CHEVRON CORP
Form 10-K
February 25, 2010

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

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

For the fiscal year ended **December 31, 2009**
OR

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

For the transition period from _____ to _____

Commission File Number 1-368-2
Chevron Corporation
(Exact name of registrant as specified in its charter)

Delaware	94-0890210	6001 Bollinger Canyon Road, San Ramon, California 94583-2324
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)	(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code (925) 842-1000

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

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, par value $.75 per share	New York Stock Exchange, Inc.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

Aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter $132,865,210,015 (As of June 30, 2009)

Number of Shares of Common Stock outstanding as of February 19, 2010 2,008,352,638

DOCUMENTS INCORPORATED BY REFERENCE
(To The Extent Indicated Herein)

Notice of the 2010 Annual Meeting and 2010 Proxy Statement, to be filed pursuant to Rule 14a-6(b) under the Securities Exchange Act of 1934, in connection with the company s 2010 Annual Meeting of Stockholders (in Part III)

TABLE OF CONTENTS

Table of Contents

CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This *Annual Report on Form 10-K* of Chevron Corporation contains forward-looking statements relating to Chevron s operations that are based on management s current expectations, estimates and projections about the petroleum, chemicals and other energy-related industries. Words such as anticipates, expects, intends, plans, targets, proje believes, seeks, schedules, estimates, budgets and similar expressions are intended to identify such forward-look statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond the company s control and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Unless legally required, Chevron undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are: changing crude-oil and natural-gas prices; changing refining, marketing and chemical margins; actions of competitors or regulators; timing of exploration expenses; timing of crude-oil liftings; the competitiveness of alternate-energy sources or product substitutes; technological developments; the results of operations and financial condition of equity affiliates; the inability or failure of the company s joint-venture partners to fund their share of operations and development activities; the potential failure to achieve expected net production from existing and future crude-oil and natural-gas development projects; potential delays in the development, construction or start-up of planned projects; the potential disruption or interruption of the company s net production or manufacturing facilities or delivery/transportation networks due to war, accidents, political events, civil unrest, severe weather or crude-oil production quotas that might be imposed by the Organization of Petroleum Exporting Countries; the potential liability for remedial actions or assessments under existing or future environmental regulations and litigation; significant investment or product changes under existing or future environmental statutes, regulations and litigation; the potential liability resulting from other pending or future litigation; the company s future acquisition or disposition of assets and gains and losses from asset dispositions or impairments; government-mandated sales, divestitures, recapitalizations, industry-specific taxes, changes in fiscal terms or restrictions on scope of company operations; foreign-currency movements compared with the U.S. dollar; the effects of changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; and the factors set forth under the heading Risk Factors on pages 30 through 32 in this report. In addition, such statements could be affected by general domestic and international economic and political conditions. Unpredictable or unknown factors not discussed in this report could also have material adverse effects on forward-looking statements.

Table of Contents

PART I

Item 1. Business

(a) General Development of Business

Summary Description of Chevron

Chevron Corporation,* a Delaware corporation, manages its investments in subsidiaries and affiliates and provides administrative, financial, management and technology support to U.S. and international subsidiaries that engage in fully integrated petroleum operations, chemicals operations, mining operations, power generation and energy services. Exploration and production (upstream) operations consist of exploring for, developing and producing crude oil and natural gas and also marketing natural gas. Refining, marketing and transportation (downstream) operations relate to refining crude oil and converting natural gas into finished petroleum products; marketing crude oil and the many products derived from petroleum; and transporting crude oil, natural gas and petroleum products by pipeline, marine vessel, motor equipment and rail car. Chemicals operations include the manufacture and marketing of commodity petrochemicals, plastics for industrial uses, and fuel and lubricant oil additives.

A list of the company s major subsidiaries is presented on pages E-23 and E-24. As of December 31, 2009, Chevron had approximately 64,000 employees (including about 4,000 service station employees). Approximately 31,500 employees (including about 3,500 service station employees), or 49 percent, were employed in U.S. operations.

Overview of Petroleum Industry

Petroleum industry operations and profitability are influenced by many factors, and individual petroleum companies have little control over some of them. Governmental policies, particularly in the areas of taxation, energy and the environment, have a significant impact on petroleum activities, regulating how companies are structured and where and how companies conduct their operations and formulate their products and, in some cases, limiting their profits directly. Prices for crude oil, natural gas, petroleum products and petrochemicals are generally determined by supply and demand for these commodities. However, some governments impose price controls on refined products such as gasoline or diesel fuel. The members of the Organization of Petroleum Exporting Countries (OPEC) are typically the world s swing producers of crude oil, and their production levels are a major factor in determining worldwide supply. Demand for crude oil and its products and for natural gas is largely driven by the conditions of local, national and global economies, although weather patterns and taxation relative to other energy sources also play a significant part. Seasonality is not a primary driver of changes in the company s quarterly earnings during the year.

Strong competition exists in all sectors of the petroleum and petrochemical industries in supplying the energy, fuel and chemical needs of industry and individual consumers. Chevron competes with fully integrated major global petroleum companies, as well as independent and national petroleum companies, for the acquisition of crude-oil and natural-gas leases and other properties and for the equipment and labor required to develop and operate those properties. In its downstream business, Chevron also competes with fully integrated major petroleum companies and other independent refining, marketing and transportation entities and national petroleum companies in the sale or acquisition of various goods or services in many national and international markets.

Operating Environment

Refer to pages FS-2 through FS-9 of this Form 10-K in Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the company s current business environment and outlook.

* Incorporated in Delaware in 1926 as Standard Oil Company of California, the company adopted the name Chevron Corporation in 1984 and ChevronTexaco Corporation in 2001. In 2005, ChevronTexaco Corporation changed its name to Chevron Corporation. 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, one or more of its consolidated subsidiaries, or all of them taken as a whole, but unless stated otherwise, it does not include affiliates of Chevron i.e., those companies accounted for by the equity method (generally owned 50 percent or less) or investments accounted for by the cost method. 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.

Table of Contents

Chevron Strategic Direction

Chevron s primary objective is to create stockholder value and achieve sustained financial returns from its operations that will enable it to outperform its competitors. In the upstream, the company s strategies are to grow profitably in core areas, build new legacy positions and commercialize the company s equity natural-gas resource base while growing a high-impact global gas business. In the downstream, the strategies are to improve returns and selectively grow, with a focus on integrated value creation. The company also continues to invest in renewable-energy technologies, with an objective of capturing profitable positions.

(b) Description of Business and Properties

The upstream, downstream and chemicals activities of the company and its equity affiliates are widely dispersed geographically, with operations in North America, South America, Europe, Africa, the Middle East, Asia and Australia. Tabulations of segment sales and other operating revenues, earnings and income taxes for the three years ending December 31, 2009, and assets as of the end of 2009 and 2008 for the United States and the company s international geographic areas are in Note 11 to the Consolidated Financial Statements beginning on page FS-40. Similar comparative data for the company s investments in and income from equity affiliates and property, plant and equipment are in Notes 12 and 13 on pages FS-43 through FS-45.

Capital and Exploratory Expenditures

Total expenditures for 2009 were $22.2 billion, including $1.6 billion for the company s share of equity-affiliate expenditures. In 2008 and 2007, expenditures were $22.8 billion and $20 billion, respectively, including the company s share of affiliates expenditures of $2.3 billion in both periods.

Of the $22.2 billion in expenditures for 2009, about three-fourths, or $17.1 billion, was related to upstream activities. Approximately the same percentage was also expended for upstream operations in 2008 and 2007. International upstream accounted for about 80 percent of the worldwide upstream investment in 2009 and about 70 percent in 2008 and 2007, reflecting the company s continuing focus on opportunities available outside the United States.

In 2010, the company estimates capital and exploratory expenditures will be $21.6 billion, including $1.6 billion of spending by affiliates. About 80 percent of the total, or $17.3 billion, is budgeted for exploration and production activities, with $13.2 billion of that amount for projects outside the United States.

Refer also to a discussion of the company s capital and exploratory expenditures on page FS-12.

Upstream Exploration and Production

The table on the following page summarizes the net production of liquids and natural gas for 2009 and 2008 by the company and its affiliates.

Table of Contents

Net Production of Crude Oil and Natural Gas Liquids and Natural Gas[1,2]

	Oil-Equivalent (Thousands of Barrels per Day)		Components of Oil-Equivalent Crude Oil & Natural Gas Liquids (Thousands of Barrels per Day)		Natural Gas (Millions of Cubic Feet per Day)	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
United States	**717**	671	**484**	421	**1,399**	1,501
Africa:						
Nigeria	**232**	154	**225**	142	**48**	72
Angola	**150**	154	**141**	145	**49**	52
Chad	**27**	29	**26**	28	**5**	5
Republic of the Congo	**21**	13	**19**	11	**13**	12
Democratic Republic of the Congo	**3**	2	**3**	2	**1**	1
Total Africa	**433**	352	**414**	328	**116**	142
Asia:						
Indonesia	**243**	235	**199**	182	**268**	319
Thailand	**198**	217	**65**	67	**794**	894
Partitioned Zone (PZ)[3]	**105**	106	**101**	103	**21**	20
Kazakhstan	**69**	66	**42**	41	**161**	153
Bangladesh	**66**	71	**2**	2	**387**	414
Azerbaijan	**30**	29	**28**	28	**10**	7
Philippines	**27**	26	**4**	5	**137**	128
China	**19**	22	**17**	19	**16**	22
Myanmar	**13**	15			**76**	89
Total Asia	**770**	787	**458**	447	**1,870**	2,046
Other:						
United Kingdom	**110**	106	**73**	71	**222**	208
Australia	**108**	96	**35**	34	**434**	376
Denmark	**55**	61	**35**	37	**119**	142
Colombia	**41**	35			**245**	209
Argentina	**38**	44	**33**	37	**27**	45
Trinidad and Tobago	**34**	32	**1**		**199**	189
Canada	**28**	37	**27**	36	**4**	4
Netherlands	**9**	9	**2**	2	**41**	40
Norway	**5**	6	**5**	6	**1**	1
Brazil	**2**		**2**			
Total Other	**430**	426	**213**	223	**1,292**	1,214

Total Consolidated Operations	**2,350**	2,236	**1,569**	1,419	**4,677**	4,903
Equity Affiliates[4]	**328**	267	**277**	230	**312**	222
Total Including Affiliates[5]	**2,678**	2,503	**1,846**	1,649	**4,989**	5,125

[1] 2008 conformed to 2009 geographic presentation.

[2] Excludes Athabasca oil sands production, net:	**26**	27	**26**	27

[3] Located between Saudi Arabia and Kuwait.

[4] Volumes represent Chevron s share of production by affiliates, including Tengizchevroil (TCO) in Kazakhstan and Petroboscan, Petroindependiente and Petropiar in Venezuela.

[5] Volumes include natural gas consumed in operations of 521 million and 520 million cubic feet per day in 2009 and 2008, respectively.

Worldwide oil-equivalent production, including volumes from oil sands (refer to footnote 2 above), was 2.7 million barrels per day, up about 7 percent from 2008. The increase was mostly associated with the start-up of the Blind Faith and Tahiti fields in the U.S. Gulf of Mexico in late 2008 and the second quarter 2009, respectively, the commencement of operations in the third quarter 2008 at the Agbami Field in Nigeria, and the expansion at Tengiz in Kazakhstan. Refer to the Results of Operations section beginning on page FS-6 for a detailed discussion of the factors explaining the 2007-2009 changes in production for crude oil and natural gas liquids, and natural gas.

The company estimates that its average worldwide oil-equivalent production in 2010 will be approximately 2.73 million barrels per day. This estimate is subject to many uncertainties, including quotas that may be imposed by OPEC, the price effect on production volumes calculated under cost-recovery and variable-royalty provisions of certain contracts, changes in fiscal terms or restrictions on the scope of company operations, delays in project start-ups, fluctuations in demand for natural gas in various markets, and production that may have to be shut in due to weather conditions, civil unrest, changing geopolitics or other disruptions to operations. Future production levels also are affected by the size and number of economic investment opportunities and, for new large-scale projects, the time lag between initial exploration and the beginning of production. Refer to the Review of Ongoing Exploration and Production Activities in Key Areas, beginning on page 9, for a discussion of the company s major crude-oil and natural-gas development projects.

Average Sales Prices and Production Costs per Unit of Production

Refer to Table IV on page FS-69 for the company s average sales price per barrel of crude oil, condensate and natural gas liquids and per thousand cubic feet of natural gas produced and the average production cost per oil-equivalent barrel for 2009, 2008 and 2007.

Gross and Net Productive Wells

The following table summarizes gross and net productive wells at year-end 2009 for the company and its affiliates:

Productive Oil and Gas Wells[1] at December 31, 2009

	Productive[2,3] Oil Wells		Productive[2] Gas Wells	
	Gross	**Net**	**Gross**	**Net**
United States	49,761	32,720	11,567	5,671
Africa	2,292	766	17	7
Asia	10,580	9,106	2,336	1,510
Other	1,605	963	275	74
Total Consolidated Companies	64,238	43,555	14,195	7,262
Equity in Affiliates	1,133	403	7	2
Total Including Affiliates	65,371	43,958	14,202	7,264
Multiple completion wells included above:	929	596	390	313

1 Includes wells producing or capable of producing and injection wells temporarily functioning as producing wells. Wells that produce both oil and gas are classified as oil wells.
2 Gross wells include the total number of wells in which the company has an interest. Net wells include wholly owned wells and the sum of the company s fractional interests in gross wells.
3 Canadian synthetic oil is not produced through wells and therefore is not presented in the table above.

Reserves

Refer to Table V beginning on page FS-69 for a tabulation of the company s proved net crude-oil and natural-gas reserves by geographic area, at the beginning of 2007 and each year-end from 2007 through 2009, and an accompanying discussion of major changes to proved reserves by geographic area for the three-year period ending December 31, 2009. During 2009, the company provided crude-oil and natural-gas reserves estimates for 2008 to the Department of Energy, Energy Information Administration (EIA) that agree with the 2008 reserve volumes in Table V. This reporting fulfilled the requirement that such estimates be consistent with, and not differ more than 5 percent from, the information furnished to the Securities and Exchange Commission (SEC) in the company s 2008 Annual Report on Form 10-K. During 2010, the company will file estimates of crude-oil and natural-gas reserves with the Department of Energy, EIA, consistent with the 2009 reserve data reported in Table V.

The net proved-reserve balances at the end of each of the three years 2007 through 2009 are shown in the table below:

Net Proved Reserves at December 31

	2009	2008	2007
Liquids* Millions of barrels			
Consolidated Companies	**4,610**	4,735	4,665
Affiliated Companies	**2,363**	2,615	2,422
Natural Gas Billions of cubic feet			
Consolidated Companies	**22,153**	19,022	19,137
Affiliated Companies	**3,896**	4,053	3,003
Total Oil-Equivalent Millions of barrels			
Consolidated Companies	**8,303**	7,905	7,855
Affiliated Companies	**3,012**	3,291	2,922

* Crude oil, condensate and natural gas liquids. 2009 liquids amount for consolidated companies includes 460 million barrels of synthetic oil produced from oil sands mining operations in Canada in accordance with the adoption of the new SEC definition of oil and gas producing activity.

Acreage

At December 31, 2009, the company owned or had under lease or similar agreements undeveloped and developed crude-oil and natural-gas properties located throughout the world. The geographical distribution of the company s acreage is shown in the following table.

Acreage[1,2] at December 31, 2009
(Thousands of Acres)

	Undeveloped[3]		Developed[3]		Developed and Undeveloped	
	Gross	Net	Gross	Net	Gross	Net
United States	4,679	3,708	6,139	3,769	10,818	7,477
Africa	9,663	5,705	2,499	917	12,162	6,622
Asia	38,370	18,491	5,313	2,742	43,683	21,233
Other	53,181	26,407	3,243	792	56,424	27,199
Total Consolidated Companies	105,893	54,311	17,194	8,220	123,087	62,531
Equity in Affiliates	640	300	259	104	899	404
Total Including Affiliates	106,533	54,611	17,453	8,324	123,986	62,935

[1] Gross acreage includes the total number of acres in all tracts in which the company has an interest. Net acreage includes wholly owned interests and the sum of the company s fractional interests in gross acreage.

[2]

Table does not include mining acreage associated with the synthetic oil production in Canada. At year-end 2009, undeveloped gross and net acreage totaled 235 and 31, respectively. Developed gross and net acreage totaled 35 and 7, respectively. Developed acreage is acreage associated with productive mines. Undeveloped acreage is acreage on which mines have not been established and that may contain undeveloped proved reserves.

[3] Developed acreage is spaced or assignable to productive wells. Undeveloped acreage is acreage on which wells have not been drilled or completed to permit commercial production and that may contain undeveloped proved reserves. The gross undeveloped acres that will expire in 2010, 2011 and 2012 if production is not established by certain required dates are 13,526, 9,784 and 3,662, respectively.

Table of Contents

Delivery Commitments

The company sells crude oil and natural gas from its producing operations under a variety of contractual obligations. Most contracts generally commit the company to sell quantities based on production from specified properties, but some natural-gas sales contracts specify delivery of fixed and determinable quantities, as discussed below.

In the United States, the company has no fixed and determinable delivery commitments to third-parties or affiliates.

Outside the United States, the company is contractually committed to deliver to third parties a total of 821 billion cubic feet of natural gas from 2010 through 2012 from Australia, Colombia, Denmark and the Philippines. The sales contracts contain variable pricing formulas that are generally referenced to the prevailing market price for crude oil, natural gas or other petroleum products at the time of delivery. The company believes it can satisfy these contracts from quantities available from production of the company s proved developed reserves in Australia, Colombia, Denmark and the Philippines.

Development Activities

Refer to Table I on page FS-64 for details associated with the company s development expenditures and costs of proved property acquisitions for 2009, 2008 and 2007.

The table below summarizes the company s net interest in productive and dry development wells completed in each of the past three years and the status of the company s development wells drilling at December 31, 2009. A development well is a well drilled within the proved area of a crude-oil or natural-gas reservoir to the depth of a stratigraphic horizon known to be productive.

Development Well Activity

	Wells Drilling at 12/31/09[3]		Net Wells Completed[1,2]					
			2009		2008		2007	
	Gross	Net	Prod.	Dry	Prod.	Dry	Prod.	Dry
United States	**47**	**22**	**582**	**3**	846	4	875	5
Africa	**6**	**2**	**40**		33		43	
Asia	**38**	**22**	**580**		665	1	597	
Other	**11**	**4**	**43**		41		52	
Total Consolidated Companies	**102**	**50**	**1,245**	**3**	1,585	5	1,567	5
Equity in Affiliates	**1**		**6**		16		3	
Total Including Affiliates	**103**	**50**	**1,251**	**3**	1,601	5	1,570	5

1 2008 and 2007 conformed to 2009 geographic presentation.

2 Indicates the fractional number of wells completed during the year, regardless of when drilling was initiated. Completion refers to the installation of permanent equipment for the production of crude oil or natural gas or, in the case of a dry well, the reporting of abandonment to the appropriate agency.

[3] Represents wells in the process of drilling, including wells for which drilling was not completed and which were temporarily suspended at the end of 2009. Gross wells include the total number of wells in which the company has an interest. Net wells include wholly owned wells and the sum of the company s fractional interests in gross wells.

Table of Contents

Exploration Activities

The following table summarizes the company s net interests in productive and dry exploratory wells completed in each of the last three years and the number of exploratory wells drilling at December 31, 2009. Exploratory wells are wells drilled to find and produce crude oil or natural gas in unproved areas and include delineation wells, which are wells drilled to find a new reservoir in a field previously found to be productive of crude oil or natural gas in another reservoir or to extend a known reservoir beyond the proved area.

Exploratory Well Activity

	Wells Drilling at 12/31/09[3]		Net Wells Completed[1,2]					
			2009		2008		2007	
	Gross	Net	Prod.	Dry	Prod.	Dry	Prod.	Dry
United States	**3**	**1**	**4**	**5**	8	2	4	8
Africa	**6**	**2**	**2**	**1**	2	1	6	2
Asia	**1**		**9**	**1**	9	2	13	9
Other	**4**	**3**	**5**	**4**	44	2	43	6
Total Consolidated Companies	**14**	**6**	**20**	**11**	63	7	66	25
Equity in Affiliates								
Total Including Affiliates	**14**	**6**	**20**	**11**	63	7	66	25

1 2008 and 2007 conformed to 2009 geographic presentation.

2 Indicates the fractional number of wells completed during the year, regardless of when drilling was initiated. Completion refers to the installation of permanent equipment for the production of crude oil or natural gas or, in the case of a dry well, the reporting of abandonment to the appropriate agency. Some exploratory wells are not drilled with the intention of producing from the well bore. In such cases, completion refers to the completion of drilling. Further categorization of productive or dry is based on the determination as to whether hydrocarbons in a sufficient quantity were found to justify completion as a producing well, whether or not the well is actually going to be completed as a producer.

3 Represents wells that are in the process of drilling but have been neither abandoned nor completed as of the last day of the year, including wells for which drilling was not completed and which were temporarily suspended at the end of 2009. Gross wells include the total number of wells in which the company has an interest. Net wells include wholly owned wells and the sum of the company s fractional interests in gross wells.

Refer to Table I on page FS-64 for detail of the company s exploration expenditures and costs of unproved property acquisitions for 2009, 2008 and 2007.

Review of Ongoing Exploration and Production Activities in Key Areas

Chevron s 2009 key upstream activities, some of which are also discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations beginning on page FS-2, are presented below. The comments include references to total production and net production, which are defined under Production in Exhibit 99.1 on page E-42.

The discussion that follows references the status of proved reserves recognition for significant long-lead-time projects not yet on production and for projects recently placed on production. Reserves are not discussed for recent discoveries that have yet to advance to a project stage or for mature areas of production that do not have individual projects requiring significant levels of capital or exploratory investment. Amounts indicated for project costs represent total project costs, not the company s share of costs for projects that are less than wholly owned.

Table of Contents

Chevron has production and exploration activities in most of the world s major hydrocarbon basins. The company s upstream strategy is to grow profitably in core areas, build new legacy positions and commercialize the company s equity natural-gas resource base while growing a high-impact global gas business. The map at left indicates Chevron s primary areas of production and exploration.

a) United States

Upstream activities in the United States are concentrated in California, the Gulf of Mexico, Louisiana, Texas, New Mexico, the Rocky Mountains and Alaska. Average net oil-equivalent production in the United States during 2009 was 717,000 barrels per day.

In California, the company has significant production in the San Joaquin Valley. In 2009, average net oil-equivalent production was 211,000 barrels per day, composed of 191,000 barrels of crude oil, 91 million cubic feet of natural gas and 5,000 barrels of natural gas liquids. Approximately 84 percent of the crude-oil production is considered heavy oil (typically with API gravity lower than 22 degrees).

Average net oil-equivalent production during 2009 for the company s combined interests in the Gulf of Mexico shelf and deepwater areas, and the onshore fields in the region was 243,000 barrels per day. The daily oil-equivalent production comprised 149,000 barrels of crude oil, 484 million cubic feet of natural gas and 14,000 barrels of natural gas liquids.

During 2009, Chevron was engaged in various development and exploration activities in the deepwater Gulf of Mexico. The 75 percent-owned and operated Blind Faith development, which achieved first oil in the fourth quarter 2008, reached maximum total production of 70,000 barrels per day of oil-equivalent in 2009. Blind Faith has an estimated production life of 20 years.

At the 58 percent-owned and operated Tahiti Field, first oil was achieved in the second quarter 2009. Maximum total production of 135,000 barrels per day of oil-equivalent was achieved in the third quarter 2009. A second development phase is under evaluation, including additional development drilling and a probable waterflood, with a final investment decision planned formid-2010. The waterflood includes water injection topsides equipment, subsea equipment and water injection wells. Tahiti has an estimated production life of 30 years. As of the end of 2009, proved reserves had been recognized for the first development phase of the Tahiti Field.

The company is participating in the ultra-deepwater Perdido Regional Development. The project encompasses the installation of a producing host facility to service multiple fields, including Chevron s 33.3 percent-owned Great White, 60 percent-owned Silvertip and 57.5 percent-owned Tobago. Chevron has a 37.5 percent interest in the Perdido Regional Host. All of these fields and the production facility are partner-operated. Activities during 2009 included installation of the topsides on the spar, installation of umbilicals, hook-up and commissioning of the facility systems, and ongoing development drilling. First oil is expected in the first half of 2010, with the facility designed to handle 130,000 barrels of oil-equivalent per day. The project has an expected life of approximately 25 years. Proved reserves have been recognized for the project.

Table of Contents

The company has a 60 percent-owned and operated interest in Big Foot. Two successful appraisal wells have been drilled, the most recent in the first quarter 2009. The company also acquired the rights to an adjacent block during 2009. The project entered front-end engineering and design (FEED) in October 2009 and a final investment decision is expected in late 2010. Total maximum production from the project is expected to be 63,000 barrels of oil-equivalent per day. At the end of 2009, proved reserves had not been recognized.

The Caesar and Tonga partnerships for properties located in a number of blocks in the Green Canyon area have formed a unit agreement for the area, with Chevron having a 20.3 percent nonoperated working interest. A final investment decision on the joint Caesar-Tonga project was made in the first quarter 2009. Development plans include four wells and a subsea tie-back to a nearby third-party production facility. Two development sidetracks were completed during the year. Proved reserves have been recognized for the project and first oil is expected in 2011.

The Jack and St. Malo fields are located within 25 miles of each other and are being considered for joint development. Chevron has a 50 percent-owned interest in Jack and a 51 percent-owned interest in St. Malo, following the anticipated acquisition of an additional 9.8 percent equity interest in St. Malo in March 2010. Both fields are company operated. The project entered FEED in May 2009 and a final investment decision is expected in late 2010. The facility is planned to have an initial design capacity of 150,000 barrels of oil-equivalent per day and start-up is expected in 2014. At the end of 2009, proved reserves had not been recognized.

Deepwater exploration activities in 2009 and early 2010 included participation in 10 exploratory wells five wildcat, three appraisal and two delineation. Exploratory work included the following:

Buckskin 55 percent-owned and operated. A successful wildcat discovery was announced in February 2009. The first appraisal well is scheduled to begin drilling in the second quarter 2010.

Knotty Head 25 percent nonoperated working interest. The first appraisal well began drilling in October 2009 at this 2005 discovery.

Puma 21.8 percent nonoperated working interest. An appraisal well completed drilling in early 2009. Leases were relinquished in mid-2009.