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News

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CHEVRON REPORTS OPERATING EARNINGS OF $1.1 BILLION

HIGHER CRUDE OIL PRICES BOOST PROFITS FOR OIL PRODUCING OPERATIONS BUT DEPRESS EARNINGS IN THE REFINING AND MARKETING BUSINESS

SAN FRANCISCO, April 26 – Chevron Corp. today reported first quarter net income of $1.044 billion ($1.59 per share-diluted), more than three times 1999 first quarter net income of $329 million ($0.50 per share-diluted). Record operating earnings of $1.106 billion ($1.68 per share-diluted) were nearly four times last year's first quarter.

Earnings Summary

	Three Months Ended March 31,	
Millions of Dollars	**2000**	**1999**
Operating Earnings		
Exploration and Production	$1,018	$151
Refining, Marketing and Transportation	63	184
Chemicals and Other	25	(54)
Total	$1,106	$281
Special Items	(62)	48
Net Income	$1,044	$329

Chairman and CEO Dave O'Reilly commented, "We are very pleased with the record operating profits in the first quarter. Our exploration and production business benefited greatly from the sharp rise in crude oil prices that exceeded $30 per barrel for about a month during this period." O'Reilly noted that the higher crude oil prices were a function of several market forces acting together – production constraints imposed by OPEC and other producing nations, rising demand and low petroleum inventories worldwide.

"The other side of the coin for an integrated oil company such as Chevron," O'Reilly said, "is our ability to recover higher crude oil costs in the marketplace through the prices charged for refined products. Despite well-publicized price increases for gasoline, diesel fuel and other products, the higher prices charged to our customers initially were not sufficient to recoup higher raw material costs – mainly crude oil. Not until late in the first quarter, after crude oil prices started to drop, were prices sufficient to reverse the losses being incurred in the refining and marketing part of our business."

Chevron's average U.S. crude oil sales realization in the first quarter 2000 rose to $26.19 per barrel, up more than $16 compared with the 20-year lows experienced in the 1999 first quarter. Average U.S. natural gas realizations increased from $1.63 to $2.40 per thousand cubic feet, contributing to the profit improvement. The record operating earnings in the first quarter 2000 helped push the company's return on capital employed to 13 percent over the last twelve months.

Citing other factors that boosted operating earnings, O'Reilly said, "In our exploration and production operations, international liquids production rose 4 percent from the first quarter of last year to 844,000 barrels per day." O'Reilly noted that the company's worldwide increase in oil-equivalent production of one and a half percent would have been over 4 percent if the effect of higher prices on cost-oil recovery volumes allowed in each period under the company's Indonesian production-sharing agreement were excluded. O'Reilly added, "While increasing production volumes worldwide, our employees at the same time succeeded in holding overall operating expenses at the same level as last year's first quarter – approximately $5.40 per barrel – despite higher fuel costs of 35 cents per barrel for our refineries and other operations."

O'Reilly said, "While crude oil and natural gas prices may fluctuate, operational excellence, cost control and capital stewardship are key to our competitiveness in the long run and will continue to be areas of constant focus for our employees."

O'Reilly summarized some of the company's noteworthy achievements since the beginning of the year:

- **Angola:** Chevron had several successes in Block 14, a 1,560 square-mile concession adjacent to Chevron-operated Block 0 that lies offshore the Cabinda Province. Liquids production at the Chevron-operated Kuito Field, Angola's first deepwater oil field, which came on-stream in December of last year, reached 70,000 barrels per day in April. Commissioning work on the Kuito producing facilities is continuing during the second quarter and the reservoir is performing as expected. Also, two successful appraisal wells were completed in the Benguela and Belize fields located in Block 14 near the Kuito Field. Technical evaluation of the well results and options for the development of the field are under study.
- **Caspian Sea Region:** Tengizchevroil, which is 45 percent owned by Chevron and located in Kazakhstan, is nearing completion of a three-year plant expansion project, Train 5. This will increase Tengizchevroil's production to 260,000 barrels per day by the fourth quarter of 2000. In addition, excellent progress has been made on the $2.5 billion pipeline under construction by the Caspian Pipeline Consortium (CPC), in which Chevron owns a 15 percent interest. The new and refurbished

sections of the 1,500-kilometer pipeline will deliver crude oil from the Tengiz Field to a new marine terminal and tank farm north of the city of Novorossiysk on the Black Sea. Site preparations for the terminal and tank farm are well under way. Overall, the CPC project remains on schedule for delivery of first oil in mid-2001.

- **Chad and Cameroon:** In April, Chevron announced that it had taken a 25 percent ownership interest in an international consortium developing the landlocked Doba oil fields in southern Chad and in a related 650-mile export pipeline project through Chad to the coast of Cameroon. Construction of the estimated $3.5 billion project, which is expected to produce and transport one billion barrels of oil over its 25- to 30-year life, is scheduled to begin later this year. This project increases Chevron's position as one of the largest U.S. investors in sub-Saharan Africa.
- **Norway:** In April, Chevron was awarded three new licenses to explore for and produce petroleum offshore Norway – including the operatorship of License PL259. Combined with partnerships in other blocks, these new licenses provide Chevron with an excellent portfolio of near- and longer-term oil and gas exploration and production opportunities in Norway.
- **Chemicals:** In February, Chevron and Phillips Petroleum Co. announced their intent to combine most of their petrochemicals businesses into a joint venture by mid-year. Earlier this month, the plan cleared U.S. Federal Trade Commission review. Other regulatory clearances are expected as the formation of the joint venture proceeds. Each company will own 50 percent of the joint venture, to be named Chevron Phillips Chemical Co., which expects to have annual sales and total assets of about $6 billion. When finalized, the combination will provide synergies that are expected to reduce annual costs by $150 million and to improve the effectiveness of capital spending.
- **Dynegy:** Dynegy Inc., a 28 percent-owned affiliate, merged in February with Illinova Corp., an energy services holding company in Illinois. The merger with Illinova is part of Dynegy's energy convergence strategy, which includes expanding its power and natural gas marketing and trading activities, as well as its power generation business. Chevron invested an additional $200 million in Dynegy at the time of the merger, and last week Chevron also exercised its contractual right to purchase an additional 1.3 million common shares, as part of a public offering of 4.6 million shares of common equity. These two investments maintained Chevron's approximate 28 percent ownership interest in Dynegy.
- **e-Business:** The company is engaged in a number of initiatives as part of an aggressive strategy to capture value associated with Internet technologies. Chevron is participating in *Petrocosm marketplace*, a global procurement, independent Internet business-to-business marketplace – scheduled for go-live in June – that will be owned by buyers and suppliers across the energy industry. In March, the company announced the formation of *RetailersMarketXchange.com*, a business-to-business alliance that will provide services to convenience store and small business retailers and suppliers.
- **Common Stock Share Repurchase Program:** In the first quarter, Chevron purchased 4.8 million of its common shares at an average cost of $79.30 per share, for a total of $380 million. Since the inception of the company's $2 billion program in December 1997, 11.2 million shares have been bought on the open market for $865 million, at an average cost of $77.40 per share.

Total revenues for the quarter were $11.7 billion, an increase of 75 percent from $6.7 billion in last year's first quarter. The increase was primarily attributable to higher realizations from refined products, crude oil and natural gas.

The first quarter 2000 included a $62 million special charge for a patent litigation issue. Net special benefits of $48 million in the first quarter last year were composed largely of a gain from the sale of an investment in a coal mining affiliate.

Foreign currency gains increased net income by $46 million in the first quarter 2000, compared with losses of $9 million in the first quarter of 1999. The gains in the first quarter 2000 reflected strengthening of the U.S. dollar, particularly against the Australian dollar.

Exploration and Production

U. S. Exploration and Production

	Three Months Ended March 31,	
Millions of Dollars	**2000**	**1999**
Operating Earnings	$365	$35
Special Items	-	3
Net Income	$365	$38

Note: The company's share of 2000 and 1999 earnings from Dynegy Inc. are included in All Other.

U.S. exploration and production operating earnings were $365 million in the first quarter 2000, up from $35 million in the 1999 first quarter on sharply higher crude oil and natural gas prices.

The company's average 2000 crude oil realization was $26.19 per barrel, more than two and a half times the first quarter 1999 realization. Net liquids production of 307,000 barrels per day was essentially flat. Average natural gas realization of $2.40 per thousand cubic feet rose by 47 percent in the 2000 first quarter, while net natural gas production of 1.5 billion cubic feet per day declined about 10 percent. The drop in natural gas production was primarily attributable to field declines, offset partially by new production from fields in the Gulf of Mexico, including Genesis and Gemini.

International Exploration and Production

	Three Months Ended March 31,	
Millions of Dollars	**2000**	**1999**
Operating Earnings	$653	$116
Special Items	-	-
Net Income	$653	$116

International exploration and production operating earnings were $653 million, nearly six times earnings in the 1999 first quarter. The increase in earnings reflected significantly higher crude oil prices and increased sales volumes when compared with the year-ago quarter.

Net international liquids production increased 35,000 barrels per day to 844,000 barrels per day, mainly due to production from properties in Thailand and Argentina acquired in March and September 1999, respectively, and higher production in Australia and Canada. These increases were partially offset by a decline in Chevron's share of Indonesian production, which was primarily associated with the effect of higher prices on cost-oil recovery volumes allowed under the production-sharing agreement. Natural gas production increased 10 percent to 915 million cubic feet per day, mainly reflecting production volumes from the newly acquired fields in Thailand and Argentina and higher production in the United Kingdom.

Earnings in the first quarter 2000 included foreign currency gains of $28 million, compared with losses of $16 million in the 1999 quarter. Over half of the swing in foreign currency effects occurred in the company's Australian operations.

Refining, Marketing and Transportation

U. S. Refining, Marketing and Transportation

	Three Months Ended March 31,	
Millions of Dollars	**2000**	**1999**
Operating Earnings	$ 55	$ 97
Special Items	(62)	(15)
Net Income	$ (7)	$ 82

U.S. refining, marketing and transportation operating earnings were $55 million, compared with $97 million in the first quarter 1999. Net income in 2000 included a special charge of $62 million for a patent litigation matter, and net income in the 1999 quarter included special charges for environmental remediation reserves.

The lower earnings in the 2000 quarter primarily reflected lower sales margins for gasoline and other refined products. Sales prices for refined products were unable to recover the large cost increases for raw materials – mainly crude oil – until late in the quarter. Chevron's average sales realization for refined products rose 80 percent, while the price of crude oil increased about 150 percent from the year-ago quarter. Earnings in 2000 were further depressed by higher energy costs at the company's facilities and the effects of a major planned shutdown at the company's Pascagoula, Miss., refinery and repairs to the Richmond, Calif., Isomax unit, which returned to operation late in the first quarter 2000 after being out of service for nearly a year.

Total refined product sales volumes were 1,214,000 barrels per day in 2000, up about 2 percent from the comparable quarter last year. Branded motor gasoline sales of 514,000 barrels per day in 2000 declined 11,000 barrels per day. First quarter 2000 branded motor gasoline sales were constrained by the effect of late-1999 stockpiling in anticipation of Y2K-related supply disruptions, which did not materialize. In early 2000, distributors deferred purchases while working off these excess inventories.

International Refining, Marketing and Transportation

	Three Months Ended March 31,	
Millions of Dollars	**2000**	**1999**
Operating Earnings	$ 8	$ 87
Special Items	-	-
Net Income	$ 8	$ 87

International refining, marketing and transportation operating earnings were $8 million, down from $87 million for the first quarter of 1999. The decline was attributable to lower earnings from Caltex operations.

Chevron's share of Caltex's first quarter 2000 losses was $7 million, compared with earnings of $74 million in last year's first quarter. Caltex's drop in earnings was due mainly to lower refined products sales margins, as competitive pricing prevented recovery of the rising raw material costs. The Asia-Pacific market continues to suffer from surplus refined products manufacturing capacity. First quarter 1999 results also benefited from a $29 million favorable inventory adjustment.

Chevron's total international downstream sales volumes decreased in the first quarter of 2000 to 811,000 barrels per day, compared with 898,000 barrels per day in last year's quarter. The decline in sales is mainly attributable to Caltex's areas of operations, primarily due to the absence of Caltex's share of sales by an affiliate that was sold in the 1999 third quarter.

Net income included foreign currency gains of $20 million in the first quarter 2000, compared with gains of $5 million in the 1999 first quarter. Caltex's operations in Australia were responsible for most of the favorable foreign currency swing.

Chemicals

	Three Months Ended March 31,	
Millions of Dollars	**2000**	**1999**
Operating Earnings	$68	$50
Special Items	-	-
Net Income	$68	$50

Chemicals operating earnings were $68 million in the 2000 quarter, up 36 percent from last year's first quarter. Increased U.S. and international demand for certain commodity chemical products resulted in higher sales volumes and prices, contributing to improved sales margins.

All Other

Millions of Dollars	Three Months Ended March 31, 2000	1999
Net Operating Charges	$(43)	$(104)
Special Items	-	60
Net Loss	$(43)	$ (44)

All Other consists of coal mining operations, the company's ownership interest in Dynegy Inc., worldwide cash management and debt financing activities, corporate administrative costs, insurance operations and real estate activities.

For 2000, All Other incurred net operating charges of $43 million, compared with $104 million last year. The special item for 1999 represented a gain from the sale of the company's equity interest in a coal mining affiliate.

Coal mining operations earned $3 million in the first quarter 2000, compared with $19 million in the comparable prior-year quarter. Lower sales volumes and prices led to a decline in earnings in 2000. Results for 1999 included a benefit from lower depreciation of the company's coal assets, at a time when the assets were held for sale.

Net operating charges from other activities were $46 million in 2000, compared with $123 million in 1999. The reduction in net charges reflected a combination of several factors, including lower payroll costs, lower insurance expenses, higher pension settlement gains and higher equity earnings from Dynegy, Inc.

Capital and Exploratory Expenditures

Capital and exploratory expenditures, including the company's share of affiliates' expenditures, were $1.195 billion in the 2000 first quarter, compared with $1.425 billion in the first quarter 1999. Expenditures for international exploration and production projects were $456 million, or 38 percent of total expenditures, reflecting the company's continued emphasis on increasing international oil and gas production. First quarter expenditures included an investment of $200 million in Dynegy Inc., which maintained Chevron's approximate 28 percent ownership interest following Dynegy's February merger with Illinova. The first quarter 1999 included expenditures of about $500 million attributable to the acquisition of Rutherford-Moran Oil Corp. and another interest in Block B8/32 offshore Thailand.

Some of the items discussed in this earnings release are forward-looking statements relating to Chevron's operations that are based on management's current expectations, estimates and projections about the petroleum, chemical and other industries, in which the company operates. The statements included in this release are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. These include potential changes in crude oil, natural gas and other commodity prices and potential delays or other changes in work and repairs schedule. Actual results could differ materially from management's estimates.

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(Millions of Dollars, Except Per-Share Amounts)

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

	Three Months Ending March 31, 2000	1999
REVENUES:		
Sales and Other Operating Revenues [1]	$ 11,356	$ 6,399
Income From Equity Affiliates	196	144
Other Income	146	146
	11,698	6,689
COSTS AND OTHER DEDUCTIONS:		
Purchased Crude Oil and Products	6,249	2,781
Operating Expenses	1,238	1,160
Selling, General and Administrative Expenses	377	397
Exploration Expenses	96	88
Depreciation, Depletion and Amortization	651	566
Taxes Other Than on Income [1]	1,109	1,078
Interest and Debt Expense	129	105
	9,849	6,175
Income Before Income Tax Expense	1,849	514
Income Tax Expense	805	185
NET INCOME	$ 1,044	$ 329
PER-SHARE AMOUNTS		
Earnings - Basic	$ 1.59	$ .50
Earnings - Diluted	$ 1.59	$ .50
Dividends	$ .65	$ .61
Average Common Shares Outstanding (000's)		
- Basic	656,132	654,677
- Diluted	658,124	657,493

NET INCOME BY MAJOR OPERATING AREA

(unaudited)

	Three Months Ending March 31, 2000	1999
Exploration and Production		
United States [2]	$ 365	$ 38
International	653	116
Total Exploration and Production	1,018	154
Refining, Marketing and Transportation		
United States	(7)	82
International	8	87
Total Refining, Marketing and Transportation	1	169
Chemicals	68	50
All Other [2], [3]	(43)	(44)
NET INCOME	$ 1,044	$ 329

(1) Includes consumer excise taxes.	$ 913	$ 912

(2) 1999 restated to conform to the 2000 presentation. Effective in the first quarter 2000, the company's share of earnings for Dynegy, Inc. is reported in All Other.

(3) Includes coal operations, Dynegy Inc. equity earnings, interest expense, interest income on cash and marketable securities, corporate center costs, and real estate and insurance activities.

CHEVRON CORPORATION - FINANCIAL REVIEW
(Millions of Dollars)

SPECIAL ITEMS BY MAJOR OPERATING AREA (unaudited)	Three Months Ending March 31, 2000	1999
U. S. Exploration and Production	$ -	$ 3
U. S. Refining, Marketing and Transportation	(62)	(15)
All Other [1]	-	60
Total Special Items	$ (62)	$ 48

SUMMARY OF SPECIAL ITEMS (unaudited)	Three Months Ending March 31, 2000	1999
Asset Dispositions	$ -	$ 60
Environmental Remediation Provisions	-	(12)
Litigation	(62)	-
Total Special Items	$ (62)	$ 48

	2000	1999
FOREIGN CURRENCY GAINS (LOSSES)	$ 46	$ (9)

EARNINGS BY MAJOR OPERATING AREA EXCLUDING SPECIAL ITEMS (unaudited)	Three Months Ending March 31, 2000	1999
Exploration and Production		
United States [2]	$ 365	$ 35
International	653	116
Total Exploration and Production	1,018	151
Refining, Marketing and Transportation		
United States	55	97
International	8	87
Total Refining, Marketing and Transportation	63	184
Chemicals	68	50
All Other [1], [2]	(43)	(104)
Earnings, Excluding Special Items	1,106	281
Special Items	(62)	48
Net Income	$ 1,044	$ 329

(1) Includes coal operations, Dynegy Inc. equity earnings, interest expense, interest income on cash and marketable securities, corporate center costs, and real estate and insurance activities.

(2) 1999 restated to conform to the 2000 presentation. Effective in the first quarter 2000, the company's share of earnings for Dynegy, Inc. is reported in All Other.

(MILLIONS OF DOLLARS)

CONSOLIDATED BALANCE SHEET

		March 31, 2000		December 31, 1999
ASSETS:		(unaudited)		
Cash and Cash Equivalents	$	1,185	$	1,345
Other Current Assets		7,332		6,952
Total Current Assets		8,517		8,297
Investments and Advances		5,643		5,231
Properties, Plant and Equipment-Net		25,182		25,317
Other		1,907		1,823
TOTAL ASSETS	$	41,249	$	40,668
LIABILITIES:				
Short-Term Debt	$	3,512	$	3,434
Other Current Liabilities		5,571		5,455
Total Current Liabilities		9,083		8,889
Long-Term Debt and Capital Lease Obligations		5,400		5,485
Noncurrent Deferred Income Taxes		5,094		5,010
Reserves For Employee Benefit Plans		1,846		1,796
Deferred Credits and Other Noncurrent Obligations		1,821		1,739
TOTAL LIABILITIES		23,244		22,919
STOCKHOLDERS' EQUITY		18,005		17,749
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	41,249	$	40,668

CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

		Three Months Ended March 31, 2000		1999
OPERATING ACTIVITIES				
Net Income	$	1,044	$	329
Adjustments				
Depreciation, depletion and amortization		651		566
Dry hole expense related to prior years' expenditures		14		19
Distributions less than equity in affiliates' income		(129)		(102)
Net before-tax gains on asset retirements and sales		(56)		(108)
Net foreign exchange (gains) losses		(27)		15
Deferred income tax provision		94		90
Net (increase) decrease in operating working capital		(325)		60
Other		30		(78)
Net cash provided by operating activities		1,296		791
INVESTING ACTIVITIES				
Capital expenditures		(881)		(797)
Proceeds from asset sales		146		145
Other investing cash flows, net		(5)		(22)
Net sales (purchases) of marketable securities		75		(102)
Net cash used for investing activities		(665)		(776)
FINANCING ACTIVITIES				
Net borrowings of short-term obligations		68		484
Proceeds from issuance of long-term debt		19		12
Repayments of long-term debt and other financing obligations		(80)		(214)
Cash dividends paid		(427)		(399)
Net (purchases) sales of treasury shares		(370)		70
Net cash used for financing activities		(790)		(47)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		(1)		1
NET CHANGE IN CASH AND CASH EQUIVALENTS		(160)		(31)
CASH AND CASH EQUIVALENTS AT JANUARY 1, 2000 AND 1999		1,345		569
CASH AND CASH EQUIVALENTS AT MARCH 31, 2000 AND 1999	$	1,185	$	538

CAPITAL AND EXPLORATORY EXPENDITURES [1] (millions of dollars)	Three Months Ending March 31, 2000	1999
United States		
Exploration and Production	$ 210	$ 253
Refining, Marketing and Transportation	81	113
Chemicals	23	101
Other	301	20
Total United States	615	487
International		
Exploration and Production	456	860
Refining, Marketing and Transportation	108	53
Chemicals	16	25
Total International	580	938
Worldwide	$ 1,195	$ 1,425

OPERATING STATISTICS [1]	2000	1999
NET LIQUIDS PRODUCTION (MB/D):		
United States	307	306
International	844	809
Worldwide	1,151	1,115
NET NATURAL GAS PRODUCTION (MMCF/D):		
United States	1,515	1,676
International	915	832
Worldwide	2,430	2,508
SALES OF NATURAL GAS (MMCF/D):		
United States	3,331	3,359
International	2,050	1,908
Worldwide	5,381	5,267
SALES OF NATURAL GAS LIQUIDS (MB/D):		
United States	113	146
International	70	52
Worldwide	183	198
SALES OF REFINED PRODUCTS (MB/D):		
United States	1,214	1,188
International [2]	811	898
Worldwide	2,025	2,086
REFINERY INPUT (MB/D):		
United States	816	924
International	434	494
Worldwide	1,250	1,418
CHEMICALS SALES & OTHER OPERATING REVENUES (millions of dollars) [3]		
United States	$ 917	$ 627
International	250	177
Worldwide	$ 1,167	$ 804

(1) Includes interest in affiliates.
(2) 1999 restated to conform to the 2000 presentation.
(3) Includes sales to other Chevron companies.