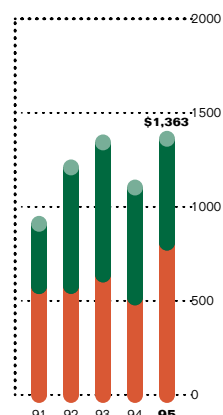
MILLIONS OF DOLLARS



Increased international exploration was offset by lower U.S. exploration.

WORLDWIDE EXPLORATION & PRODUCTION EARNINGS, EXCLUDING SPECIAL ITEMS

MILLIONS OF DOLLARS



Led by record international earnings, worldwide earnings climbed 24 percent.

resulting from credits associated with crude oil reserve additions. In 1994, an \$85 million swing in foreign exchange rates was the principal cause of the earnings decline from 1993 levels.

Operationally, the company's average international liquids prices, including equity affiliates, increased to \$16.10 per barrel from \$14.86 in 1994 and was about the same as the 1993 price of \$16.09 per barrel. Average natural gas prices were \$1.73 per thousand cubic feet in 1995, compared with \$1.84 and \$2.08 in 1994 and 1993, respectively.

In 1995, net liquids production, including production from equity affiliates, increased 4 percent over 1994 to 651,000 barrels per day, and was up 17 percent from 1993 production

Management's Discussion and Analysis

of Financial Condition and Results of Operations – Continued

levels. New production in West Africa, China and Australia accounted for most of the increase. Net natural gas production volumes also increased in 1995, up 3 percent from 1994 to 565 million cubic feet per day and up 20 percent from 1993 levels. Production of crude oil and natural gas has been increasing steadily since the late 1980s, reflecting the company's successful strategy of growing its international operations.

In 1995 and 1994, foreign exchange losses were \$16 million and \$28 million, respectively, whereas in 1993 foreign exchange gains amounted to \$57 million.

SELECTED OPERATING DATA

	1995	1994	1993
U.S. EXPLORATION AND PRODUCTION			
Net Crude Oil and Natural Gas			
Liquids Production (MBPD)	350	369	394
Net Natural Gas Production (MMCFPD)	1,868	2,085	2,056
Natural Gas Liquids Sales (MBPD)	213	215	211
Revenues from Net Production			
Crude Oil (\$/Bbl)	\$15.34	\$13.86	\$14.58
Natural Gas (\$/MCF)	\$ 1.51	\$ 1.77	\$ 1.99

INTERNATIONAL EXPLORATION AND PRODUCTION¹

Net Crude Oil and Natural Gas			
Liquids Production (MBPD)	651	624	556
Net Natural Gas Production (MMCFPD)	565	546	469
Natural Gas Liquids Sales (MBPD)	47	34	37
Revenues from Liftings			
Liquids (\$/Bbl)	\$16.10	\$14.86	\$16.09
Natural Gas (\$/MCF)	\$ 1.73	\$ 1.84	\$ 2.08

U.S. REFINING AND MARKETING

Gasoline Sales (MBPD)	552	615	652
Other Refined Products Sales (MBPD)	565	699	771
Refinery Input (MBPD)	925	1,213	1,307
Average Refined Products			
Sales Price (\$/Bbl)	\$26.19	\$24.37	\$25.35

INTERNATIONAL REFINING AND MARKETING¹

Refined Products Sales (MBPD)	969	934	923
Refinery Input (MBPD)	598	623	598

CHEMICALS SALES AND OTHER OPERATING REVENUES²

United States	\$3,332	\$2,801	\$2,459
International	621	561	518
Worldwide	\$3,953	\$3,362	\$2,977

MBPD = THOUSAND BARRELS PER DAY; MMCFPD = MILLION CUBIC FEET PER DAY; BBL = BARREL; MCF = THOUSAND CUBIC FEET.

¹INCLUDES EQUITY IN AFFILIATES.

²MILLIONS OF DOLLARS. INCLUDES SALES TO OTHER CHEVRON COMPANIES. 1994 AND 1993 AMOUNTS RESTATED TO CONFORM WITH 1995 PRESENTATION.

U.S. REFINING AND MARKETING earnings, excluding special items, declined 77 percent from 1994 levels and were down 86 percent from the strong results of 1993. Extensive scheduled and unscheduled refinery maintenance, coupled with weak industry refining margins, resulted in significantly reduced

operating earnings for 1995. In addition, the Richmond, California, refinery was down for an extended period in the 1995 fourth quarter for upgrades required to produce cleaner-burning California-mandated gasolines.

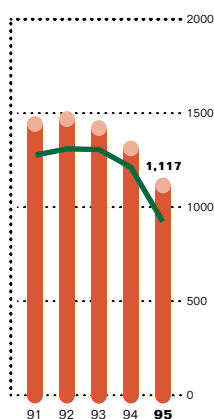
Average refined products prices were higher in 1995 compared with 1994 and 1993, partially reflecting the increase in crude oil feedstock costs, but industry refining margins were weak as refined products availability remained ample. Margins were further weakened by high maintenance expenses in 1995 caused by the extensive refinery downtime, which also required more expensive third-party product purchases to supply the company's marketing system. Results in 1994 were lower than in 1993; industry sales margins were lower and unscheduled refinery downtime in early 1994 negatively affected both operating expenses and purchased products costs.

U.S. Refining and Marketing

Millions of dollars	1995	1994	1993
Earnings, Excluding Special Items	\$ 75	\$325	\$555
Asset Write-Offs and Revaluations			
New Accounting Standard	—	—	—
Other	(112)	—	(25)
Environmental Remediation Provisions	(62)	(249)	(77)
Restructurings and Reorganizations	(7)	(39)	(543)
Prior-Year Tax Adjustments	—	—	(38)
Asset Dispositions	—	—	(1)
LIFO Inventory Gains (Losses)	2	3	(44)
Other	—	—	3
Total Special Items	(179)	(285)	(725)
Reported (Loss) Earnings	\$(104)	\$ 40	\$(170)

U.S. SALES OF REFINED PRODUCTS VS. REFINERY RUNS

THOUSANDS OF BARRELS PER DAY

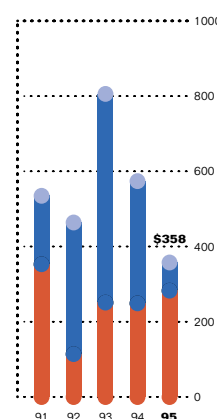


■ U.S. Refined Products Sales
■ U.S. Refinery Runs

The sales of Philadelphia (1994) and Port Arthur, Texas, (1995) refineries decreased sales volumes and refinery runs.

WORLDWIDE REFINING & MARKETING EARNINGS, EXCLUDING SPECIAL ITEMS

MILLIONS OF DOLLARS



■ United States
■ International

Weak refining margins and refinery downtime and maintenance severely reduced U.S. earnings.

Refined products sales volumes in 1995 declined about 15 percent and 22 percent from 1994 and 1993 levels, largely due to the sales of the company's Philadelphia refinery in August 1994 and its Port Arthur, Texas, refinery in February 1995, in connection with a major restructuring of U.S. refining and marketing operations. The volume declines year to year occurred primarily in unbranded bulk sales; volumes sold through the company's marketing system were about flat in the three years.

INTERNATIONAL REFINING AND MARKETING earnings include international marine operations and equity earnings of the company's Caltex Petroleum Corporation affiliate. Excluding special items, 1995 earnings increased 14 percent from 1994 levels and 13 percent from 1993.

International Refining and Marketing

Millions of dollars	1995	1994	1993
Earnings, Excluding Special Items	\$283	\$249	\$251
Asset Write-Offs and Revaluations			
New Accounting Standard	—	—	—
Other	(1)	—	(1)
Restructurings and Reorganizations	(17)	—	(1)
Prior-Year Tax Adjustments	—	—	(4)
Asset Dispositions	—	—	13
LIFO Inventory Losses	—	(10)	(3)
Other	80	—	(3)
Total Special Items	62	(10)	1
Reported Earnings	\$345	\$239	\$252

Improved results for 1995 primarily reflect improved shipping operations, partially offset by lower results in the United Kingdom refining and marketing operations, where low industry sales margins and an extensive planned refinery turnaround in the second quarter negatively affected earnings. Shipping results improved on higher ocean freight rates and lower operating expenses. There was also a modest improvement in earnings reported by the company's Caltex affiliate despite poor refining margins throughout its major operating areas in the Asia-Pacific region and South Africa. Compared with 1993, earnings in 1994 also reflected lower results from the company's United Kingdom operations which experienced an explosion and fire at the cracking facility that manufactures its gasoline. All three years reflected weak industry conditions that held down product prices, resulting in shrinking sales margins in the company's major areas of operations.

International sales volumes for 1995 increased 4 percent over 1994 levels, due to higher Caltex sales volumes and increased sales in Chevron's international trading operations. Sales in 1994 and 1993 were about flat as a 5 percent increase in marketing sales in 1994 was offset mostly by a decline in the company's trading sales volumes. Caltex volumes, excluding transactions with Chevron, increased 6 percent from 1994 and 4 percent from 1993 to 1994, continuing its growth over the past several years.

Equity earnings of Caltex were \$294 million, \$210 million and \$227 million for 1995, 1994 and 1993, respectively. In 1995, Chevron's share of Caltex earnings included an \$86 million benefit from a gain related to a land sale by a Caltex affiliate in Japan. This gain was offset partially by other special items net-

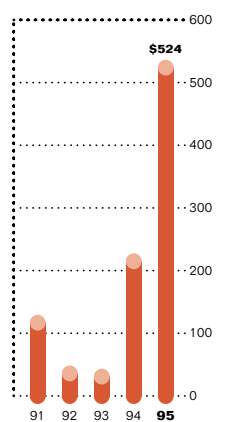
ting to \$18 million related to Caltex restructurings and asset write-offs. In 1995 and 1994, Chevron's share of Caltex earnings benefited \$13 million and \$15 million, respectively, from upward adjustments to the carrying value of its petroleum inventories to reflect market values after a 1993 write-down of \$52 million. Also, 1995 results included \$13 million of favorable foreign tax benefits. Caltex foreign currency transactions resulted in gains of \$26 million in 1995, losses of \$27 million in 1994 and gains of \$16 million in 1993.

Total international refining and marketing foreign currency transactions amounted to gains of \$19 million in 1995, losses of \$19 million in 1994 and gains of \$2 million in 1993.

CHEMICALS reported record earnings, excluding special items, that were up dramatically from 1994 and 1993 levels, reflecting higher sales volumes and product prices. However, during the second half of 1995, industry conditions began to soften, and falling prices for the company's major products, coupled with increased feedstock costs, caused earnings to decline from the first half of the year. Nevertheless, operating results were strong in all the company's divisions – additives, aromatics and olefins. Foreign currency transaction losses were \$3 million in 1995 and \$10 million in both 1994 and 1993.

CHEMICALS EARNINGS, EXCLUDING SPECIAL ITEMS

MILLIONS OF DOLLARS



Chemicals reported record earnings in 1995.

Chemicals

Millions of dollars	1995	1994	1993
Earnings, Excluding Special Items	\$524	\$215	\$ 31
Asset Write-Offs and Revaluations			
New Accounting Standard	(13)	—	—
Other	(14)	—	—
Environmental Remediation Provisions	(20)	(4)	—
Restructurings and Reorganizations	(3)	(6)	(5)
Prior-Year Tax Adjustments	—	—	(5)
Asset Dispositions	9	—	130
LIFO Inventory Gains	1	1	1
Other	—	—	(9)
Total Special Items	(40)	(9)	112
Reported Earnings	\$484	\$206	\$143

COAL AND OTHER MINERALS earnings, excluding special items, were down 25 percent from 1994 levels, but up 7 percent from 1993 results. Mild weather in the first half of 1995, coupled with customers electing to purchase cheaper alternate fuels, reduced demand resulting in lower sales volumes and lower prices. Operating results improved late in the year as industry conditions improved. Sales, at about 17 million tons, were down 15 percent from the 20 million tons produced in each of the prior two years. Earnings in 1994 were higher than in 1993 as coal sales margins were slightly higher, and earnings

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benefited from the absence of 1993 losses from non-coal minerals activities.

Coal and Other Minerals

Millions of dollars	1995	1994	1993
Earnings, Excluding Special Items	\$ 47	\$ 63	\$ 44
Asset Write-Offs and Revaluations			
New Accounting Standard	(63)	—	—
Restructurings and Reorganizations	(2)	—	—
Prior-Year Tax Adjustments	—	—	(2)
Asset Dispositions	—	48	5
Other	—	—	(3)
Total Special Items	(65)	48	—
Reported (Loss) Earnings	\$(18)	\$ 111	\$ 44

CORPORATE AND OTHER activities include interest expense, interest income on cash and marketable securities, real estate and insurance operations, and corporate center costs.

Corporate and Other

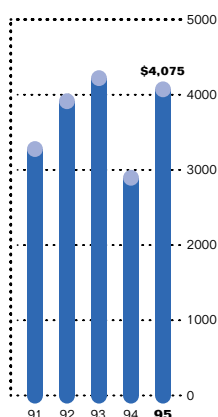
Millions of dollars	1995	1994	1993
Earnings, Excluding Special Items	\$(330)	\$(284)	\$(76)
Asset Write-Offs and Revaluations			
New Accounting Standard	(12)	—	—
Other	(170)	—	(13)
Restructurings and Reorganizations	(11)	—	(1)
Prior-Year Tax Adjustments	—	324	22
Other	(16)	—	(82)
Total Special Items	(209)	324	(74)
Reported (Loss) Earnings	\$(539)	\$ 40	\$(150)

Corporate and other net operating charges, excluding special items, increased in 1995 as higher interest rates and lower earnings from real estate operations more than offset lower corporate overhead expenses. Interest expense in 1994 was higher than 1993 due to the combined effect of higher debt levels and higher interest rates.

Corporate charges in 1995 and 1994 were higher than in 1993 because the company changed its method of distributing certain corporate expenses to its business segments in 1994. As a result, corporate and other charges for 1995 and 1994 included \$226 million and \$190 million, respectively, that under the previous method, would have been allocated to the business segments. This change had no net income effect.

CASH PROVIDED BY OPERATING ACTIVITIES

Millions of dollars



The increase reflects higher operational earnings and lower working-capital requirements.

LIQUIDITY AND CAPITAL

RESOURCES. Cash, cash equivalents and marketable securities increased \$88 million to \$1.4 billion at year-end 1995. Cash provided by operating activities in 1995 was \$4.1 billion, compared with \$2.9 billion in 1994 and

\$4.2 billion in 1993. The 1995 increase reflects higher operational earnings, adjusted for non-cash charges, and lower working capital requirements, including the absence of the 1994 payment of \$675 million to the Internal Revenue Service for the settlement of several years of open tax issues. Cash from operations, proceeds from asset sales and an increase in overall debt levels were used to fund the company's capital expenditures and dividend payments to stockholders.

At year-end 1995, the company classified \$1.8 billion of short-term obligations as long-term debt. Settlement of these obligations, consisting of commercial paper, is not expected to require the use of working capital in 1996 because the company has the intent and the ability, as evidenced by committed credit arrangements, to refinance them on a long-term basis. The company's practice has been to continually refinance its commercial paper, maintaining levels it believes to be appropriate.

On December 31, 1995, Chevron had \$4.4 billion in committed credit facilities with various major banks. These facilities support commercial paper borrowing and can also be used for general credit requirements. No borrowings were outstanding under these facilities during the year or at year-end 1995. In addition, Chevron and one of its subsidiaries each have existing "shelf" registrations on file with the Securities and Exchange Commission that together would permit registered offerings of up to \$1.3 billion of debt securities.

The company's debt and capital lease obligations totaled \$8,327 billion at December 31, 1995, up \$185 million from \$8,142 billion at year-end 1994. The increase is primarily the issuance of \$282 million in capital lease obligations associated with the sale and leaseback of four vessels, \$160 million of 7.61 percent notes due in 2003, and \$51 million of 6.92 percent notes due in 2005. These increases were offset partially by \$227 million in repayments of net short-term borrowings, largely commercial paper, and miscellaneous other debt repayments of \$98 million. The company also retired \$50 million of debt related to the Employee Stock Ownership Plan in January 1995.

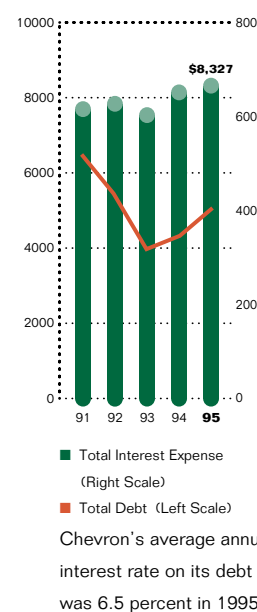
The company's future debt level is dependent primarily on its capital spending program and its business outlook. While the company does not currently expect its debt level to increase significantly during 1996, it believes it has substantial borrowing capacity to meet unanticipated cash requirements.

FINANCIAL RATIOS

The **CURRENT RATIO** is the ratio of current assets to current liabilities at year-end. Two items affect the current ratio

TOTAL INTEREST EXPENSE TOTAL DEBT

Millions of dollars



■ Total Interest Expense
(Right Scale)

■ Total Debt (Left Scale)

Chevron's average annual interest rate on its debt was 6.5 percent in 1995.

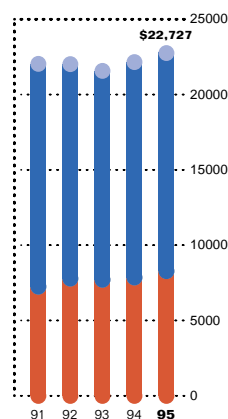
Financial Ratios

	1995	1994	1993
Current Ratio	0.8	0.8	0.8
Interest Coverage Ratio	4.1	7.6	7.4
Total Debt/Total Debt Plus Equity	36.7%	35.8%	35.0%

negatively, which in the company's opinion do not affect its liquidity. Included in current assets in all years are inventories valued on a LIFO basis, which at year-end 1995 were lower

CAPITAL EMPLOYED

MILLIONS OF DOLLARS



■ Average Stockholders' Equity
 ■ Average Total Debt
 Chevron's debt to debt-plus-equity ratio increased to 36.7 percent in 1995.

than current costs by \$917 million. Also, the company's practice of continually refinancing its commercial paper, \$3.0 billion classified as short-term at year-end 1995, results in a large portion of its short-term debt being outstanding indefinitely. The **INTEREST COVERAGE RATIO** is defined as income before income tax expense, plus interest and debt expense and amortization of capitalized interest, divided by before-tax interest costs. Chevron's interest coverage ratio decreased in 1995 due to lower before-tax income and higher interest expense. The company's **DEBT RATIO** (total debt to total debt plus equity) increased slightly in 1995, as total debt increased and stockholders' equity decreased year to year, due to the charge against earnings from the adoption of the

new accounting standard.

The company's senior debt is rated AA by Standard & Poor's Corporation and Aa2 by Moody's Investors Service. Chevron's U.S. commercial paper is rated A-1+ by Standard & Poor's and Prime-1 by Moody's, and Chevron's Canadian commercial paper is rated R-1 (middle) by Dominion Bond Rating Service. Moody's counterparty rating for Chevron is also Aa2. All these ratings denote high-quality, investment-grade securities.

CAPITAL AND EXPLORATORY EXPENDITURES

WORLDWIDE CAPITAL AND EXPLORATORY EXPENDITURES

FOR 1995 TOTALED \$4.8 BILLION, including the company's equity share of affiliates' expenditures. Expenditures for exploration and production accounted for 57 percent of total outlays in 1995 and 1994, compared with 53 percent in 1993. International exploration and production spending was 68 percent of worldwide exploration and production expenditures in 1995,

down slightly from 71 percent in 1994 and about the same percentage as in 1993, reflecting the company's continued focus on international exploration and production activities.

THE COMPANY PROJECTS 1996 CAPITAL AND EXPLORATORY EXPENDITURES AT APPROXIMATELY \$5.3 BILLION, including Chevron's share of spending by affiliates; this is up about 10 percent from 1995 levels. The 1996 program provides \$3.0 billion in exploration and production investments, of which about 65 percent is for international projects. Several long-term development projects in the Gulf of Mexico designed to stabilize U.S. oil and gas production account for a projected 19 percent increase in U.S. exploration and production expenditures.

The company is participating in several significant oil and gas development projects. These projects include the continuing development of the Hibernia oil field off the coast of Newfoundland; steam- and water-flood projects in Indonesia; expansion of the North West Shelf liquefied natural gas project in Australia; development of the Britannia gas field and the expansion of the Alba oil field in the North Sea; development of the N'Kossa and Kitina projects and delineation work at the Moho discovery in Congo; continued development of the Escravos Gas Project in Nigeria; development of Areas "B" and "C" in Angola; continuing enhanced oil recovery projects in California; and continued development in the Norphlet Trend natural gas and Green Canyon deep-water oil projects in the Gulf of Mexico. The TCO joint venture plans to fund an increase in production capacity from 95,000 to 130,000 barrels per day if an expected increase in crude oil sales occurs.

Refining, marketing and transportation expenditures are estimated at about \$1.5 billion, with \$890 million of that planned for international projects. Completion in 1995 of the company's U.S. refinery upgrade projects to produce California-mandated fuels will result in lower total spending in the U.S. downstream areas by 36 percent to \$570 million in 1996, but spending will increase 40 percent to \$282 million for domestic marketing projects. Most of the international capital program will be focused on high-growth Asia-Pacific Rim countries where the company's Caltex affiliate has several major refinery projects under way to increase capacity and meet rising demand as well as a major project to upgrade its retail marketing system. Chemicals spending also will increase substantially, with expansion projects at the ethylene facilities in Port Arthur, Texas, the paraxylene plant in Pascagoula, Mississippi, the polystyrene plant in Marietta, Ohio, and the construction of a fuel and lube oil additives plant in Singapore, and through a joint venture, a benzene and cyclohexane complex in Saudi Arabia.

Capital and Exploratory Expenditures

Millions of dollars	1995			1994			1993		
	U.S.	INTER-NATIONAL	TOTAL	U.S.	Inter-national	Total	U.S.	Inter-national	Total
Exploration and Production	\$ 879	\$1,835	\$2,714	\$ 807	\$1,931	\$2,738	\$ 763	\$1,599	\$2,362
Refining, Marketing & Transportation	892	839	1,731	885	890	1,775	949	748	1,697
Chemicals	172	32	204	109	29	138	199	34	233
Coal and Other Minerals	40	1	41	39	15	54	47	10	57
All Other	110	-	110	114	-	114	91	-	91
Total	\$2,093	\$2,707	\$4,800	\$1,954	\$2,865	\$4,819	\$2,049	\$2,391	\$4,440
Total, Excluding Equity in Affiliates	\$2,080	\$1,808	\$3,888	\$1,927	\$2,046	\$3,973	\$2,029	\$1,710	\$3,739

Quarterly Results and Stock Market Data

Unaudited

	1995				1994			
Millions of dollars, except per-share amounts	4TH Q	3RD Q	2ND Q	1ST Q	4TH Q	3RD Q	2ND Q	1ST Q
REVENUES								
Sales and other operating revenues	\$8,922	\$9,171	\$9,397	\$8,820	\$8,927	\$9,396	\$8,702	\$8,105
Equity in net income of affiliated companies and other income	235	143	170	224	330	113	122	159
TOTAL REVENUES	9,157	9,314	9,567	9,044	9,257	9,509	8,824	8,264
COSTS AND OTHER DEDUCTIONS								
Purchased crude oil and products, operating and other expenses	6,606	6,527	6,375	6,255	6,225	6,695	6,201	5,594
Depreciation, depletion and amortization ¹	1,679	560	566	576	598	626	615	592
Taxes other than on income	1,483	1,475	1,417	1,373	1,406	1,405	1,403	1,345
Interest and debt expense	94	93	104	110	97	93	83	73
TOTAL COSTS AND OTHER DEDUCTIONS	9,862	8,655	8,462	8,314	8,326	8,819	8,302	7,604
(LOSS) INCOME BEFORE INCOME TAX EXPENSE	(705)	659	1,105	730	931	690	522	660
INCOME TAX EXPENSE	(287)	377	498	271	308	265	265	272
NET (LOSS) INCOME²	\$ (418)	\$ 282	\$ 607	\$ 459	\$ 623	\$ 425	\$ 257	\$ 388
NET (LOSS) INCOME PER SHARE	\$(0.64)	\$0.44	\$0.93	\$0.70	\$0.96	\$0.65	\$0.39	\$0.60
DIVIDENDS PAID PER SHARE	\$ 0.50	\$0.50	\$0.4625	\$0.4625	\$0.4625	\$0.4625	\$0.4625	\$0.4625
COMMON STOCK PRICE RANGE - HIGH	\$53⁵/₈	\$50³/₈	\$49³/₄	\$48¹/₂	\$46¹/₂	\$45³/₄	\$49³/₄	\$47⁵/₈
- LOW	\$46¹/₈	\$46⁵/₈	\$44¹/₄	\$43³/₈	\$41	\$39⁷/₈	\$41¹/₂	\$41³/₄

¹FOURTH QUARTER 1995 INCLUDES \$985 FROM THE ADOPTION OF SFAS 121.²SPECIAL (CHARGES) CREDITS INCLUDED IN NET INCOME, INCLUDING A \$659 CHARGE FOR THE ADOPTION OF A NEW ACCOUNTING STANDARD, SFAS 121, IN THE FOURTH QUARTER OF 1995.

\$	(869)	\$	(222)	\$	(4)	\$	63	\$	45	\$	18	\$	(5)	\$	(36)
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THE COMPANY'S COMMON STOCK IS LISTED ON THE NEW YORK STOCK EXCHANGE (TRADING SYMBOL: CHV), AS WELL AS THE CHICAGO, PACIFIC; LONDON; AND ZURICH, BASEL AND GENEVA SWITZERLAND, STOCK EXCHANGES. IT ALSO IS TRADED ON THE BOSTON, CINCINNATI, DETROIT AND PHILADELPHIA STOCK EXCHANGES. AS OF FEBRUARY 23, 1996, STOCKHOLDERS OF RECORD NUMBERED APPROXIMATELY 135,500.

THERE ARE NO RESTRICTIONS ON THE COMPANY'S ABILITY TO PAY DIVIDENDS. CHEVRON HAS MADE DIVIDEND PAYMENTS TO STOCKHOLDERS FOR 84 CONSECUTIVE YEARS.

Report of Management**TO THE STOCKHOLDERS OF CHEVRON CORPORATION**

Management of Chevron is responsible for preparing the accompanying financial statements and for assuring their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles and fairly represent the transactions and financial position of the company. The financial statements include amounts that are based on management's best estimates and judgments.

The company's statements have been audited by Price Waterhouse LLP, independent accountants, selected by the Audit Committee and approved by the stockholders. Management has made available to Price Waterhouse LLP all the company's financial records and related data, as well as the minutes of stockholders' and directors' meetings.

Management of the company has established and maintains a system of internal accounting controls that is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, and the books and records accurately reflect the disposition of assets. The system of internal controls includes appropriate division of responsibility. The company maintains an internal audit department that conducts an extensive program of internal audits and independently assesses the effectiveness of the internal controls.

The Audit Committee is composed of directors who are not officers or employees of the company. It meets regularly with members of management, the internal auditors and the independent accountants to discuss the adequacy of the company's internal controls, financial statements and the nature, extent and results of the audit effort. Both the internal auditors and the independent accountants have free and direct access to the Audit Committee without the presence of management.



Kenneth T. Derr
Chairman of the Board
and Chief Executive Officer



Martin R. Klitten
Vice President
and Chief Financial Officer



Donald G. Henderson
Vice President
and Comptroller

February 23, 1996

Consolidated Statement of Income

Millions of dollars, except per-share amounts	Year ended December 31		
	1995	1994	1993
REVENUES			
Sales and other operating revenues*	\$36,310	\$35,130	\$36,191
Equity in net income of affiliated companies	553	440	440
Other income	219	284	451
TOTAL REVENUES	37,082	35,854	37,082
COSTS AND OTHER DEDUCTIONS			
Purchased crude oil and products	18,033	16,990	18,007
Operating expenses	5,974	6,383	7,104
Exploration expenses	372	379	360
Selling, general and administrative expenses	1,384	963	1,530
Depreciation, depletion and amortization	3,381	2,431	2,452
Taxes other than on income*	5,748	5,559	4,886
Interest and debt expense	401	346	317
TOTAL COSTS AND OTHER DEDUCTIONS	35,293	33,051	34,656
INCOME BEFORE INCOME TAX EXPENSE	1,789	2,803	2,426
INCOME TAX EXPENSE	859	1,110	1,161
NET INCOME	\$ 930	\$ 1,693	\$ 1,265
NET INCOME PER SHARE OF COMMON STOCK	\$1.43	\$2.60	\$1.94
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	652,083,804	651,672,238	650,957,752
	\$4,988	\$4,790	\$4,068

*INCLUDES CONSUMER EXCISE TAXES.

See accompanying notes to consolidated financial statements.

Report of Independent Accountants**TO THE STOCKHOLDERS****AND THE BOARD OF DIRECTORS OF CHEVRON CORPORATION**

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Chevron Corporation and its subsidiaries at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 3 to the consolidated financial statements, effective October 1, 1995, the company changed its method of accounting for the impairment of long-lived assets to comply with the provisions of Statement of Financial Accounting Standard No. 121.



San Francisco, California

February 23, 1996

Consolidated Balance Sheet

	At December 31	
Millions of dollars	1995	1994
ASSETS		
Cash and cash equivalents	\$ 621	\$ 413
Marketable securities	773	893
Accounts and notes receivable (less allowance: 1995 —\$69; 1994 —\$62)	4,014	3,923
Inventories:		
Crude oil and petroleum products	822	1,036
Chemicals	487	391
Materials, supplies and other	289	283
	1,598	1,710
Prepaid expenses and other current assets	861	652
TOTAL CURRENT ASSETS	7,867	7,591
Long-term receivables	149	138
Investments and advances	4,087	3,991
Properties, plant and equipment, at cost	48,031	46,810
Less: accumulated depreciation, depletion and amortization	26,335	24,637
	21,696	22,173
Deferred charges and other assets	531	514
TOTAL ASSETS	\$34,330	\$34,407
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt	\$ 3,806	\$ 4,014
Accounts payable	3,294	2,990
Accrued liabilities	1,257	1,274
Federal and other taxes on income	558	624
Other taxes payable	530	490
TOTAL CURRENT LIABILITIES	9,445	9,392
Long-term debt	4,133	3,955
Capital lease obligations	388	173
Deferred credits and other non-current obligations	1,992	2,043
Non-current deferred income taxes	2,433	2,674
Reserves for employee benefit plans	1,584	1,574
TOTAL LIABILITIES	19,975	19,811
Preferred stock (authorized 100,000,000 shares, \$1.00 par value, none issued)	—	—
Common stock (authorized 1,000,000,000 shares, \$1.50 par value, 712,487,068 shares issued)	1,069	1,069
Capital in excess of par value	1,863	1,858
Deferred compensation — Employee Stock Ownership Plan (ESOP)	(850)	(900)
Currency translation adjustment and other	174	175
Retained earnings	14,146	14,457
Treasury stock, at cost (1995 —60,160,057 shares; 1994 —60,736,435 shares)	(2,047)	(2,063)
TOTAL STOCKHOLDERS' EQUITY	14,355	14,596
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$34,330	\$34,407

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Millions of dollars	Year ended December 31		
	1995	1994	1993
OPERATING ACTIVITIES			
Net income	\$ 930	\$1,693	\$1,265
Adjustments			
Depreciation, depletion and amortization	3,381	2,431	2,452
Dry hole expense related to prior years' expenditures	19	53	29
Distributions less than equity in affiliates' income	(132)	(55)	(173)
Net before-tax losses (gains) on asset retirements and sales	164	(83)	373
Net foreign exchange losses (gains)	47	40	(27)
Deferred income tax provision	(258)	110	(160)
Net decrease (increase) in operating working capital ¹	40	(1,773)	463
Other	(116)	480	(1)
NET CASH PROVIDED BY OPERATING ACTIVITIES²	4,075	2,896	4,221
INVESTING ACTIVITIES			
Capital expenditures	(3,529)	(3,405)	(3,323)
Proceeds from asset sales	581	731	908
Net sales (purchases) of marketable securities ³	144	(545)	30
NET CASH USED FOR INVESTING ACTIVITIES	(2,804)	(3,219)	(2,385)
FINANCING ACTIVITIES			
Net (repayments) borrowings of short-term obligations	(227)	466	293
Proceeds from issuance of long-term debt	536	436	199
Repayments of long-term debt and other financing obligations	(103)	(588)	(854)
Cash dividends paid	(1,255)	(1,206)	(1,139)
Purchases of treasury shares	(4)	(5)	(4)
NET CASH USED FOR FINANCING ACTIVITIES	(1,053)	(897)	(1,505)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(10)	(11)	21
NET CHANGE IN CASH AND CASH EQUIVALENTS	208	(1,231)	352
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	413	1,644	1,292
CASH AND CASH EQUIVALENTS AT YEAR-END	\$ 621	\$ 413	\$1,644

¹THE "NET DECREASE (INCREASE) IN OPERATING WORKING CAPITAL" IS COMPOSED OF THE FOLLOWING:

(INCREASE) DECREASE IN ACCOUNTS AND NOTES RECEIVABLE	\$ (62)	\$ (44)	\$ 187
(INCREASE) DECREASE IN INVENTORIES	(162)	(57)	288
(INCREASE) DECREASE IN PREPAID EXPENSES AND OTHER CURRENT ASSETS	(148)	4	(52)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	428	(1,510)	214
DECREASE IN INCOME AND OTHER TAXES PAYABLE	(16)	(166)	(174)
NET DECREASE (INCREASE) IN OPERATING WORKING CAPITAL	\$ 40	\$(1,773)	\$ 463

²NET CASH PROVIDED BY OPERATING ACTIVITIES* INCLUDES THE FOLLOWING CASH PAYMENTS FOR INTEREST AND INCOME TAXES:

INTEREST PAID ON DEBT (NET OF CAPITALIZED INTEREST)	\$ 318	\$ 310	\$ 309
INCOME TAXES PAID	\$ 1,176	\$ 1,147	\$ 1,505

³NET SALES (PURCHASES) OF MARKETABLE SECURITIES* CONSISTS OF THE FOLLOWING GROSS AMOUNTS:

MARKETABLE SECURITIES PURCHASED	\$(2,759)	\$(1,943)	\$(1,855)
MARKETABLE SECURITIES SOLD	2,903	1,398	1,885
NET SALES (PURCHASES) OF MARKETABLE SECURITIES	\$ 144	\$ (545)	\$ 30

See accompanying notes to consolidated financial statements.

Consolidated Statement of S t o c k h o l d e r s ' E q u i t y

	Number of shares		Millions of dollars					
	COMMON STOCK ISSUED	COMMON STOCK IN TREASURY	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	DEFERRED COMPENSA- TION-ESOP	CURRENCY TRANSLATION ADJUSTMENT AND OTHER	RETAINED EARNINGS	TREASURY STOCK
BALANCE AT								
JANUARY 1, 1993	712,487,068	(62,139,490)	\$ 1,069	\$ 1,840	\$ (954)	\$ 56	\$ 13,814	\$ (2,097)
Net income	—	—	—	—	—	—	1,265	—
Cash dividends – \$1.75 per share	—	—	—	—	—	—	(1,139)	—
Tax benefit from dividends paid on unallocated ESOP shares	—	—	—	—	—	—	15	—
Foreign currency translation adjustment	—	—	—	—	—	52	—	—
ESOP expense accrual adjustment	—	—	—	—	4	—	—	—
Reduction of ESOP debt	—	—	—	—	30	—	—	—
Purchase of treasury shares	—	(92,506)	—	—	—	—	—	(4)
Reissuance of treasury shares	—	1,223,138	—	15	—	—	—	31
BALANCE AT								
DECEMBER 31, 1993	712,487,068	(61,008,858)	\$ 1,069	\$ 1,855	\$ (920)	\$ 108	\$ 13,955	\$ (2,070)
Net income	—	—	—	—	—	—	1,693	—
Cash dividends – \$1.85 per share	—	—	—	—	—	—	(1,206)	—
Tax benefit from dividends paid on unallocated ESOP shares	—	—	—	—	—	—	15	—
Market value adjustments on investments	—	—	—	—	—	11	—	—
Foreign currency translation adjustment	—	—	—	—	—	72	—	—
Pension plan minimum liability	—	—	—	—	—	(16)	—	—
ESOP expense accrual adjustment	—	—	—	—	(20)	—	—	—
Reduction of ESOP debt	—	—	—	—	40	—	—	—
Purchase of treasury shares	—	(108,964)	—	—	—	—	—	(5)
Reissuance of treasury shares	—	381,387	—	3	—	—	—	12
BALANCE AT								
DECEMBER 31, 1994	712,487,068	(60,736,435)	\$ 1,069	\$ 1,858	\$ (900)	\$ 175	\$ 14,457	\$ (2,063)
Net income	—	—	—	—	—	—	930	—
Cash dividends – \$1.925 per share	—	—	—	—	—	—	(1,255)	—
Tax benefit from dividends paid on unallocated ESOP shares	—	—	—	—	—	—	14	—
Market value adjustments on investments	—	—	—	—	—	23	—	—
Foreign currency translation adjustment	—	—	—	—	—	(28)	—	—
Pension plan minimum liability	—	—	—	—	—	4	—	—
Reduction of ESOP debt	—	—	—	—	50	—	—	—
Purchase of treasury shares	—	(83,028)	—	—	—	—	—	(4)
Reissuance of treasury shares	—	659,406	—	5	—	—	—	20
BALANCE AT								
DECEMBER 31, 1995	712,487,068	(60,160,057)	\$ 1,069	\$ 1,863	\$ (850)	\$ 174	\$ 14,146	\$ (2,047)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Millions of dollars

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING

POLICIES Chevron Corporation is an international company that, through its subsidiaries and affiliates, engages in fully integrated petroleum operations, chemical operations and coal mining in the United States and approximately 95 other countries. Petroleum operations consist of exploring for, developing and producing crude oil and natural gas; transporting crude oil, natural gas and products by pipelines, marine vessels and motor equipment; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and refined petroleum products. Chemicals operations include the manufacture and marketing of a wide range of chemicals for industrial uses.

In preparing its consolidated financial statements, the company follows accounting policies that are in accordance with generally accepted accounting principles in the United States. This requires the use of estimates and assumptions that affect the assets and liabilities and the revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. While the company uses its best estimates and judgments, actual results could differ from these estimates as future confirming events occur. The company believes that the effect of any such changes in the near term would not have a material effect on the financial statements.

The nature of the company's operations and the many countries in which it operates subject it to changing economic, regulatory and political conditions. Also, the company imports crude oil for its U.S. refining operations. The company does not believe it is vulnerable to the risk of a near-term severe impact as a result of any concentration of its activities.

SUBSIDIARY AND AFFILIATED COMPANIES The consolidated financial statements include the accounts of subsidiary companies more than 50 percent owned. Investments in and advances to affiliates in which the company has a substantial ownership interest of approximately 20 to 50 percent, or for which the company participates in policy decisions, are accounted for by the equity method. Under this accounting, remaining unamortized cost is increased or decreased by the company's share of earnings or losses after dividends.

OIL AND GAS ACCOUNTING The successful efforts method of accounting is used for oil and gas exploration and production activities.

DERIVATIVES Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses related to qualifying hedges of firm commitments or anticipated transactions also are deferred and are recognized in income or as adjustments of carrying amounts when the underlying hedged transaction occurs. If, subsequent to being hedged, underlying transactions are no longer likely to occur, the related derivatives gains and losses are recognized currently in income. Gains and losses on derivatives contracts that do not qualify as hedges are recognized currently in "Other income."

SHORT-TERM INVESTMENTS All short-term investments are classified as available for sale and are in highly liquid debt securities. Those investments that are part of the company's cash management portfolio with original maturities of three months or less are reported as cash equivalents. The balance of the short-term investments is reported as marketable securities.

INVENTORIES Crude oil, petroleum products and chemicals are stated at cost, using a Last-In, First-Out (LIFO) method. In the aggregate, these costs are below market. Materials, supplies and other inventories generally are stated at average cost.

PROPERTIES, PLANT AND EQUIPMENT All costs for development wells, related plant and equipment (including carbon dioxide and certain other injected materials used in enhanced recovery projects), and mineral interests in oil and gas properties are capitalized. Costs of exploratory wells are capitalized pending determination of whether the wells found proved reserves. Costs of wells that are assigned proved reserves remain capitalized. All other exploratory wells and costs are expensed.

Beginning in 1995, long-lived assets, including proved oil and gas properties, are assessed for possible impairment in accordance with the provisions of SFAS 121. Under this standard, the occurrence of certain events may trigger a review of affected assets for possible impairment. For proved oil and gas properties, the company would typically perform the review on an individual field basis. An impairment is deemed to exist if the sum of undiscounted before-tax expected future cash flows for the asset are less than the asset's carrying value. If an impairment is indicated, the amount of the impairment is measured as the difference between the asset's fair market value and its net book value. Where a market value is not available, it is approximated by the company's best estimate of the sum of discounted future before-tax cash flows. Impairment amounts are recorded as incremental depreciation expense in the period in which the specific event occurred.

Prior to the adoption of SFAS 121, proved oil and gas properties were regularly assessed for possible impairment on an aggregate worldwide portfolio basis, applying the informal "ceiling test" of the Securities and Exchange Commission. Under this method, the possibility of an impairment existed if the aggregate net book carrying value of these properties, net of applicable deferred income taxes, exceeded the aggregate undiscounted future cash flows, after tax, from the properties, as calculated in accordance with accounting rules for supplemental information on oil and gas producing activities. In addition, high-cost, long-lead-time oil and gas projects were individually assessed prior to production start-up by comparing the recorded investment in the project with its fair market or economic value, as appropriate. Economic values were generally based on management's expectations of discounted future after-tax cash flows from the project at the time of assessment.

Depreciation and depletion (including provisions for future abandonment and restoration costs) of all capitalized costs of proved oil and gas producing properties, except mineral interests, are expensed using the unit-of-production

Notes to Consolidated Financial Statements

Millions of dollars

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING

POLICIES – Continued

method by individual fields as the proved developed reserves are produced. Depletion expenses for capitalized costs of proved mineral interests are recognized using the unit-of-production method by individual fields as the related proved reserves are produced. Periodic valuation provisions for impairment of capitalized costs of unproved mineral interests are expensed.

Depreciation and depletion expenses for coal are determined using the unit-of-production method as the proved reserves are produced. The capitalized costs of all other plant and equipment are depreciated or amortized over estimated useful lives. In general, the declining-balance method is used to depreciate plant and equipment in the United States; the straight-line method generally is used to depreciate international plant and equipment and to amortize all capitalized leased assets.

Gains or losses are not recognized for normal retirements of properties, plant and equipment subject to composite group amortization or depreciation. Gains or losses from abnormal retirements or sales are included in income.

Expenditures for maintenance, repairs and minor renewals to maintain facilities in operating condition are expensed. Major replacements and renewals are capitalized.

ENVIRONMENTAL EXPENDITURES Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed. Expenditures that create future benefits or contribute to future revenue generation are capitalized.

Liabilities related to future remediation costs are recorded when environmental assessments and/or cleanups are probable, and the costs can be reasonably estimated. Other than for assessments, the timing and magnitude of these accruals are generally based on the company's commitment to a formal plan of action, such as an approved remediation plan or the sale or disposal of an asset. For the company's domestic marketing facilities, the accrual is based on the probability that a future remediation commitment will be required. For oil and gas and coal producing properties, a provision is made through depreciation expense for anticipated abandonment and restoration costs at the end of the property's useful life.

For Superfund sites, the company records a liability for its share of costs when it has been named as a Potentially Responsible Party (PRP) and when an assessment or cleanup plan has been developed. This liability includes the company's own portion of the costs and also the company's portion of amounts for other PRPs when it is probable that they will not be able to pay their share of the cleanup obligation.

The company records the gross amount of its liability based on its best estimate of future costs in current dollars and using currently available technology and applying current regulations as well as the company's own internal environmental policies. Future amounts are not discounted. Probable recoveries or reimbursements are recorded as an asset.

CURRENCY TRANSLATION The U.S. dollar is the functional currency for the company's consolidated operations as well as for substantially all operations of its equity method companies. For those operations, all gains or losses from currency transactions are included in income currently. The cumulative translation effects for the few equity affiliates using functional currencies other than the U.S. dollar are included in the currency translation adjustment in stockholders' equity.

TAXES Income taxes are accrued for retained earnings of international subsidiaries and corporate joint ventures intended to be remitted. Income taxes are not accrued for unremitted earnings of international operations that have been, or are intended to be, reinvested indefinitely.

NOTE 2. SPECIAL ITEMS AND OTHER FINANCIAL INFORMATION

Net income is affected by transactions that are unrelated to or are not representative of the company's ongoing operations for the periods presented. These transactions, defined by management and designated "special items," can obscure the underlying results of operations for a year as well as affect comparability of results between years.

Listed below are categories of special items and their net (decrease) increase to net income, after related tax effects:

	Year ended December 31		
	1995	1994	1993
Asset write-offs and revaluations			
New accounting standard	\$ (659)	\$ —	\$ —
Real estate development assets	(168)	—	—
Adjustment of fixed assets records	(94)	—	—
Refining and marketing assets	(38)	—	(24)
Oil and gas properties	—	—	(31)
Other	(4)	—	(16)
	(963)	—	(71)
Environmental remediation provisions	(90)	(304)	(90)
Restructurings and reorganizations			
Workforce reductions	(38)	—	(11)
Caltex	(12)	—	—
U.S. refining and marketing	—	(39)	(543)
Chemicals	—	(6)	—
	(50)	(45)	(554)
Prior-year tax adjustments	(22)	344	(130)
Asset dispositions, net			
Oil and gas properties	6	—	(25)
Lead and zinc property in Ireland	—	48	—
Ortho lawn and garden products	—	—	130
Other	1	—	17
	7	48	122
LIFO inventory gains (losses)	2	(10)	(46)
Other, net			
Caltex gain related to land sale	86	—	—
Federal lease cost refund	27	—	—
Litigation and regulatory issues	(23)	(31)	(70)
One-time employee bonus	—	—	(60)
Miscellaneous, net	(6)	20	16
	84	(11)	(114)
Total special items, after tax	\$ (1,032)	\$ 22	\$ (883)

NOTE 2. SPECIAL ITEMS AND OTHER FINANCIAL INFORMATION – Continued

During 1995, the company and its Caltex affiliate committed to restructurings and reorganizations of several of their businesses and activities. After-tax provisions totaling \$50 were recorded, substantially all of which related to employee severance programs for which the number of employees had been identified and terms and benefits had been communicated. It is expected the programs will be completed during 1996.

During 1993 and 1994, after-tax provisions totaling \$588 were recorded for the financial effects of the company's decision to sell two refineries. One of the refineries was sold in 1994, and the sale of the other was completed in early 1995. After completion of the sales, the remaining reserve balance of \$224 was for estimated environmental cleanup obligations retained by the company, in excess of previously established reserves for these refineries, and was classified with the company's other environmental reserves.

Other financial information is as follows:

	Year ended December 31		
	1995	1994	1993
Total financing interest and debt costs	\$543	\$419	\$371
Less: capitalized interest	142	73	54
Interest and debt expense	401	346	317
Research and development expenses	185	179	206
Currency transaction (losses) gains*	\$ (15)	\$ (64)	\$ 46

*INCLUDES \$25, \$(24) AND \$18 IN 1995, 1994 AND 1993, RESPECTIVELY, FOR THE COMPANY'S SHARE OF AFFILIATES' CURRENCY TRANSACTION EFFECTS.

The excess of current cost (based on average acquisition costs for the year) over the carrying value of inventories for which the LIFO method is used was \$917, \$684 and \$671 at December 31, 1995, 1994 and 1993, respectively.

NOTE 3. ADOPTION OF STATEMENT OF FINANCIAL ACCOUNTING STANDARD (SFAS) NO. 121, "ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF" Effective October 1, 1995, the company and its affiliates adopted SFAS 121 issued by the Financial Accounting Standards Board. The adoption of this standard required non-cash charges to 1995 net income amounting to \$659, or \$1.01 per share, after related income tax benefits of \$358, and was mostly related to impairment write-downs of U.S. oil and gas producing properties.

NOTE 4. INFORMATION RELATING TO THE CONSOLIDATED STATEMENT OF CASH FLOWS The Consolidated Statement of Cash Flows excludes the following non-cash transactions:

Capital lease arrangements of \$282 and \$65 in 1995 and 1994, respectively, were recorded as additions to "Properties, plant and equipment," "Deferred charges and other assets," and "Capital lease obligations."

The company's Employee Stock Ownership Plan (ESOP) repaid \$50 and \$40 of matured debt guaranteed by Chevron Corporation in 1995 and 1994, respectively. The company reflected this payment as reductions in "Short-term debt" and in "Deferred compensation – ESOP"

In 1993, the company acquired a 50 percent interest in the Tengizchevroil joint venture (TCO) in the Republic of Kazakhstan through a series of cash and non-cash transactions. The company's interest in TCO is accounted for using the equity method of accounting and is recorded in "Investments and advances" in the Consolidated Balance Sheet. The cash expended in connection with the formation of TCO and subsequent advances to TCO have been included in the Consolidated Statement of Cash Flows in "Capital expenditures." The deferred payment portion of the TCO investment totaled \$461 and \$466 at year-end 1995 and 1994, respectively, and is recorded in "Accrued liabilities" and "Deferred credits and other non-current obligations" in the Consolidated Balance Sheet. Payments related to the deferred portion of the TCO investment were classified as "Repayments of long-term debt and other financing obligations" in the Consolidated Statement of Cash Flows.

The company refinanced an aggregate amount of \$334 in tax-exempt long-term debt and capital lease obligations in 1993. These refinancings are not reflected in the Consolidated Statement of Cash Flows.

There have been other non-cash transactions that have occurred during the years presented. These include the reissuance of treasury shares for management compensation plans; acquisitions of properties, plant and equipment through capital lease transactions; and changes in assets, liabilities and stockholders' equity resulting from the accounting for the company's ESOP, minimum pension liability, and market value adjustments on investments. The amounts for these transactions have not been material in the aggregate in relation to the company's financial position.

The major components of "Capital expenditures," and the reconciliation of this amount to the capital and exploratory expenditures, excluding equity in affiliates, presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations," are presented below:

	Year ended December 31		
	1995	1994	1993
Additions to properties			
plant and equipment*	\$3,611	\$3,112	\$3,214
Additions to investments	44	284	179
Payments for other (liabilities)			
and assets, net	(126)	9	(70)
Capital expenditures	3,529	3,405	3,323
Expensed exploration expenditures	354	326	330
Payments of long-term debt			
and other financing obligations	5	242	86
Capital and exploratory expenditures, excluding equity companies	\$3,888	\$3,973	\$3,739

*EXCLUDES NON-CASH CAPITAL LEASE ADDITION OF \$282 AND \$65 IN 1995 AND 1994, RESPECTIVELY.

NOTE 5. STOCKHOLDERS' EQUITY Retained earnings at December 31, 1995 and 1994, include \$2,363 and \$2,265, respectively, for the company's share of undistributed earnings of equity affiliates.

In 1988, the company declared a dividend distribution of one Right for each outstanding share of common stock. The

Notes to Consolidated Financial Statements

Millions of dollars

NOTE 5. STOCKHOLDERS' EQUITY – Continued

Rights will be exercisable, unless redeemed earlier by the company, if a person or group acquires, or obtains the right to acquire, 10 percent or more of the outstanding shares of common stock or commences a tender or exchange offer that would result in acquiring 10 percent or more of the outstanding shares of common stock, either event occurring without the prior consent of the company. Each Right entitles its holder to purchase stock having a value equal to two times the exercise price of the Right. The person or group who had acquired 10 percent or more of the outstanding shares of common stock without the prior consent of the company would not be entitled to this purchase opportunity.

The Rights will expire in November 1998, or they may be redeemed by the company at 5 cents per share prior to that date. The Rights do not have voting or dividend rights and, until they become exercisable, have no dilutive effect on the earnings of the company. Twenty million shares of the company's preferred stock have been designated Series A participating preferred stock and reserved for issuance upon exercise of the Rights.

No event during 1995 made the Rights exercisable.

NOTE 6. FINANCIAL AND DERIVATIVE INSTRUMENTS

OFF-BALANCE-SHEET RISK The company utilizes a variety of derivative instruments, both financial and commodity based, as hedges to manage a small portion of its exposure to price volatility stemming from its integrated petroleum activities. Relatively straightforward and involving little complexity, these instruments consist mainly of crude oil and natural gas futures contracts traded on the New York Mercantile Exchange and the International Petroleum Exchange, and natural gas swap contracts, entered into principally with major financial institutions. The futures contracts hedge anticipated crude oil and natural gas purchases and sales, generally forecasted to occur within a 60-day period. Natural gas swaps are primarily used to hedge firmly committed sales, and the terms of the swap contracts held have an average maturity of 20 months. Gains and losses on these derivative instruments offset and are recognized concurrently with gains and losses from the underlying commodities. In addition, the company in 1995 entered into a managed program utilizing natural gas contracts to take advantage of perceived opportunities for favorable price movements in this commodity. The results of this program are reflected currently in income and were not material in 1995.

The company enters into forward exchange contracts, generally with terms of 90 days or less, as a hedge against some of its foreign currency exposures, primarily anticipated purchase transactions forecasted to occur within 90 days.

The company enters into interest rate swaps as part of its overall strategy to manage the interest rate risk on its debt. Under the terms of the swaps, net cash settlements, based on the difference between fixed-rate and floating-rate interest amounts calculated by reference to agreed notional principal amounts, are made either semiannually or annually, and are recorded monthly as "Interest and debt expense." At December 31, 1995, the seven contracts have remaining terms of between one and ten years.

CONCENTRATIONS OF CREDIT RISK The company's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash equivalents, marketable securities, derivative financial instruments and trade receivables.

The company's short-term investments are placed with various foreign governments and a wide array of financial institutions with high credit ratings. This diversified investment policy limits the company's exposure both to credit risk and to concentration of credit risk. Similar standards of diversity and creditworthiness are applied to the company's counterparties in derivative instruments.

The trade receivable balances, reflecting the company's diversified sources of revenue, are dispersed among the company's broad customer base worldwide. As a consequence, concentrations of credit risk are limited. The company routinely assesses the financial strength of its customers. Letters of credit are the principal security obtained to support lines of credit or negotiated contracts when the financial strength of a customer is not considered sufficient.

FAIR VALUE Fair values are derived either from quoted market prices where available or, in their absence, the present value of the expected cash flows. The fair values reflect the cash that would have been received or paid if the instruments were settled at year-end. At December 31, 1995 and 1994, the fair values of the financial and derivative instruments were as follows:

Long-term debt of \$2,333 and \$2,155 had estimated fair values of \$2,492 and \$2,127.

The notional principal amounts of the interest rate swaps totaled \$1,223 and \$850, with approximate fair values totaling \$(26) and \$33. The notional amounts of these and other derivative instruments do not represent assets or liabilities of the company but, rather, are the basis for the settlements under the contract terms.

The company holds cash equivalents and U.S. dollar marketable securities in domestic and offshore portfolios. Eurodollar bonds and floating-rate notes are the primary instruments held. Cash equivalents and marketable securities had fair values of \$1,219 and \$1,178. Of these balances, \$446 and \$285 classified as cash equivalents had average maturities under 90 days, while the remainder, classified as marketable securities, had average maturities of one year and four years.

For other derivatives the contract or notional values for 1995 and 1994 were as follows: Crude oil and natural gas futures had contract values of \$57 and \$68. Forward exchange contracts had contract values of \$102 and \$60. The fair values for these derivative instruments approximated their contract values. Gas swap contracts, based on notional gas volumes of approximately 180 and 149 billion cubic feet, had negative fair values totaling \$(33) and \$(38). Deferred gains and losses that have been accrued on the Consolidated Balance Sheet are not material.

NOTE 7. SUMMARIZED FINANCIAL DATA – CHEVRON U.S.A.

INC. At December 31, 1995, Chevron U.S.A. Inc. was Chevron Corporation's principal operating company, consisting primarily of the company's U.S. integrated petroleum operations (excluding most of the domestic pipeline operations). These

NOTE 7. SUMMARIZED FINANCIAL DATA – CHEVRON U.S.A. INC.— *Continued*

operations are conducted by three divisions: Chevron U.S.A. Production Company, Chevron Products Company (formerly Chevron U.S.A. Products Company) and Warren Petroleum Company. Summarized financial information for Chevron U.S.A. Inc. and its consolidated subsidiaries is presented below:

	Year ended December 31		
	1995*	1994	1993
Sales and other operating revenues	\$24,392	\$25,833	\$28,092
Total costs and other deductions	25,177	25,367	27,588
Net (loss) income	(384)	501	325

*1995 NET INCOME INCLUDES \$(490) FOR THE COMPANY'S ADOPTION OF SFAS 121.

	At December 31	
	1995	1994
Current assets	\$ 3,426	\$ 3,341
Other assets	13,666	14,136
Current liabilities	5,800	6,347
Other liabilities	5,357	5,599
Net equity	5,935	5,531

The company announced in January 1996 that it had entered into exclusive negotiations with NGC Corporation to merge certain gas gathering, processing and marketing operations of Chevron U.S.A. Production Company's Natural Gas Business Unit and Warren Petroleum Company with those of NGC Corporation. The merger is expected to be completed in the second quarter of 1996, following which the company will have an approximate 28 percent ownership interest in the resulting company.

NOTE 8. LITIGATION The company is a defendant in numerous lawsuits, including an action brought against the company by OXY U.S.A. in an Oklahoma state court. Plaintiffs may seek to recover large and sometimes unspecified amounts, and some matters may remain unresolved for several years. It is not practical to estimate a range of possible loss for the company's litigation matters, and losses could be material with respect to earnings in any given period. However, management is of the opinion that resolution of the lawsuits will not result in any significant liability to the company in relation to its consolidated financial position or liquidity.

OXY U.S.A. has brought a lawsuit in its capacity as successor in interest to Cities Services Company, which involves claims for damages resulting from the allegedly improper termination of a tender offer to purchase Cities' stock in 1982 made by Gulf Oil Corporation, acquired by Chevron in 1984. A trial with respect to the claims is expected to begin in 1996.

NOTE 9. SUMMARIZED FINANCIAL DATA – CHEVRON TRANSPORT CORPORATION Chevron Transport Corporation (CTC), a Liberian corporation, is an indirect, wholly owned subsidiary of Chevron Corporation. CTC is the principal operator of Chevron's international tanker fleet and is engaged in the marine transportation of oil and refined petroleum products. Most of CTC's shipping revenue is derived by providing transportation services to other Chevron companies. Chevron

Corporation has guaranteed this subsidiary's obligations in connection with certain debt securities where CTC is deemed to be an issuer. In accordance with the Securities and Exchange Commission's disclosure requirements, summarized financial information for CTC and its consolidated subsidiaries is presented below. This information was derived from the financial statements prepared on a stand-alone basis in conformity with generally accepted accounting principles.

Separate financial statements and other disclosures with respect to CTC are omitted as such separate financial statements and other disclosures are not material to investors in the debt securities deemed issued by CTC. There were no restrictions on CTC's ability to pay dividends or make loans or advances at December 31, 1995.

	Year ended December 31		
	1995	1994	1993*
Sales and other operating revenues	\$462	\$440	\$543
Total costs and other deductions	477	504	553
Loss before cumulative effect of changes in accounting principles	(23)	(58)	(3)
Cumulative effect of changes in accounting principles	—	—	(15)
Net loss	(23)	(58)	(18)

*1993 INCLUDES THE CUMULATIVE EFFECT OF CTC'S ADOPTION OF STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 109, "ACCOUNTING FOR INCOME TAXES," WHICH FOR PURPOSES OF THE CHEVRON CORPORATION CONSOLIDATED FINANCIAL STATEMENTS WAS ADOPTED IN 1992.

	At December 31	
	1995	1994
Current assets	\$ 37	\$ 75
Other assets	1,561	851
Current liabilities	459	404
Other liabilities	431	208
Net equity	708	314

NOTE 10. GEOGRAPHIC AND SEGMENT DATA The geographic and segment distributions of the company's identifiable assets, operating income and sales and other operating revenues are summarized in the following tables:

	At December 31		
	1995	1994	1993
IDENTIFIABLE ASSETS			
United States			
Petroleum	\$14,521	\$15,540	\$16,443
Chemicals	2,115	1,992	2,045
Coal and Other Minerals	503	592	744
Total United States	17,139	18,124	19,232
International			
Petroleum	13,392	12,493	12,202
Chemicals	409	411	412
Coal and Other Minerals	28	45	13
Total International	13,829	12,949	12,627
TOTAL IDENTIFIABLE ASSETS	30,968	31,073	31,859
Corporate and Other	3,362	3,334	2,877
TOTAL ASSETS	\$34,330	\$34,407	\$34,736

Notes to Consolidated Financial Statements

Millions of dollars

NOTE 10. GEOGRAPHIC AND SEGMENT DATA – Continued

	Year ended December 31		
	1995	1994	1993
OPERATING INCOME			
United States			
Petroleum	\$ (64)	\$ 831	\$ 692
Chemicals	689	241	162
Coal and Other Minerals	(42)	60	59
Total United States	583	1,132	913
International			
Petroleum	2,074	1,672	1,772
Chemicals	96	81	63
Coal and Other Minerals	3	79	(3)
Total International	2,173	1,832	1,832
TOTAL OPERATING INCOME	2,756	2,964	2,745
Corporate and Other	(967)	(161)	(319)
Income Tax Expense	(859)	(1,110)	(1,161)
NET INCOME	\$ 930	\$ 1,693	\$ 1,265

Operating income in 1995 included asset impairment writedowns of \$1,017 in connection with the adoption of SFAS 121, as follows: U.S. Petroleum – \$754; U.S. Chemicals – \$20; U.S. Coal and Other Minerals – \$97; International Petroleum – \$127; and Corporate and Other – \$19.

Beginning January 1, 1994, the company no longer distributes certain corporate expenses to its business segments. Prior to 1994, these expenses were allocated on the basis of each segment's identifiable assets (including an allocation to "Corporate and Other"). Starting in 1994, segments are billed for direct corporate services; unbilled corporate expenses are included in "Corporate and Other." The company believes this better reflects the current organizational and management structure of its business units and corporate departments.

As a result of the change, "Corporate and Other" in 1995 and 1994 included \$277 and \$232, respectively, of before-tax expenses that, under the previous method, would have reduced segment operating income. There was no change in the net income of the company. Also in connection with the change, the company no longer allocates certain corporate identifiable assets to the business segments. At December 31, 1995 and 1994, "Corporate and Other" included \$1,349 and \$1,259 of identifiable assets that in previous years would have been included in the identifiable assets of the business segments.

These changes resulted in an increase to 1995 and 1994 U.S. Petroleum operating income of \$121 and \$101, and for international petroleum \$132 and \$111, respectively. Identifiable assets at December 31, 1995 and 1994, for U.S. Petroleum were reduced \$632 and \$630, and for International Petroleum, \$583 and \$506, respectively. The effect of these changes on 1995 and 1994 operating income and year-end 1995 and 1994 identifiable assets of the company's other segments and geographic areas was not material.

Identifiable assets for the business segments include all assets associated with operations in the indicated geographic areas, including investments in affiliates.

	Year ended December 31		
	1995	1994	1993
SALES AND OTHER			
OPERATING REVENUES			
United States			
Petroleum—Refined products	\$10,677	\$11,690	\$13,169
—Crude oil	3,850	3,466	4,086
—Natural gas	1,604	1,755	1,776
—Natural gas liquids	1,130	1,072	1,098
—Other petroleum revenues	717	637	682
—Excise taxes	2,999	2,977	2,554
—Intersegment	676	977	924
Total Petroleum	21,653	22,574	24,289
Chemicals—Products	3,157	2,528	2,211
—Intersegment	175	273	248
Total Chemicals	3,332	2,801	2,459
Coal and Other Minerals	350	415	447
Total United States	25,335	25,790	27,195
International			
Petroleum—Refined products	2,794	2,638	2,920
—Crude oil	5,526	4,783	4,415
—Natural gas	415	383	380
—Natural gas liquids	155	108	137
—Other petroleum revenues	429	307	285
—Excise taxes	1,977	1,797	1,499
—Intersegment	—	(2)	1
Total Petroleum	11,296	10,014	9,637
Chemicals—Products	600	537	497
—Excise taxes	12	16	15
—Intersegment	9	8	6
Total Chemicals	621	561	518
Coal and Other Minerals	7	1	—
Total International	11,924	10,576	10,155
Intersegment sales elimination	(860)	(1,256)	(1,179)
Corporate and Other	(89)	20	20
TOTAL SALES AND OTHER			
OPERATING REVENUES	\$36,310	\$35,130	\$36,191
Memo: Intergeographic Sales			
United States	\$ 565	\$ 512	\$ 266
International	1,077	1,803	4,418

Sales and other operating revenues for the petroleum segments are derived from the production and sale of crude oil, natural gas and natural gas liquids, and from the refining and marketing of petroleum products. The company also obtains revenues from the transportation and trading of crude oil and refined products. Chemicals revenues result primarily from the sale of petrochemicals, plastic resins, and lube oil and fuel additives. Coal and other minerals revenues relate primarily to coal sales. During 1994, the company essentially completed its withdrawal from non-coal minerals activities. The company's real estate and insurance operations and worldwide cash management and financing activities are in "Corporate and Other."

Sales and other operating revenues in the above table include both sales to unaffiliated customers and sales from the transfer of products between segments. Sales from the transfer of products between segments and geographic areas are generally at estimated market prices. Transfers between geographic areas are presented as memo items below the table.

NOTE 10. GEOGRAPHIC AND SEGMENT DATA – Continued

Equity in earnings of affiliated companies has been associated with the segments in which the affiliates operate. Sales to the Caltex Group are included in the “International Petroleum” segment. Information on the Caltex and Tengizchevroil affiliates is presented in Note 12. Other affiliates are either not material or not vertically integrated with a segment’s operations.

NOTE 11. LEASE COMMITMENTS Certain non-cancelable leases are classified as capital leases, and the leased assets are included as part of “Properties, plant and equipment.” Other leases are classified as operating leases and are not capitalized. Details of the capitalized leased assets are as follows:

	At December 31	
	1995	1994
Petroleum		
Exploration and Production	\$ 46	\$ 45
Refining, Marketing and Transportation	833	618
	879	663
Less: accumulated amortization	403	398
Net capitalized leased assets	\$476	\$265

At December 31, 1995, the future minimum lease payments under operating and capital leases are as follows:

	At December 31	
Year	Operating Leases	Capital Leases
1996	\$142	\$ 90
1997	130	86
1998	106	84
1999	96	75
2000	93	65
Thereafter	131	885
Total	\$698	1,285
Less: amounts representing interest and executory costs		(582)
Net present values		703
Less: capital lease obligations included in short-term debt		(315)
Long-term capital lease obligations		\$388
Future sublease rental income	\$ 37	\$ —

Rental expenses incurred for operating leases during 1995, 1994 and 1993 were as follows:

	Year ended December 31		
	1995	1994	1993
Minimum rentals	\$403	\$410	\$452
Contingent rentals	9	7	9
Total	412	417	461
Less: sublease rental income	14	14	15
Net rental expense	\$398	\$403	\$446

Contingent rentals are based on factors other than the passage of time, principally sales volumes at leased service stations. Certain leases include escalation clauses for adjusting rentals to reflect changes in price indices, renewal options ranging from one to 25 years and/or options to purchase the

leased property during or at the end of the initial lease period for the fair market value at that time.

NOTE 12. INVESTMENTS AND ADVANCES Investments in and advances to companies accounted for using the equity method, and other investments accounted for at or below cost, are as follows:

	At December 31	
	1995	1994
Equity method affiliates		
Caltex Group		
Exploration and Production	\$ 446	\$ 496
Refining, Marketing and Transportation	2,032	1,866
Total Caltex Group	2,478	2,362
Tengizchevroil	1,153	1,153
Other affiliates	293	346
	3,924	3,861
Other, at or below cost	163	130
Total investments and advances	\$4,087	\$3,991

Chevron owns 50 percent each of P.T. Caltex Pacific Indonesia, an exploration and production company operating in Indonesia; Caltex Petroleum Corporation, which, through its subsidiaries and affiliates, conducts refining and marketing activities in Asia, Africa, Australia and New Zealand; and American Overseas Petroleum Limited, which, through its subsidiary, manages certain of the company’s exploration and production operations in Indonesia. These companies and their subsidiaries and affiliates are collectively called the Caltex Group.

Tengizchevroil (TCO) is a 50-percent owned joint venture formed in 1993 with the Republic of Kazakhstan to develop the Tengiz and Korolev oil fields over a 40-year period. The investment in TCO at December 31, 1995 and 1994, included a deferred payment portion of \$461 and \$466, respectively, \$420 of which is payable to the Republic of Kazakhstan upon the attainment of a dedicated export system with the capability of the greater of 260,000 barrels of oil per day or TCO’s production capacity. This portion of the investment was recorded upon formation of the venture as the company believed at the time, and continues to believe, that its payment is beyond a reasonable doubt given the original intent and continuing commitment of both parties to realizing the full potential of the venture over its 40-year life.

Equity in earnings of companies accounted for by the equity method, together with dividends and similar distributions received from equity method companies for the years 1995, 1994 and 1993 are as follows:

	Year ended December 31					
	Equity in Earnings			Dividends		
	1995	1994	1993	1995	1994	1993
Caltex Group						
Exploration and Production	\$156	\$140	\$134			
Refining, Marketing and Transportation	294	210	227			
Total Caltex Group	450	350	361	\$305	\$239	\$172
Tengizchevroil	1	(10)	(1)	—	—	—
Other affiliates	102	100	80	116	146	95
Total	\$553	\$440	\$440	\$421	\$385	\$267

Notes to Consolidated Financial Statements

Millions of dollars

NOTE 12. INVESTMENTS AND ADVANCES – Continued

The company's transactions with affiliated companies, primarily for the purchase of Indonesian crude oil from P.T. Caltex Pacific Indonesia and the sale of crude oil and products to Caltex Petroleum Corporation's refining and marketing companies, are summarized in the adjacent table.

Accounts and notes receivable in the consolidated balance sheet include \$144 and \$135 at December 31, 1995 and 1994, respectively, of amounts due from affiliated companies. Accounts payable include \$37 and \$46 at December 31, 1995 and 1994, respectively, of amounts due to affiliated companies.

	Year ended December 31		
	1995	1994	1993
Sales to Caltex Group	\$1,330	\$1,166	\$1,739
Sales to other affiliates	10	7	5
Total sales to affiliates	\$1,340	\$1,173	\$1,744
Purchases from Caltex Group	\$ 934	\$ 800	\$ 842
Purchases from other affiliates	40	52	101
Total purchases from affiliates	\$ 974	\$ 852	\$ 943

The following tables summarize the combined financial information for the Caltex Group and all of the other equity method companies together with Chevron's share. Amounts shown for the affiliates are 100 percent.

	Caltex Group			Other Affiliates			Chevron's Share		
Year ended December 31	1995	1994	1993	1995	1994	1993	1995	1994	1993
Sales and other operating revenues	\$15,067	\$14,751	\$15,409	\$2,594	\$2,237	\$1,972	\$8,549	\$8,176	\$8,229
Total costs and other deductions	14,130	13,860	14,392	2,194	1,815	1,542	7,741	7,500	7,633
Net income	899	689	720	315	357	374	553	440	440

	Caltex Group			Other Affiliates			Chevron's Share		
At December 31	1995	1994	1993	1995	1994	1993	1995	1994	1993
Current assets	\$ 2,323	\$ 2,421	\$ 2,123	\$ 877	\$ 913	\$ 766	\$1,527	\$1,446	\$1,256
Other assets	7,794	7,389	6,266	3,888	4,216	3,871	5,414	5,396	4,731
Current liabilities	3,223	3,072	2,411	413	543	471	1,863	1,617	1,332
Other liabilities	1,935	2,005	1,683	3,341	3,225	2,620	1,154	1,364	1,155
Net equity	4,959	4,733	4,295	1,011	1,361	1,546	3,924	3,861	3,500

NOTE 13. PROPERTIES, PLANT AND EQUIPMENT

	At December 31						Year ended December 31					
	Gross Investment at Cost			Net Investment			Additions at Cost ¹			Depreciation Expense		
	1995	1994	1993	1995	1994	1993	1995	1994	1993	1995	1994	1993
UNITED STATES												
Petroleum												
Exploration and Production	\$18,209	\$17,980	\$17,608	\$ 5,010	\$ 5,900	\$ 6,189	\$ 776	\$ 675	\$ 663	\$1,577	\$ 983	\$1,064
Refining and Marketing	11,136	11,442	10,693	6,520	6,524	6,187	887	899	960	564	460	460
Chemicals	2,075	1,915	1,899	1,233	1,150	1,225	168	89	174	162	131	124
Coal and Other Minerals	857	869	848	359	461	488	33	30	32	135	54	54
Total United States	32,277	32,206	31,048	13,122	14,035	14,089	1,864	1,693	1,829	2,438	1,628	1,702
INTERNATIONAL												
Petroleum												
Exploration and Production	10,951	9,661	8,729	5,463	4,800	4,353	1,421	1,051	1,014	712	578	519
Refining and Marketing	2,459	2,482	2,385	1,674	1,743	1,686	335	218	219	116	114	106
Chemicals	354	330	313	146	143	148	26	25	24	24	27	25
Coal and Other Minerals	22	21	12	19	19	10	—	12	3	1	—	—
Total International	13,786	12,494	11,439	7,302	6,705	6,197	1,782	1,306	1,260	853	719	650
Corporate and Other ²	1,968	2,110	2,320	1,272	1,433	1,579	203	125	96	90	84	100
TOTAL	\$48,031	\$46,810	\$44,807	\$21,696	\$22,173	\$21,865	\$3,849	\$3,124	\$3,185	\$3,381	\$2,431	\$2,452

¹ NET OF DRY HOLE EXPENSE RELATED TO PRIOR YEARS' EXPENDITURES OF \$19, \$53 AND \$29 IN 1995, 1994 AND 1993, RESPECTIVELY.

² INCLUDES PRIMARILY REAL ESTATE AND MANAGEMENT INFORMATION SYSTEMS.

Expenses for maintenance and repairs were \$833, \$928 and \$875 in 1995, 1994 and 1993, respectively.

NOTE 14. TAXES

	Year ended December 31		
	1995	1994	1993
Taxes other than on income			
United States			
Excise taxes on products and merchandise	\$2,999	\$2,978	\$2,554
Property and other miscellaneous taxes	341	395	401
Payroll taxes	127	112	122
Taxes on production	105	102	135
Total United States	3,572	3,587	3,212
International			
Excise taxes on products and merchandise	1,989	1,812	1,514
Property and other miscellaneous taxes	146	127	134
Payroll taxes	30	19	19
Taxes on production	11	14	7
Total International	2,176	1,972	1,674
Total taxes other than on income	\$5,748	\$5,559	\$4,886

	Year ended December 31		
	1995	1994	1993
Taxes on income			
U.S. federal			
Current	\$ 152	\$ 175	\$ 394
Deferred	(289)	43	(241)
Deferred – Adjustment for enacted changes in tax laws/rates	—	—	54
State and local	29	10	63
Total United States	(108)	228	270
International			
Current	937	815	864
Deferred	14	67	48
Deferred – Adjustment for enacted changes in tax laws/rates	16	—	(21)
Total International	967	882	891
Total taxes on income	\$ 859	\$1,110	\$1,161

U.S. federal income tax expense was reduced by \$68, \$60 and \$57 in 1995, 1994 and 1993, respectively, for low-income housing and other business tax credits.

In 1995, before-tax (loss) income for U.S. operations was \$(331) compared with \$1,194 in 1994 and \$687 in 1993. Before-tax income for international operations was \$2,120, \$1,609 and \$1,739 in 1995, 1994 and 1993, respectively.

The deferred income tax provisions included benefits (costs) of \$75, \$(475) and \$98 related to properties, plant and equipment in 1995, 1994 and 1993, respectively. Benefits were recorded in 1995 of \$358 related to the impairment of long-lived assets and \$91 related to the provision for the expected loss from exiting the real estate development business. U.S. benefits were recorded in 1993 related to the U.S. refining and marketing restructuring provision.

The company's effective income tax rate varied from the U.S. statutory federal income tax rate because of the following:

	Year ended December 31		
	1995	1994	1993
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Effects of income taxes on international operations in excess of taxes at the U.S. statutory rate	26.2	18.5	15.6
Effects of asset dispositions	(0.1)	—	(0.6)
State and local taxes on income, net of U.S. federal income tax benefit	0.9	0.2	2.2
Prior-year tax adjustments	0.3	(4.4)	3.0
Effects of enacted changes in tax laws/rates on deferred tax liabilities	0.9	—	1.3
Tax credits	(3.8)	(2.1)	(2.4)
All others	(2.6)	(3.2)	(0.9)
Consolidated companies	56.8	44.0	53.2
Effect of recording equity in income of certain affiliated companies on an after-tax basis	(8.8)	(4.4)	(5.3)
Effective tax rate	48.0%	39.6%	47.9%

The company records its deferred taxes on a tax jurisdiction basis and classifies those net amounts as current or non-current based on the balance sheet classification of the related assets or liabilities.

At December 31, 1995 and 1994, deferred taxes were classified in the Consolidated Balance Sheet, as follows:

	At December 31	
	1995	1994
Prepaid expenses and other current assets	\$ (139)	\$ (112)
Deferred charges and other assets	(138)	(148)
Federal and other taxes on income	11	18
Non-current deferred income taxes	2,433	2,674
Total deferred income taxes, net	\$2,167	\$2,432

The reported deferred tax balances are composed of the following deferred tax liabilities (assets):

	At December 31	
	1995	1994
Properties, plant and equipment	\$4,442	\$4,451
Inventory	182	240
Miscellaneous	277	254
Deferred tax liabilities	4,901	4,945
Abandonment/environmental reserves	(1,169)	(1,066)
Employee benefits	(567)	(564)
AMT/other tax credits	(816)	(711)
Other accrued liabilities	(240)	(299)
Miscellaneous	(649)	(523)
Deferred tax assets	(3,441)	(3,163)
Deferred tax assets valuation allowance	707	650
Total deferred taxes, net	\$2,167	\$2,432

It is the company's policy for subsidiaries included in the U.S. consolidated tax return to record income tax expense as though they filed separately, with the parent recording the adjustment to income tax expense for the effects of consolidation.

Undistributed earnings of international consolidated subsidiaries and affiliates for which no deferred income tax provision has been made for possible future remittances totaled

Notes to Consolidated Financial Statements

Millions of dollars

NOTE 14. TAXES – Continued

approximately \$3,712 at December 31, 1995. Substantially all of this amount represents earnings reinvested as part of the company's ongoing business. It is not practical to estimate the amount of taxes that might be payable on the eventual remittance of such earnings. On remittance, certain countries impose withholding taxes that, subject to certain limitations, are then available for use as tax credits against a U.S. tax liability, if any. The company estimates withholding taxes of approximately \$207 would be payable upon remittance of these earnings.

NOTE 15. SHORT-TERM DEBT

	At December 31	
	1995	1994
Commercial paper ¹	\$4,808	\$5,036
Current maturities of long-term debt	143	134
Current maturities of long-term capital leases	42	33
Redeemable long-term obligations		
Long-term debt	315	315
Capital leases	273	273
Notes payable	25	23
Subtotal ²	5,606	5,814
Reclassified to long-term debt	(1,800)	(1,800)
Total short-term debt	\$3,806	\$4,014

¹WEIGHTED AVERAGE INTEREST RATES AT DECEMBER 31, 1995 AND 1994, WERE 6.0% AND 6.0%, RESPECTIVELY, INCLUDING THE EFFECT OF INTEREST RATE SWAPS.

²WEIGHTED AVERAGE INTEREST RATES AT DECEMBER 31, 1995 AND 1994, WERE 5.9% AND 5.9%, RESPECTIVELY, INCLUDING THE EFFECT OF INTEREST RATE SWAPS.

Redeemable long-term obligations consist primarily of tax-exempt variable-rate put bonds that are included as current liabilities because they become redeemable at the option of the bondholders during the year following the balance sheet date.

The company has entered into interest rate swaps on a portion of its short-term debt. At December 31, 1995 and 1994, the company agreed to swap notional amounts of \$1,050 and \$700, respectively, of floating rate debt for fixed rates. The effect of these swaps on the company's interest expense was not material.

NOTE 16. LONG-TERM DEBT Chevron and one of its wholly owned subsidiaries each have "shelf" registrations on file with the Securities and Exchange Commission (SEC) that together would permit the issuance of \$1,300 of debt securities pursuant to Rule 415 of the Securities Act of 1933.

At year-end 1995, the company had \$4,425 of committed credit facilities with banks worldwide, \$1,800 of which had termination dates beyond one year. The facilities support the company's commercial paper borrowings. Interest on any borrowings under the agreements is based on either the London Interbank Offered Rate or the Reserve Adjusted Domestic Certificate of Deposit Rate. No amounts were outstanding under these credit agreements during the year nor at year-end.

At both December 31, 1995 and 1994, the company classified \$1,800 of short-term debt as long-term. Settlement of these obligations is not expected to require the use of working capital in 1996, as the company has both the intent and ability to refinance this debt on a long-term basis.

	At December 31	
	1995	1994
8.11% amortizing notes due 2004 ¹	\$ 750	\$ 750
7.45% notes due 2004	348	348
9.375% sinking-fund debentures due 2016	278	278
5.6% notes due 1998	190	190
9.75% sinking-fund debentures due 2017	180	180
4.625% 200 million Swiss franc issue due 1997 ²	173	152
7.61% notes due 2003	160	—
7.10% serial notes due 1996–1997 ^{1,3}	100	150
6.92% notes due 2005	51	—
Other long-term obligations (7.11%) ³		
(less than \$50 individually)	166	183
Other foreign currency obligations (4.6%) ³	80	58
Total including debt due within one year	2,476	2,289
Debt due within one year	(143)	(134)
Reclassified from short-term debt (6.0%) ³	1,800	1,800
Total long-term debt	\$4,133	\$3,955

¹GUARANTEE OF ESOP DEBT.

²AN INTEREST RATE SWAP EFFECTIVELY CHANGED THE FIXED INTEREST RATE TO A FLOATING RATE, WHICH WAS 2.24% AND 4.25% AT YEAR-END 1995 AND 1994.

³WEIGHTED AVERAGE INTEREST RATES AT DECEMBER 31, 1995.

Consolidated long-term debt maturing in each of the five years after December 31, 1995, is as follows: 1996–\$143, 1997–\$291, 1998–\$301, 1999–\$124 and 2000–\$121.

NOTE 17. EMPLOYEE BENEFIT PLANS

PENSION PLANS The company has defined benefit pension plans for most employees. The principal plans provide for automatic membership on a non-contributory basis. The retirement benefits provided by these plans are based primarily on years of service and on average career earnings or the highest consecutive three years' average earnings. The company's policy is to fund at least the minimum necessary to satisfy requirements of the Employee Retirement Income Security Act.

The net pension (credit) expense for all of the company's pension plans for the years 1995, 1994 and 1993 consisted of:

	1995	1994	1993
Cost of benefits earned during the year	\$ 99	\$ 97	\$ 103
Interest cost on projected benefit obligations	273	263	276
Actual return on plan assets	(728)	(62)	(472)
Net amortization and deferral	342	(294)	101
Net pension (credit) expense	\$ (14)	\$ 4	\$ 8

Settlement gains in 1995 and 1994, related to lump-sum payments, totaled \$7 and \$17, respectively. In 1993, the company recognized a net settlement loss of \$63 and a curtailment loss of \$4 reflecting the termination of a former Gulf pension plan and lump-sum payments from other company pension plans.

At December 31, 1995 and 1994, the weighted average discount rates, and long-term rates for compensation increases used for estimating the benefit obligations and the expected rates of return on plan assets were as follows:

	1995	1994
Assumed discount rates	7.4%	8.8%
Assumed rates for compensation increases	5.1%	5.1%
Expected return on plan assets	9.1%	10.1%

NOTE 17. EMPLOYEE BENEFIT PLANS – *Continued*

The pension plans' assets consist primarily of common stocks, bonds, cash equivalents and interests in real estate investment funds. The funded status for the company's combined plans at December 31, 1995 and 1994, was as follows:

	Plans with Assets in Excess of Accumulated Benefits		Plans with Accumulated Benefits in Excess of Plan Assets	
At December 31	1995	1994	1995	1994
Actuarial present value of:				
Vested benefit obligations	\$(2,961)	\$(2,596)	\$(218)	\$(186)
Accumulated benefit obligations	\$(3,085)	\$(2,680)	\$(230)	\$(194)
Projected benefit obligations	\$(3,557)	\$(3,053)	\$(259)	\$(222)
Plan assets at fair values	4,020	3,626	13	—
Plan assets greater (less) than projected benefit obligations	463	573	(246)	(222)
Unrecognized net transition (assets) liabilities	(240)	(294)	15	18
Unrecognized net (gains) losses	(29)	(178)	65	54
Unrecognized prior-service costs	94	113	9	6
Minimum liability adjustment	—	—	(75)	(80)
Net pension cost prepaid (accrued)	\$ 288	\$ 214	\$(232)	\$(224)

The net transition assets and liabilities generally are being amortized by the straight-line method over 15 years.

PROFIT SHARING/SAVINGS PLAN AND SAVINGS PLUS PLAN

Eligible employees of the company and certain of its subsidiaries who have completed one year of service may participate in the Profit Sharing /Savings Plan and the Savings Plus Plan.

Charges to expense for the profit sharing part of the Profit Sharing/Savings Plan and the Savings Plus Plan were \$99, \$75 and \$95 in 1995, 1994 and 1993, respectively.

EMPLOYEE STOCK OWNERSHIP PLAN (ESOP) In December 1989, the company established an ESOP as part of the Profit Sharing/Savings Plan. The ESOP Trust Fund borrowed \$1,000 and purchased 28.2 million previously unissued shares of the company's common stock. The ESOP provides a partial pre-funding of the company's future commitments to the profit sharing part of the plan, which will result in annual income tax savings for the company. The ESOP is expected to satisfy most of the company's obligations to the profit sharing part of the plan during the next nine years.

As allowed by AICPA Statement of Position (SOP) 93-6, the company has elected to continue its practices, which are based on SOP 76-3 and subsequent consensuses of the Emerging Issues Task Force of the Financial Accounting Standards Board. Accordingly, the debt of the ESOP is recorded as debt, and shares pledged as collateral are reported as deferred compensation in the Consolidated Balance Sheet and Statement of Stockholders' Equity. The company reports compensation

expense equal to the ESOP debt principal repayments less dividends received by the ESOP. Interest incurred on the ESOP debt is recorded as interest expense. Dividends paid on ESOP shares are reflected as a reduction of retained earnings. All ESOP shares are considered outstanding for earnings-per-share computations.

The company recorded expense for the ESOP of \$67, \$42 and \$60 in 1995, 1994 and 1993, respectively, including \$68, \$71 and \$74 of interest expense related to the ESOP debt. All dividends paid on the shares held by the ESOP are used to service the ESOP debt. The dividends used were \$50, \$50 and \$47 in 1995, 1994 and 1993, respectively.

The company made contributions to the ESOP of \$69, \$63 and \$57 in 1995, 1994 and 1993, respectively, to satisfy ESOP debt service in excess of dividends received by the ESOP. The ESOP shares were pledged as collateral for its debt. Shares are released from a suspense account and allocated to profit sharing accounts of plan participants, based on the debt service deemed to be paid in the year in proportion to the total of current year and remaining debt service. Compensation expense was \$(1), \$(10) and \$(17) in 1995, 1994 and 1993, respectively. The ESOP shares as of December 31 were as follows:

Thousands	1995	1994
Allocated shares	7,223	5,969
Unallocated shares	19,490	21,208
Total ESOP shares	26,713	27,177

BROAD-BASED EMPLOYEE STOCK OPTIONS In 1996, the company granted to all eligible employees 150 stock options or equivalents that become exercisable if, within three years, the price of Chevron stock reaches \$75 or the company has the highest annual total stockholder return of its competitor group for the years 1994–1998.

MANAGEMENT INCENTIVE PLANS The company has two incentive plans, the Management Incentive Plan (MIP) and the Long-Term Incentive Plan (LTIP) for officers and other regular salaried employees of the company and its subsidiaries who hold positions of significant responsibility. The MIP makes outright distributions of cash for services rendered or deferred awards in the form of stock units, or beginning with awards deferred in 1996, stock units or other investment fund alternatives. Awards under LTIP may take the form of, but are not limited to, stock options, restricted stock, stock units and non-stock grants. Stock options become exercisable not earlier than one year and not later than 10 years from the date of grant. In addition, in 1996 a portion of the LTIP options granted had terms similar to the broad-based employee stock options discussed above.

The maximum number of shares of common stock that may be granted each year is one percent of the total outstanding shares of common stock as of January 1 of such year. As of December 31, 1995, 7,074,852 shares were under option at exercise prices ranging from \$31.9375 to \$48.375 per share. Stock option transactions for 1995 and 1994 were as follows:

Notes to Consolidated Financial Statements

Millions of dollars

NOTE 17. EMPLOYEE BENEFIT PLANS – Continued

Thousands of shares	At December 31	
	1995	1994
Outstanding at January 1	5,845	4,303
Granted	1,806	1,770
Exercised	(498)	(140)
Forfeited	(78)	(88)
Outstanding December 31	7,075	5,845
Exercisable December 31	5,339	4,152

Charges to expense for the combined management incentive plans were \$45, \$31 and \$36 in 1995, 1994 and 1993, respectively.

OTHER BENEFIT PLANS In addition to providing pension benefits, the company makes contributions toward certain health care and life insurance plans for active and qualifying retired employees. Substantially all employees in the United States and in certain international locations may become eligible for coverage under these benefit plans. The company's annual contributions for medical and dental benefits are limited to the lesser of actual medical and dental claims or a defined fixed per-capita amount. Life insurance benefits are paid by the company and annual contributions are based on actual plan experience.

Non-pension postretirement benefits are funded by the company when incurred. A reconciliation of the funded status of these benefit plans is as follows:

	At December 31, 1995			At December 31, 1994		
	Health	Life	Total	Health	Life	Total
Accumulated postretirement benefit obligation (APBO)						
Retirees	\$ (467)	\$(328)	\$(795)	\$(480)	\$(262)	\$(742)
Fully eligible active participants	(144)	(81)	(225)	(120)	(57)	(177)
Other active participants	(211)	(51)	(262)	(190)	(37)	(227)
Total APBO	(822)	(460)	(1,282)	(790)	(356)	(1,146)
Fair value of plan assets	-	-	-	-	-	-
APBO (greater) than plan assets	(822)	(460)	(1,282)	(790)	(356)	(1,146)
Unrecognized net (gain) loss	(179)	25	(154)	(195)	(66)	(261)
Accrued postretirement benefit costs	\$(1,001)	\$(435)	\$(1,436)	\$(985)	\$(422)	\$(1,407)

The company's net postretirement benefits expense was as follows:

	1995			1994			1993		
	Health	Life	Total	Health	Life	Total	Health	Life	Total
Cost of benefits earned during the year	\$15	\$ 3	\$ 18	\$23	\$ 4	\$ 27	\$23	\$ 3	\$ 26
Interest cost on benefit obligation	67	30	97	71	31	102	76	30	106
Net amortization of (gain) loss	(9)	(2)	(11)	-	-	-	-	-	-
Net post-retirement benefits expense	\$73	\$31	\$104	\$94	\$35	\$129	\$99	\$33	\$132

For measurement purposes, separate health care cost-trend rates were utilized for pre-age 65 and post-age 65 retirees. The 1996 annual rates of change were assumed to be (3.7) percent and 1.8 percent, respectively, increasing to 8.3 percent and 7.5 percent in 1997 and gradually decreasing thereafter to the average ultimate rates of 5.6 percent in 2005 for pre-age 65 and 4.5 percent in 2005 for post-age 65. An increase in the assumed health care cost-trend rates of one percent in each year would increase the aggregate of service and interest costs for the year 1995 by \$13 and would increase the December 31, 1995 accumulated postretirement benefit obligation (APBO) by \$113.

At December 31, 1995, the weighted average discount rate was 7.25 percent, and the assumed rate of compensation increase related to the measurement of the life insurance benefit was 5.0 percent.

NOTE 18. OTHER CONTINGENT LIABILITIES AND COMMITMENTS The U.S. federal income tax and California franchise tax liabilities of the company have been settled through 1976 and 1987, respectively. For federal income tax purposes, all issues other than the allocation of state income taxes and the creditability of taxes paid to the government of Indonesia have been resolved through 1987. A Tax Court decision in 1995 confirmed the validity of tax regulations for allocating state income taxes. The company currently is working with the Internal Revenue Service to agree on a methodology that could apply to all years. The Indonesia issue applies only to years after 1982. While the amounts under dispute with the IRS are significant, settlement of open tax matters is not expected to have a material effect on the consolidated net assets or liquidity of the company, and in the opinion of management, adequate provision has been made for income and franchise taxes for all years either under examination or subject to future examination.

At December 31, 1995, the company and its subsidiaries, as direct or indirect guarantors, had contingent liabilities of \$100 for notes of affiliated companies and \$77 for notes of others.

The company and its subsidiaries have certain contingent liabilities with respect to long-term unconditional purchase obligations and commitments, throughput agreements and

NOTE 18. OTHER CONTINGENT LIABILITIES AND COMMITMENTS – *Continued*

take-or-pay agreements, some of which relate to suppliers' financing arrangements. The aggregate amount of required payments under these various commitments are: 1996–\$177; 1997–\$156; 1998–\$140; 1999–\$118; 2000–\$90; 2001 and after–\$509. Total payments under the agreements were \$173 in 1995, \$154 in 1994 and \$142 in 1993.

In March 1992, an agency within the Department of Energy (DOE) issued a Proposed Remedial Order (PRO) claiming Chevron failed to comply with DOE regulations in the course of its participation in the Tertiary Incentive Program. Although the DOE regulations involved were rescinded in March 1981, following decontrol of crude oil prices in January 1981, and the statute authorizing the regulations expired in September 1981, the PRO purports to be for the period April 1980 through April 1990. The DOE claimed the company overrecouped under the regulations by \$125 during the period in question but is currently requesting that the DOE's Office of Hearings and Appeals (OHA) amend the amount to \$167. If the amendment is granted, the total claim, including interest through December 1995, amounts to \$442. The company asserts that in fact it incurred a loss through participation in the DOE program. Evidentiary hearings on the no-benefit argument began in mid-December 1994 and were concluded in March 1995. Oral arguments were held in August 1995 and the company is awaiting a decision by the OHA.

The company is subject to loss contingencies pursuant to environmental laws and regulations that in the future may require the company to take action to correct or ameliorate the effects on the environment of prior disposal or release of chemical or petroleum substances by the company or other parties. Such contingencies may exist for various sites including, but not limited to: Superfund sites and refineries, oil fields, service stations, terminals and land development areas, whether operating, closed or sold. The amount of such future

cost is indeterminable due to such factors as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions that may be required, the determination of the company's liability in proportion to other responsible parties and the extent to which such costs are recoverable from third parties. While the company has provided for known environmental obligations that are probable and reasonably estimable, the amount of future costs may be material to results of operations in the period in which they are recognized. The company does not expect these costs to have a material effect on its consolidated financial position or liquidity. Also, the company does not believe its obligations to make such expenditures has had or will have any significant impact on the company's competitive position relative to other domestic or international petroleum or chemical concerns.

The company's operations, particularly oil and gas exploration and production, can be affected by changing economic, regulatory and political environments in the various countries, including the United States, in which it operates. In certain locations, host governments have imposed restrictions, controls and taxes, and in others, political conditions have existed that may threaten the safety of employees and the company's continued presence in those countries. Internal unrest or strained relations between a host government and the company or other governments may affect the company's operations. Those developments have, at times, significantly affected the company's related operations and results, and are carefully considered by management when evaluating the level of current and future activity in such countries.

Areas in which the company has significant operations include the United States, Canada, Australia, United Kingdom, Congo, Angola, Nigeria, Papua New Guinea, Indonesia, China and Zaire. The company's Caltex affiliates have significant operations in Indonesia, Japan, Korea, Australia, the Philippines, Singapore, Thailand and South Africa. The company's Tengizchevroil affiliate operates in Kazakhstan.

Supplemental Information on Oil and Gas Producing Activities

Unaudited

In accordance with Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities" (SFAS 69), this section provides supplemental information on oil and gas exploration and producing activities of the company in six separate tables. The first three tables provide historical cost information pertaining to costs incurred in exploration, property acquisitions and development; capitalized costs; and results of operations. Tables IV through VI present information on the company's estimated net proved reserve quantities, standardized measure of estimated discounted future net cash flows related to proved reserves, and

changes in estimated discounted future net cash flows. The Africa geographic area includes activities principally in Nigeria, Angola, Zaire and Congo. The "Other" geographic category includes activities in Australia, the United Kingdom North Sea, Canada, Papua New Guinea, China and other countries. Amounts shown for affiliated companies are Chevron's 50 percent equity share in each of P.T. Caltex Pacific Indonesia (CPI), an exploration and production company operating in Indonesia, and Tengizchevroil (TCO), an exploration and production company operating in the Republic of Kazakhstan, which began operations in April 1993.

TABLE I - COSTS INCURRED IN EXPLORATION, PROPERTY ACQUISITIONS AND DEVELOPMENT¹

Millions of dollars	Consolidated Companies				Affiliated Companies		
	U.S.	Africa	Other	Total	CPI	TCO	Worldwide
YEAR ENDED DECEMBER 1995							
Exploration							
Wells	\$256	\$ 63	\$141	\$ 460	\$ 1	\$ -	\$ 461
Geological and geophysical	9	29	37	75	9	-	84
Rentals and other	47	11	64	122	-	-	122
Total exploration	312	103	242	657	10	-	667
Property acquisitions ²							
Proved ³	21	56	-	77	-	-	77
Unproved	31	8	12	51	-	-	51
Total property acquisitions	52	64	12	128	-	-	128
Development	453	640	568	1,661	97	7	1,765
TOTAL COSTS INCURRED	\$817	\$807	\$822	\$2,446	\$107	\$ 7	\$2,560
YEAR ENDED DECEMBER 1994							
Exploration							
Wells	\$ 163	\$ 48	\$ 118	\$ 329	\$ -	\$ -	\$ 329
Geological and geophysical	5	29	38	72	9	-	81
Rentals and other	41	4	71	116	-	-	116
Total exploration	209	81	227	517	9	-	526
Property acquisitions ²							
Proved ³	95	145	4	244	-	-	244
Unproved	28	19	21	68	-	-	68
Total property acquisitions	123	164	25	312	-	-	312
Development	416	276	503	1,195	140	173	1,508
TOTAL COSTS INCURRED	\$ 748	\$ 521	\$ 755	\$ 2,024	\$ 149	\$ 173	\$ 2,346
YEAR ENDED DECEMBER 1993							
Exploration							
Wells	\$ 123	\$ 57	\$ 126	\$ 306	\$ 1	\$ -	\$ 307
Geological and geophysical	12	40	40	92	9	-	101
Rentals and other	48	7	70	125	-	-	125
Total exploration	183	104	236	523	10	-	533
Property acquisitions ²							
Proved ³	12	-	14	26	-	276	302
Unproved	11	9	10	30	-	420	450
Total property acquisitions	23	9	24	56	-	696	752
Development	475	239	566	1,280	136	35	1,451
TOTAL COSTS INCURRED	\$ 681	\$ 352	\$ 826	\$ 1,859	\$ 146	\$ 731	\$ 2,736

¹INCLUDES COSTS INCURRED WHETHER CAPITALIZED OR CHARGED TO EARNINGS. EXCLUDES SUPPORT EQUIPMENT EXPENDITURES.

²PROVED AMOUNTS INCLUDE WELLS, EQUIPMENT AND FACILITIES ASSOCIATED WITH PROVED RESERVES. UNPROVED REPRESENTS AMOUNTS FOR EQUIPMENT AND FACILITIES NOT ASSOCIATED WITH THE PRODUCTION OF PROVED RESERVES.

³DOES NOT INCLUDE PROPERTIES ACQUIRED THROUGH PROPERTY EXCHANGES.

TABLE II – CAPITALIZED COSTS RELATED TO OIL AND GAS PRODUCING ACTIVITIES

	Consolidated Companies				Affiliated Companies		
Millions of dollars	U.S.	Africa	Other	Total	CPI	TCO	Worldwide
AT DECEMBER 31, 1995							
Unproved properties	\$ 329	\$ 57	\$ 190	\$ 576	\$ —	\$ 420	\$ 996
Proved properties and related producing assets	16,261	1,959	5,334	23,554	900	408	24,862
Support equipment	686	138	295	1,119	494	207	1,820
Deferred exploratory wells	148	40	62	250	—	—	250
Other uncompleted projects	368	1,010	1,176	2,554	320	112	2,986
Gross capitalized costs	17,792	3,204	7,057	28,053	1,714	1,147	30,914
Unproved properties valuation	213	30	95	338	—	—	338
Proved producing properties —							
Depreciation and depletion	11,282	1,071	3,119	15,472	492	18	15,982
Future abandonment and restoration	1,062	247	291	1,600	24	2	1,626
Support equipment depreciation	384	64	179	627	277	30	934
Accumulated provisions	12,941	1,412	3,684	18,037	793	50	18,880
NET CAPITALIZED COSTS	\$ 4,851	\$1,792	\$3,373	\$10,016	\$ 921	\$1,097	\$12,034
AT DECEMBER 31, 1994							
Unproved properties	\$ 354	\$ 50	\$ 213	\$ 617	\$ —	\$ 420	\$ 1,037
Proved properties and related producing assets	15,996	1,822	4,946	22,764	804	330	23,898
Support equipment	755	133	302	1,190	456	180	1,826
Deferred exploratory wells	145	44	68	257	—	—	257
Other uncompleted projects	308	403	1,000	1,711	353	210	2,274
Gross capitalized costs	17,558	2,452	6,529	26,539	1,613	1,140	29,292
Unproved properties valuation	230	23	109	362	—	—	362
Proved producing properties —							
Depreciation and depletion	10,296	924	2,713	13,933	435	8	14,376
Future abandonment and restoration	1,005	221	294	1,520	14	1	1,535
Support equipment depreciation	359	60	157	576	250	16	842
Accumulated provisions	11,890	1,228	3,273	16,391	699	25	17,115
NET CAPITALIZED COSTS	\$ 5,668	\$ 1,224	\$ 3,256	\$ 10,148	\$ 914	\$ 1,115	\$ 12,177
AT DECEMBER 31, 1993							
Unproved properties	\$ 404	\$ 31	\$ 206	\$ 641	\$ —	\$ 420	\$ 1,061
Proved properties and related producing assets	15,655	1,528	4,646	21,829	694	311	22,834
Support equipment	750	105	303	1,158	397	149	1,704
Deferred exploratory wells	139	23	60	222	—	—	222
Other uncompleted projects	269	296	879	1,444	398	68	1,910
Gross capitalized costs	17,217	1,983	6,094	25,294	1,489	948	27,731
Unproved properties valuation	280	20	103	403	—	—	403
Proved producing properties —							
Depreciation and depletion	9,645	799	2,467	12,911	384	2	13,297
Future abandonment and restoration	1,002	195	276	1,473	12	1	1,486
Support equipment depreciation	338	52	149	539	233	5	777
Accumulated provisions	11,265	1,066	2,995	15,326	629	8	15,963
NET CAPITALIZED COSTS	\$ 5,952	\$ 917	\$ 3,099	\$ 9,968	\$ 860	\$ 940	\$ 11,768

Supplemental Information on Oil and Gas Producing Activities

– Continued – Unaudited

TABLE III – RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES¹

The company's results of operations from oil and gas producing activities for the years 1995, 1994 and 1993 are shown below.

Net income from exploration and production activities as reported on page 30 reflects income taxes computed on an effective rate basis. In accordance with SFAS 69, income taxes below are based on statutory tax rates, reflecting allowable

deductions and tax credits. Results reported below exclude any allocation of corporate overhead; net income for 1993 reported on page 30 includes allocated corporate overhead, but 1995 and 1994 do not. Interest expense is excluded from the results reported below and from the net income amounts on page 30.

	Consolidated Companies				Affiliated Companies		
Millions of dollars	U.S.	Africa	Other	Total	CPI	TCO	Worldwide
YEAR ENDED DECEMBER 31, 1995							
Revenues from net production							
Sales	\$1,189	\$ 748	\$ 783	\$2,720	\$ 35	\$125	\$2,880
Transfers	1,689	824	662	3,175	583	—	3,758
Total	2,878	1,572	1,445	5,895	618	125	6,638
Production expenses	(1,196)	(190)	(400)	(1,786)	(195)	(94)	(2,075)
Proved producing properties depreciation, depletion and abandonment provision	(752)	(174)	(316)	(1,242)	(69)	(26)	(1,337)
Exploration expenses	(102)	(57)	(213)	(372)	(9)	—	(381)
Unproved properties valuation	(18)	(7)	(11)	(36)	—	—	(36)
New accounting standard for impaired assets	(753)	—	(128)	(881)	—	—	(881)
Other income (expense) ²	130	(52)	37	115	(13)	—	102
Results before income taxes	187	1,092	414	1,693	332	5	2,030
Income tax expense	(61)	(660)	(246)	(967)	(176)	(4)	(1,147)
RESULTS OF PRODUCING OPERATIONS	\$ 126	\$ 432	\$ 168	\$ 726	\$156	\$ 1	\$ 883
YEAR ENDED DECEMBER 31, 1994							
Revenues from net production							
Sales	\$ 1,484	\$ 353	\$ 736	\$ 2,573	\$ 24	\$ 86	\$ 2,683
Transfers	1,598	960	642	3,200	531	—	3,731
Total	3,082	1,313	1,378	5,773	555	86	6,414
Production expenses	(1,219)	(222)	(399)	(1,840)	(184)	(65)	(2,089)
Proved producing properties depreciation, depletion and abandonment provision	(885)	(153)	(326)	(1,364)	(53)	(17)	(1,434)
Exploration expenses	(132)	(52)	(192)	(376)	(9)	—	(385)
Unproved properties valuation	(21)	(3)	(15)	(39)	—	—	(39)
Other income (expense) ²	22	(50)	(21)	(49)	(26)	(8)	(83)
Results before income taxes	847	833	425	2,105	283	(4)	2,384
Income tax expense	(314)	(569)	(252)	(1,135)	(143)	(6)	(1,284)
Results of Producing Operations	\$ 533	\$ 264	\$ 173	\$ 970	\$ 140	\$ (10)	\$ 1,100
YEAR ENDED DECEMBER 31, 1993							
Revenues from net production							
Sales	\$ 1,539	\$ 247	\$ 779	\$ 2,565	\$ 22	\$ 41	\$ 2,628
Transfers	1,912	1,040	661	3,613	487	—	4,100
Total	3,451	1,287	1,440	6,178	509	41	6,728
Production expenses	(1,274)	(208)	(402)	(1,884)	(161)	(43)	(2,088)
Proved producing properties depreciation, depletion and abandonment provision	(958)	(126)	(311)	(1,395)	(50)	(8)	(1,453)
Exploration expenses	(99)	(79)	(174)	(352)	(9)	—	(361)
Unproved properties valuation	(31)	(4)	(12)	(47)	—	—	(47)
Other income (expense) ²	20	—	8	28	(3)	9	34
Results before income taxes	1,109	870	549	2,528	286	(1)	2,813
Income tax expense	(422)	(625)	(243)	(1,290)	(152)	—	(1,442)
Results of Producing Operations	\$ 687	\$ 245	\$ 306	\$ 1,238	\$ 134	\$ (1)	\$ 1,371

TABLE III – RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES¹ – Continued

PER-UNIT AVERAGE SALES PRICE AND PRODUCTION COST ^{1,3}	Consolidated Companies				Affiliated Companies		
	U.S.	Africa	Other	Total	CPI	TCO	Worldwide
YEAR ENDED DECEMBER 31, 1995							
Average sales prices							
Liquids, per barrel	\$14.98	\$16.49	\$15.32	\$15.55	\$14.35	\$11.51	\$15.29
Natural gas, per thousand cubic feet	1.52	—	1.72	1.56	—	.71	1.55
Average production costs, per barrel	5.11	2.00	3.83	4.12	4.52	7.73	4.24
YEAR ENDED DECEMBER 31, 1994							
Average sales prices							
Liquids, per barrel	\$ 13.65	\$ 15.16	\$ 14.16	\$ 14.18	\$ 12.65	\$ 10.54	\$ 13.90
Natural gas, per thousand cubic feet	1.76	—	1.83	1.78	—	.56	1.76
Average production costs, per barrel	4.81	2.57	3.79	4.13	4.19	7.13	4.19
YEAR ENDED DECEMBER 31, 1993							
Average sales prices							
Liquids, per barrel	\$ 14.48	\$ 16.21	\$ 16.06	\$ 15.33	\$ 13.29	\$ 10.74	\$ 15.05
Natural gas, per thousand cubic feet	1.98	—	2.08	2.00	—	.13	1.99
Average production costs, per barrel	4.91	2.62	4.22	4.34	4.19	9.82	4.38
Average sales price for liquids (\$/Bbl)							
DECEMBER 1995	\$15.47	\$17.45	\$16.03	\$16.25	\$15.39	\$11.37	\$16.01
December 1994	13.80	15.20	14.35	14.36	13.10	10.54	14.12
December 1993	10.73	12.94	13.63	12.05	10.72	8.58	11.82
Average sales price for natural gas (\$/MCF)							
DECEMBER 1995	\$ 2.04	\$ —	\$ 1.99	\$ 2.03	\$ —	\$.77	\$ 2.02
December 1994	1.62	—	1.73	1.64	—	.57	1.63
December 1993	2.19	—	2.34	2.21	—	.26	2.20

¹THE VALUE OF OWNED PRODUCTION CONSUMED AS FUEL HAS BEEN ELIMINATED FROM REVENUES AND PRODUCTION EXPENSES, AND THE RELATED VOLUMES HAVE BEEN DEDUCTED FROM NET PRODUCTION IN CALCULATING THE PER-UNIT AVERAGE SALES PRICE AND PRODUCTION COST. THIS HAS NO EFFECT ON THE AMOUNT OF RESULTS OF PRODUCING OPERATIONS.

²INCLUDES GAS-PROCESSING FEES, NET SULFUR INCOME, NATURAL GAS CONTRACT SETTLEMENTS, CURRENCY TRANSACTION GAINS AND LOSSES, MISCELLANEOUS EXPENSES, ETC. IN 1995, BEFORE-TAX NET ASSET WRITE-OFFS, ASSET DISPOSITIONS, ENVIRONMENTAL PROVISIONS AND REGULATORY ISSUES INCREASED INCOME \$15 IN THE UNITED STATES. HOWEVER, IN THE INTERNATIONAL OTHER SEGMENT, NET SPECIAL CHARGES FOR LITIGATION AND EMPLOYEE SEVERANCE REDUCED EARNINGS \$29. IN 1994, THE UNITED STATES INCLUDED BEFORE-TAX NET CHARGES OF \$97 RELATING TO ENVIRONMENTAL CLEANUP PROVISIONS, LITIGATION AND REGULATORY SETTLEMENTS AND AN INSURANCE RECOVERY. IN 1993, THE UNITED STATES INCLUDES BEFORE-TAX LOSSES ON PROPERTY DISPOSITIONS AND OTHER SPECIAL CHARGES TOTALING \$150.

³NATURAL GAS CONVERTED TO CRUDE OIL EQUIVALENT GAS (OEG) BARRELS AT A RATE OF 6 MCF=1 OEG BARREL

TABLE IV – RESERVE QUANTITIES INFORMATION

The company's estimated net proved underground oil and gas reserves and changes thereto for the years 1995, 1994 and 1993 are shown in the following table. Proved reserves are estimated by the company's asset teams composed of earth scientists and reservoir engineers. These proved reserve estimates are reviewed annually by the corporation's reserves advisory committee to ensure that rigorous professional standards and the reserves definitions prescribed by the Securities and Exchange Commission are consistently applied throughout the company.

Proved reserves are the estimated quantities that geologic and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Proved reserves do not include additional quantities recoverable beyond the term of the lease or contract unless renewal is reasonably certain, or that may result from extensions of currently proved areas, or from application of secondary or tertiary recovery processes not yet tested and determined to be economic.

Proved developed reserves are the quantities expected to be recovered through existing wells with existing equipment and operating methods.

"Net" reserves exclude royalties and interests owned by others and reflect contractual arrangements and royalty obligations in effect at the time of the estimate.

Proved reserves for Tengizchevroil (TCO), the company's 50 percent owned affiliate in Kazakhstan, do not include reserves that will be produced when a dedicated export system is in place.

Supplemental Information on Oil and Gas Producing Activities

— Continued — Unaudited

TABLE IV — RESERVE QUANTITIES INFORMATION — Continued

	NET PROVED RESERVES OF CRUDE OIL, CONDENSATE AND NATURAL GAS LIQUIDS							NET PROVED RESERVES OF NATURAL GAS						
	Millions of barrels							Billions of cubic feet						
	Consolidated Companies				Affiliates			Consolidated Companies				Affiliates		
	U.S.	Africa	Other	Total	CPI	TCO	World- wide	U.S.	Africa	Other	Total	CPI	TCO	World- wide
RESERVES AT														
JANUARY 1, 1993	1,368	615	472	2,455	641	—	3,096	5,499	—	2,518	8,017	158	—	8,175
Changes attributable to:														
Revisions	(36)	42	(2)	4	53	—	57	383	—	(142)	241	(4)	1	238
Improved recovery	74	—	25	99	21	—	120	7	—	—	7	2	—	9
Extensions														
and discoveries	24	105	18	147	2	—	149	349	—	44	393	—	—	393
Purchases ¹	10	—	18	28	—	1,106	1,134	24	—	9	33	—	1,533	1,566
Sales ²	(17)	—	(7)	(24)	—	—	(24)	(27)	—	(21)	(48)	—	—	(48)
Production	(144)	(80)	(71)	(295)	(48)	(4)	(347)	(751)	—	(151)	(902)	(14)	(6)	(922)
RESERVES AT														
DECEMBER 31, 1993	1,279	682	453	2,414	669	1,102	4,185	5,484	—	2,257	7,741	142	1,528	9,411
Changes attributable to:														
Revisions	1	30	10	41	(19)	1	23	283	—	(11)	272	(6)	2	268
Improved recovery	22	18	36	76	9	—	85	5	—	7	12	—	—	12
Extensions														
and discoveries	35	85	46	166	—	—	166	533	—	675	1,208	26	—	1,234
Purchases ¹	1	76	—	77	—	—	77	55	—	1	56	—	—	56
Sales ²	(4)	—	(3)	(7)	—	—	(7)	(23)	—	(31)	(54)	—	—	(54)
Production	(134)	(87)	(77)	(298)	(56)	(8)	(362)	(761)	—	(176)	(937)	(11)	(12)	(960)
RESERVES AT														
DECEMBER 31, 1994	1,200	804	465	2,469	603	1,095	4,167	5,576	—	2,722	8,298	151	1,518	9,967
Changes attributable to:														
Revisions	25	62	74	161	(28)	2	135	3	62	71	136	13	2	151
Improved recovery	7	36	66	109	42	—	151	7	—	23	30	—	—	30
Extensions														
and discoveries	87	137	14	238	—	—	238	609	22	175	806	6	—	812
Purchases ¹	3	25	—	28	—	—	28	48	—	2	50	—	—	50
Sales ²	(6)	—	(5)	(11)	—	—	(11)	(29)	—	(23)	(52)	—	—	(52)
Production	(129)	(95)	(76)	(300)	(55)	(10)	(365)	(682)	—	(176)	(858)	(15)	(15)	(888)
RESERVES AT														
DECEMBER 31, 1995	1,187	969	538	2,694	562	1,087	4,343	5,532	84	2,794	8,410	155	1,505	10,070
Developed reserves														
At January 1, 1993	1,251	498	315	2,064	368	—	2,432	4,812	—	1,845	6,657	150	—	6,807
At December 31, 1993	1,151	503	310	1,964	511	421	2,896	4,863	—	1,647	6,510	130	584	7,224
At December 31, 1994	1,097	546	293	1,936	499	414	2,849	4,919	—	1,508	6,427	135	574	7,136
AT DECEMBER 31, 1995	1,061	596	371	2,028	457	406	2,891	4,929	84	1,726	6,739	140	562	7,441

¹INCLUDES RESERVES ACQUIRED THROUGH PROPERTY EXCHANGES.

²INCLUDES RESERVES DISPOSED OF THROUGH PROPERTY EXCHANGES.

TABLE V — STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATED TO PROVED OIL AND GAS RESERVES

The standardized measure of discounted future net cash flows, related to the above proved oil and gas reserves, is calculated in accordance with the requirements of SFAS 69. Estimated future cash inflows from production are computed by applying year-end prices for oil and gas to year-end quantities of estimated net proved reserves. Future price changes are limited to those provided by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pre-tax net cash flows, less the tax basis of related assets. Discounted future net cash

flows are calculated using 10 percent midperiod discount factors. This discounting requires a year-by-year estimate of when the future expenditures will be incurred and when the reserves will be produced.

The information provided does not represent management's estimate of the company's expected future cash flows or value of proved oil and gas reserves. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The arbitrary valuation prescribed under SFAS 69 requires assumptions as to the timing and amount of future development and production costs. The calculations are made as of December 31 each year and should not be relied upon as an indication of the company's future cash flows or value of its oil and gas reserves.

TABLE V – STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATED TO PROVED OIL AND GAS RESERVES

– Continued

Millions of dollars	Consolidated Companies				Affiliated Companies		
	U.S.	Africa	Other	Total	CPI	TCO	Worldwide
AT DECEMBER 31, 1995							
Future cash inflows from production	\$30,200	\$17,570	\$15,340	\$63,110	\$ 9,530	\$15,630	\$88,270
Future production and development costs	(14,140)	(4,350)	(4,600)	(23,090)	(5,700)	(7,140)	(35,930)
Future income taxes	(5,390)	(7,910)	(3,660)	(16,960)	(1,950)	(3,350)	(22,260)
Undiscounted future net cash flows	10,670	5,310	7,080	23,060	1,880	5,140	30,080
10 percent midyear annual discount for timing of estimated cash flows	(4,260)	(1,830)	(3,140)	(9,230)	(800)	(3,700)	(13,730)
STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS							
	\$ 6,410	\$ 3,480	\$ 3,940	\$13,830	\$ 1,080	\$ 1,440	\$16,350
AT DECEMBER 31, 1994							
Future cash inflows from production	\$ 26,030	\$ 12,230	\$ 12,450	\$ 50,710	\$ 9,160	\$ 14,080	\$ 73,950
Future production and development costs	(13,540)	(4,060)	(5,450)	(23,050)	(6,050)	(8,020)	(37,120)
Future income taxes	(3,950)	(5,000)	(2,410)	(11,360)	(1,570)	(2,090)	(15,020)
Undiscounted future net cash flows	8,540	3,170	4,590	16,300	1,540	3,970	21,810
10 percent midyear annual discount for timing of estimated cash flows	(3,490)	(1,220)	(1,870)	(6,580)	(660)	(2,950)	(10,190)
Standardized Measure of Discounted Future Net Cash Flows	\$ 5,050	\$ 1,950	\$ 2,720	\$ 9,720	\$ 880	\$ 1,020	\$ 11,620
AT DECEMBER 31, 1993							
Future cash inflows from production	\$ 24,990	\$ 8,680	\$ 10,590	\$ 44,260	\$ 8,490	\$ 11,170	\$ 63,920
Future production and development costs	(13,510)	(3,640)	(4,740)	(21,890)	(5,660)	(8,240)	(35,790)
Future income taxes	(3,490)	(3,020)	(1,660)	(8,170)	(1,380)	(900)	(10,450)
Undiscounted future net cash flows	7,990	2,020	4,190	14,200	1,450	2,030	17,680
10 percent midyear annual discount for timing of estimated cash flows	(3,400)	(700)	(1,500)	(5,600)	(650)	(1,690)	(7,940)
Standardized Measure of Discounted Future Net Cash Flows	\$ 4,590	\$ 1,320	\$ 2,690	\$ 8,600	\$ 800	\$ 340	\$ 9,740

TABLE VI – CHANGES IN THE STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS FROM PROVED RESERVES

Millions of dollars	Consolidated Companies			Affiliated Companies			Worldwide		
	1995	1994	1993	1995	1994	1993	1995	1994	1993
PRESENT VALUE AT JANUARY 1	\$ 9,720	\$ 8,600	\$12,740	\$1,900	\$1,140	\$1,010	\$11,620	\$ 9,740	\$13,750
Sales and transfers of oil and gas									
produced, net of production costs	(4,109)	(3,933)	(4,294)	(454)	(392)	(346)	(4,563)	(4,325)	(4,640)
Development costs incurred	1,661	1,195	1,280	104	313	171	1,765	1,508	1,451
Purchases of reserves	230	305	30	–	—	436	230	305	466
Sales of reserves	(116)	(54)	(72)	–	—	—	(116)	(54)	(72)
Extensions, discoveries and improved recovery, less related costs	2,927	1,775	922	165	(3)	5	3,092	1,772	927
Revisions of previous quantity estimates	1,979	1,064	1,210	(723)	(377)	560	1,256	687	1,770
Net changes in prices, development and production costs	3,602	1,317	(6,602)	1,756	1,384	(1,123)	5,358	2,701	(7,725)
Accretion of discount	1,513	1,233	1,775	310	206	205	1,823	1,439	1,980
Net change in income tax	(3,577)	(1,782)	1,611	(538)	(371)	222	(4,115)	(2,153)	1,833
Net change for the year	4,110	1,120	(4,140)	620	760	130	4,730	1,880	(4,010)
PRESENT VALUE AT DECEMBER 31	\$13,830	\$ 9,720	\$ 8,600	\$2,520	\$1,900	\$1,140	\$16,350	\$11,620	\$ 9,740

The changes in present values between years, which can be significant, reflect changes in estimated proved reserve quantities and prices and assumptions used in forecasting production volumes and costs. Changes in the timing of production are included with “Revisions of previous quantity estimates.” The 1995 changes reflected higher year-end crude oil and natural gas prices and quantity increases in crude oil and natural gas reserves.

Eleven-Year Financial Summary¹

Millions of dollars, except per-share amounts

	1995	1994	1993
CONSOLIDATED STATEMENT OF INCOME DATA			
REVENUES			
Sales and other operating revenues			
Refined products	\$13,471	\$14,328	\$16,089
Crude oil	9,376	8,249	8,501
Natural gas	2,019	2,138	2,156
Natural gas liquids	1,285	1,180	1,235
Other petroleum	1,144	944	967
Chemicals	3,758	3,065	2,708
Coal and other minerals	358	416	447
Excise taxes	4,988	4,790	4,068
Corporate and other	(89)	20	20
Total sales and other operating revenues	36,310	35,130	36,191
Equity in net income of affiliated companies	553	440	440
Other income	219	284	451
TOTAL REVENUES	37,082	35,854	37,082
COSTS, OTHER DEDUCTIONS AND INCOME TAXES	36,152	34,161	35,817
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ 930	\$ 1,693	\$ 1,265
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	-	-	-
NET INCOME (LOSS)	\$ 930	\$ 1,693	\$ 1,265
PER SHARE OF COMMON STOCK:			
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$1.43	\$2.60	\$1.94
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	-	-	-
NET INCOME (LOSS) PER SHARE OF COMMON STOCK	\$1.43	\$2.60	\$1.94
CASH DIVIDENDS PER SHARE	\$1.925	\$1.85	\$1.75
CONSOLIDATED BALANCE SHEET DATA (YEAR-END)			
Current assets	\$ 7,867	\$ 7,591	\$ 8,682
Properties, plant and equipment (net)	21,696	22,173	21,865
Total assets	34,330	34,407	34,736
Short-term debt	3,806	4,014	3,456
Other current liabilities	5,639	5,378	7,150
Long-term debt and capital lease obligations	4,521	4,128	4,082
Stockholders' equity	14,355	14,596	13,997
Per share	\$ 22.01	\$ 22.40	\$ 21.49
SELECTED DATA			
Return on average stockholders' equity	6.4%	11.8%	9.1%
Return on average capital employed	5.3%	8.7%	6.8%
Total debt/total debt plus equity	36.7%	35.8%	35.0%
Capital and exploratory expenditures ^{2, 3}	\$ 4,800	\$ 4,819	\$ 4,440
Common stock price —High	\$53 ³	\$49 ³	\$49 ³
—Low	\$43 ³	\$39 ⁷	\$33 ¹¹
—Year-end	\$52 ³	\$44 ⁵	\$43 ⁹
Common shares outstanding at year-end (in thousands)	652,327	651,751	651,478
Weighted average shares outstanding for the year (in thousands)	652,084	651,672	650,958
Number of employees at year-end	43,019	45,758	47,576

¹COMPARABILITY BETWEEN YEARS IS AFFECTED BY CHANGES IN ACCOUNTING METHODS: 1995 REFLECTS ADOPTION OF STATEMENT OF FINANCIAL ACCOUNTING STANDARD (SFAS) 121, "ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF"; 1992 AND SUBSEQUENT YEARS REFLECT ADOPTION OF SFAS 106, "EMPLOYERS' ACCOUNTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS" AND SFAS 109, "ACCOUNTING FOR INCOME TAXES"; 1986 THROUGH 1991 REFLECT THE ADOPTION OF SFAS 96, "ACCOUNTING FOR INCOME TAXES"; 1986 AND SUBSEQUENT YEARS REFLECT ADOPTION OF SFAS 87, "EMPLOYERS' ACCOUNTING FOR PENSIONS" AND SFAS 88, "EMPLOYERS' ACCOUNTING FOR SETTLEMENTS AND CURTAILMENTS OF DEFINED PENSION PLANS AND FOR TERMINATION BENEFITS." SHARE AND PER-SHARE AMOUNTS FOR ALL YEARS REFLECT THE TWO-FOR-ONE STOCK SPLIT IN MAY 1994.

²INCLUDES EQUITY IN AFFILIATES' EXPENDITURES.

\$912

\$846

\$701

³INCLUDES \$2,512 ACQUISITION OF GULF OF MEXICO PROPERTIES FROM TENNECO INC. IN 1988.

1992	1991	1990	1989	1988	1987	1986	1985
\$16,821	\$16,794	\$19,385	\$15,682	\$13,707	\$14,472	\$13,340	\$24,260
10,031	10,276	11,303	6,791	5,059	5,871	5,532	10,363
1,995	1,869	2,056	1,693	1,389	1,312	1,455	2,017
1,190	1,165	1,305	937	875	885	766	1,403
927	812	769	719	658	642	688	858
2,872	3,098	3,325	3,048	2,960	2,360	1,989	2,245
397	427	443	470	430	398	380	365
3,964	3,659	2,933	2,473	2,526	2,091	1,894	2,103
15	18	21	103	118	75	201	231
38,212	38,118	41,540	31,916	27,722	28,106	26,245	43,845
406	491	371	350	422	376	480	308
1,059	334	655	519	713	638	606	1,172
39,677	38,943	42,566	32,785	28,857	29,120	27,331	45,325
37,467	37,650	40,409	32,534	27,089	27,870	25,460	43,778
\$ 2,210	\$ 1,293	\$ 2,157	\$ 251	\$ 1,768	\$ 1,250	\$ 1,871	\$ 1,547
(641)	—	—	—	—	—	(3,282)	—
\$ 1,569	\$ 1,293	\$ 2,157	\$ 251	\$ 1,768	\$ 1,250	\$ (1,411)	\$ 1,547
\$3.26	\$1.85	\$3.05	\$0.37	\$2.59	\$1.83	\$ 2.74	\$2.27
(0.95)	—	—	—	—	—	(4.81)	—
\$2.31	\$1.85	\$3.05	\$0.37	\$2.59	\$1.83	\$ (2.07)	\$2.27
\$1.65	\$1.625	\$1.475	\$1.40	\$1.275	\$1.20	\$ 1.20	\$1.20
\$ 8,722	\$ 9,031	\$10,089	\$ 8,620	\$ 7,941	\$ 9,515	\$ 8,330	\$11,678
22,188	22,850	22,726	23,040	23,798	21,736	22,746	24,382
33,970	34,636	35,089	33,884	33,924	34,057	34,251	38,862
2,888	1,706	59	126	469	915	619	1,841
6,947	7,774	8,958	7,457	6,534	7,517	6,785	8,617
4,953	5,991	6,710	7,390	6,833	6,255	7,738	7,550
13,728	14,739	14,836	13,980	14,744	13,853	13,325	15,517
\$ 21.11	\$ 21.25	\$ 21.15	\$ 19.69	\$ 21.63	\$ 20.32	\$ 19.55	\$ 22.76
11.0%	8.7%	15.0%	1.8%	12.4%	9.2%	—	10.2%
8.5%	7.5%	11.9%	3.2%	10.1%	7.8%	—	8.3%
36.4%	34.3%	31.3%	35.0%	33.1%	34.1%	38.5%	37.7%
\$ 4,423	\$ 4,787	\$ 4,269	\$ 3,982	\$ 5,853	\$ 2,841	\$ 3,018	\$ 4,035
\$37 ¹¹ ₁₆	\$40 ¹ ₁₆	\$40 ¹³ ₁₆	\$36	\$25 ⁷ ₁₆	\$32 ⁹ ₁₆	\$24	\$20 ³ ₁₆
\$30 ¹ ₁₆	\$31 ³ ₁₆	\$31 ⁹ ₁₆	\$22 ⁷ ₁₆	\$19 ¹³ ₁₆	\$16	\$17	\$14 ⁵ ₁₆
\$34 ³ ₁₆	\$34 ¹ ₁₆	\$36 ⁵ ₁₆	\$33 ⁷ ₁₆	\$22 ⁷ ₁₆	\$19 ¹³ ₁₆	\$22 ¹¹ ₁₆	\$19 ¹ ₁₆
650,348	693,444	701,600	710,048	681,750	681,646	681,628	681,914
677,955	700,348	706,926	683,778	681,698	681,636	681,770	682,050
49,245	55,123	54,208	54,826	53,675	51,697	51,095	60,845

\$621

\$498

\$433

\$389

\$337

\$304

\$329

\$225

Eleven-Year Operating Summary

WORLDWIDE – INCLUDES EQUITY IN AFFILIATES¹

Thousands of barrels per day,
except natural gas data
is millions of cubic feet per day

	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
UNITED STATES											
Gross production of crude oil and natural gas liquids	397	418	447	488	516	524	552	553	580	626	646
Net production of crude oil and natural gas liquids	350	369	394	432	454	458	482	484	507	546	566
Refinery input	925	1,213	1,307	1,311	1,278	1,406	1,403	1,407	1,388	1,335	1,358
Sales of refined products	1,117	1,314	1,423	1,470	1,444	1,489	1,469	1,451	1,430	1,403	1,518
Sales of natural gas liquids	213	215	211	194	175	188	184	180	161	144	165
Total sales of petroleum products	1,330	1,529	1,634	1,664	1,619	1,677	1,653	1,631	1,591	1,547	1,683
Gross production of natural gas	2,207	2,441	2,407	2,720	2,779	3,131	2,841	2,384	2,290	2,335	2,548
Net production of natural gas	1,868	2,085	2,056	2,313	2,359	2,650	2,413	2,024	1,944	1,974	2,153
Sales of natural gas	2,815	2,598	2,334	2,539	2,592	2,845	2,657	2,181	2,095	2,048	2,060

INTERNATIONAL

Gross production of crude oil and natural gas liquids	944	896	825	791	784	777	756	756	758	763	753
Net production of crude oil and natural gas liquids	651	624	556	512	504	477	467	486	482	495	490
Refinery input	598	623	598	543	517	494	490	500	490	465	598
Sales of refined products	969	934	923	859	823	772	740	742	710	691	862
Sales of natural gas liquids	47	34	37	33	29	33	43	37	34	26	26
Total sales of petroleum products	1,016	968	960	892	852	805	783	779	744	717	888
Gross production of natural gas	652	657	572	541	525	503	382	348	379	349	528
Net production of natural gas	565	546	469	463	447	417	330	300	325	300	422
Sales of natural gas	564	461	462	466	444	423	303	274	307	281	463

TOTAL WORLDWIDE

Gross production of crude oil and natural gas liquids	1,341	1,314	1,272	1,279	1,300	1,301	1,308	1,309	1,338	1,389	1,399
Net production of crude oil and natural gas liquids	1,001	993	950	944	958	935	949	970	989	1,041	1,056
Refinery input	1,523	1,836	1,905	1,854	1,795	1,900	1,893	1,907	1,878	1,800	1,956
Sales of refined products	2,086	2,248	2,346	2,329	2,267	2,261	2,209	2,193	2,140	2,094	2,380
Sales of natural gas liquids	260	249	248	227	204	221	227	217	195	170	191
Total sales of petroleum products	2,346	2,497	2,594	2,556	2,471	2,482	2,436	2,410	2,335	2,264	2,571
Gross production of natural gas	2,859	3,098	2,979	3,261	3,304	3,634	3,223	2,732	2,669	2,684	3,076
Net production of natural gas	2,433	2,631	2,525	2,776	2,806	3,067	2,743	2,324	2,269	2,274	2,575
Sales of natural gas	3,379	3,059	2,796	3,005	3,036	3,268	2,960	2,455	2,402	2,329	2,523

WORLDWIDE – EXCLUDES EQUITY IN AFFILIATES

Number of wells completed (net)²

Oil and gas	455	364	422	342	607	543	306	415	340	415	955
Dry	64	70	76	33	69	79	71	77	44	79	160
Producing oil and gas wells (net) ²	11,707	12,111	10,996	10,773	15,502	17,890	21,695	24,802	27,209	24,974	30,161

¹GROSS PRODUCTION REPRESENTS THE COMPANY'S SHARE OF TOTAL PRODUCTION BEFORE DEDUCTING LESSORS' ROYALTIES. NET PRODUCTION IS GROSS PRODUCTION MINUS ROYALTIES PAID TO LESSORS.

²NET WELLS INCLUDE ALL THOSE WHOLLY OWNED AND THE SUM OF FRACTIONAL INTERESTS IN THOSE THAT ARE JOINT VENTURES, UNIT OPERATIONS OR SIMILAR WELLS. WELLS SHUT IN ARE EXCLUDED. BEGINNING IN 1994, PRODUCING WELLS INCLUDES INJECTION WELLS TEMPORARILY FUNCTIONING AS PRODUCING WELLS.

Directors



Kenneth T. Derr, 59, Chairman of the Board and Chief Executive Officer since 1988. He joined the corporation in 1960. He was elected a Vice President in 1972, a Director in 1981 and a Vice Chairman in 1985. He also is a Director of AT&T Corp., Citicorp and Potlatch Corporation. (2)



James N. Sullivan, 58, is Vice Chairman responsible for worldwide refining, marketing, chemicals and coal mining operations. He joined the corporation in 1961. He was elected a Vice President in 1983, a Director in 1988 and a Vice Chairman in 1989.



Samuel H. Armacost, 56, has been a Director since 1982. He is a Principal of Weiss, Peck & Greer L.L.C., an investment firm. He also is a Director of SRI International; The Failure Group, Inc.; the Irvine Foundation; and Scios-Nova Inc. (1, 3, 4)



Raymond E. Galvin, 64, was elected a Director in December 1995. He has been a Corporate Vice President since 1988 and President, Chevron U.S.A. Production Company, since 1992. Previously Senior Vice President, Exploration, Land and Production, Chevron U.S.A. Joined Gulf Oil Corporation in 1953.



Sam Ginn, 58, was elected a Director in 1989. He is Chairman of the Board and Chief Executive Officer (CEO) of AirTouch Communications, a worldwide telecommunications company. Previously he was Chairman of the Board and CEO of Pacific Telesis Group. He also is a Director of Transamerica Corporation and Safeway Inc. (1, 2, 4)



Carla A. Mills, 62, was elected a Director in 1993. She is Chairman and Chief Executive Officer of Hills & Company International Consultants. From 1989 to 1993, she served as U.S. Trade Representative. She also is a Director of American International Group, Inc.; AT&T Corp.; Bechtel Enterprises, Inc.; Time Warner Inc.; and Trust Company of the West. (1, 2, 4)



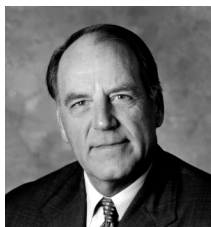
Charles M. Pigott, 66, has been a Director since 1973. He is Chairman of the Board and Chief Executive Officer of PACCAR Inc, manufacturer of transportation equipment. He also is a Director of The Boeing Company and Seattle Times Company. (2, 3, 4)



Condoleezza Rice, 41, was elected a Director in 1991. She is Provost and Vice President of Stanford University. From 1989 to 1991, she served on the National Security Council as Senior Director for Soviet Affairs. She is a Director of the Rand Corporation and Transamerica Corporation. (2, 3, 4)



George H. Weyerhaeuser, 69, has been a Director since 1977. He is Chairman of the Board of Weyerhaeuser Company, a forest products company. He also is a Director of The Boeing Company and SAFECO Corporation. (1, 3, 4)



John A. Young, 63, has been a Director since 1985. From 1977 to 1992, he served as President, Director and Chief Executive Officer of Hewlett-Packard Company, manufacturer of electronic equipment. He also is a Director of Wells Fargo & Company; Shaman Pharmaceuticals, Inc.; Affymetrix, Inc.; SmithKline Beecham PLC; CIPHERgen, Inc.; General Magic Inc.; and Novell, Inc.; (1, 2, 4)

Committees of the Board:

- (1) Audit:
John A. Young, Chairman
- (2) Public Policy:
Carla A. Mills, Chairman
- (3) Board Nominating:
Samuel H. Armacost, Chairman
- (4) Management Compensation:
Charles M. Pigott, Chairman

Retiring Director



J. Dennis Bonney, 65, a Director and Vice Chairman responsible for worldwide oil and gas exploration and production, and for coal mining operations, reached the mandatory retirement age for employee directors. He supervised the expansion of Chevron's exploration and production operations into an increasingly global presence, including the largest Western business venture in the former Soviet Union, the pioneering Tengiz Project in the Republic of Kazakhstan. A Director since 1986 and Vice Chairman since 1987, Bonney formerly served as Vice President, Corporate Planning, and Vice President, Worldwide Logistics and Trading. Bonney is Chairman

of the U.S. National Committee for Pacific Economic Cooperation Council. He is a Director of the San Francisco Opera Association and the University of California's International House. He also is a Trustee of the World Affairs Council of Northern California. He is a member of the World Wildlife Fund National Council and a member of the Council on Foreign Relations, as well as a past President of the Commonwealth Club of California. He holds a master of arts degree from Oxford University and a master of laws degree from the University of California at Berkeley. Bonney joined Chevron in 1960.

Officers



Lydia I. Beebe, 43, Corporate Secretary since June 1995. Previously Senior Manager, Chevron Tax Department; Manager, Federal Tax Legislation; Staff Attorney; and Chevron Legal Representative in Washington, D.C. Joined Chevron in 1977.



Aldo M. Caccamo, 58, Vice President, Public Affairs, since February 1996. Previously President, Chevron International Oil Company; General Manager, Marketing Sales, and General Manager, Eastern and Western Region Supply and Distribution, Chevron U.S.A. Products Company. Joined Chevron in 1964.



George K. Carter, 60, Vice President and Treasurer since 1989. Previously Vice President, Finance, Chevron U.S.A., and Comptroller, Chevron Corporation. Joined Chevron in 1961.



Lloyd E. Elkins, 52, Corporate Vice President since 1988 and President, Chevron Services Company, since 1993. Director of Caltex Petroleum Corporation, P.T. Caltex Pacific Indonesia and Amoseas. Previously Vice President, Production, Chevron U.S.A., and Vice President, Production, Chevron Overseas Petroleum. Joined Chevron in 1965.



Donald G. Henderson, 56, Vice President since 1990 and Comptroller since 1986. Previously Vice President, Finance, and Comptroller, Chevron U.S.A. Joined Chevron in 1964.



Harvey D. Hinman, 55, Vice President and General Counsel since 1993. Previously partner and member of the Executive Committee at the law firm of Pillsbury Madison & Sutro.



Ronald C. Kiskis, 47, Vice President since 1993 and Vice President, Human Resources and Environmental Affairs, since 1994. Previously President, Chevron Canada Limited, and Group Manager, Fuels, Chevron Research and Technology Company. Joined Chevron in 1974.



Martin R. Klitten, 51, Vice President and Chief Financial Officer since 1989. Previously President, Chevron Information Technology Company, and Comptroller, Chevron U.S.A. Joined Chevron in 1970.



R. Bruce Marsh, 53, General Tax Counsel since 1994. Previously Assistant General Tax Counsel, Chevron Corporation; General Tax Counsel, Chevron U.S.A.; and General Tax Manager, Gulf Oil Corporation. Joined Gulf Oil Corporation in 1971.



Richard H. Matzke, 59, Corporate Vice President since 1990 and President, Chevron Overseas Petroleum, since 1989. Previously Assistant to the President, Standard Oil Company of California; Vice President, Chevron Chemical Company; General Manager, Foreign Operations; and President, Chevron Canada Resources. Joined Chevron in 1961.



David J. O'Reilly, 49, Corporate Vice President since 1991 and President, Chevron Products Company, since 1994. Previously Director of Caltex Petroleum Corporation; Corporate Vice President, Strategic Planning and Quality; Senior Vice President and Chief Operating Officer, Chevron Chemical Company. Joined Chevron in 1968.



John E. Peppercorn, 58, Corporate Vice President since 1990 and President, Chevron Chemical Company, since 1989. Previously Vice President, Industrial Chemicals, and Senior Vice President, Chevron Chemical Company. Joined Gulf Oil Corporation in 1961.



Peter J. Robertson, 49, Vice President, Strategic Planning and Quality, since 1994. Director of Caltex Petroleum Corporation. Previously President, Warren Petroleum Company, and Vice President, Finance, Chevron U.S.A. Joined Chevron in 1973.

Executive Committee:

Kenneth T. Derr, James N. Sullivan, Raymond E. Galvin, Harvey D. Hinman, Martin R. Klitten, Richard H. Matzke, David J. O'Reilly and John E. Peppercorn. Lydia I. Beebe, Secretary.

Stockholder and Investor Information

STOCK EXCHANGE LISTINGS

Chevron common stock is listed on the New York, Chicago, Pacific, London and Zurich stock exchanges. On U.S. exchanges, the symbol "CHV" is used. In newspapers, the stock is listed as "Chevron," "Chevrn" or a similar variation.

STOCKHOLDER INFORMATION

Stockholders with inquiries about stock ownership, changes of address, dividend payments or the dividend reinvestment plan may contact:

Chevron Corporation
Transfer Office
225 Bush Street, Room 236
San Francisco, CA 94104-4289
(415) 894-3940
or
P.O. Box 7139
San Francisco, CA 94120-7139

DIVIDEND PAYMENT DATES

Quarterly dividends on common stock are paid, following declaration by the Board of Directors, on or about the 10th day of March, June, September and December. The annual dividend rate for 1995 was \$1.925. The quarterly dividend rate for the fourth quarter of 1995 was 50 cents per share. Direct deposit of dividends is available to stockholders. For more information, contact the Transfer Office (see P.O. Box above).

DIVIDEND REINVESTMENT PLAN

This plan allows stockholders to buy additional shares by automatically reinvesting their quarterly dividends. For more information, contact the Transfer Office (see P.O. Box above).

INVESTOR INFORMATION

Securities analysts, portfolio managers and representatives of financial institutions seeking financial and operating information may contact:

Meeks Vaughan
Manager, Investor Relations
575 Market Street, Room 3444
San Francisco, CA 94105-2856
(415) 894-5690
E-mail: mbva@chevron.com

WEB SITE ON INTERNET

Chevron's web site offers basic facts and figures about the company and the petroleum industry. The web site is stocked continually with pertinent news about the company, including articles, news releases, speeches, quarterly earnings information, the quarterly *Report to Stockholders* and the complete text of this *Annual Report*. The web site is <http://www.chevron.com>

PUBLICATIONS FOR STOCKHOLDERS

The *Report to Stockholders*, detailing the company's quarterly financial results, is mailed to stockholders three times a year. The *Annual Report*, published in March and mailed with the *Proxy Statement*, summarizes the company's financial performance in the preceding calendar year and provides an outlook for the future.

ADDITIONAL INFORMATION

The *Supplement to the Annual Report*, containing additional financial and operating data, and *Form 10-K*, prepared annually for the Securities and Exchange Commission, are available upon written request from the Comptroller's Department, 575 Market Street, Room 3519, San Francisco, CA 94105-2856. The *Supplement* is available after April 15; *Form 10-K*, after March 31.

Contributions: Details of the corporation's political contributions in 1995 are available upon request from the Secretary's Department, 575 Market Street, 38th Floor, San Francisco, CA 94105-2856. In the second half of 1996, information about the corporation's charitable and educational contributions will be available.

ANNUAL MEETING

The Annual Meeting of stockholders will be held at 9:30 a.m., Tuesday, May 7, 1996, at the Masonic Auditorium in San Francisco.

Meeting notice and proxy material are enclosed with this *Annual Report*. Stockholders are urged to study the material and complete the proxy card. For those not attending the Annual Meeting, it is important that this card be signed and returned as soon as possible so their shares are represented in the voting.

REGISTRAR

First Trust California
101 California Street, Suite 1150
San Francisco, CA 94111-5854

CORPORATE HEADQUARTERS

575 Market Street
San Francisco, CA 94105-2856
(415) 894-7700

LEGAL NOTICE

As used in this report, the term "Chevron" and such terms as "the company," "the corporation," "our," "we" and "us" may refer to Chevron Corporation, to one or more of its consolidated subsidiaries or to all of them taken as a whole. All of these terms are used for convenience only and are not intended as a precise description of any of the separate companies, each of which manages its own affairs.

Chevron Corporation
575 Market Street
San Francisco, CA 94105-2856



1



2



3



4

Team Chevron The exhilaration of a challenge and the pride of accomplishment – these are qualities that motivate Chevron employees to excel. From Perth to Port Arthur and in a hundred nations around the globe, Chevron employees bring projects in under budget, set production records and create innovative business partnerships. Here are some of the employees who make excellence their business. They helped make successes of the four projects pictured within this Annual Report: (1) Steve Purdy, Page 12; (2) Mike Barnes and Nicole Johnson, Page 15; (3) Clemantenette Jackson, Page 17; and (4) Steve Harper, Mike Judice and Mike Darder, Page 20.