CHEVRON CORP
Form 10-Q
August 07, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended June 30, 2013
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-00368
Chevron Corporation
(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code: (925) 842-1000
NONE
(Former name, former address and former fiscal year, if changed since last report.)
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 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.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of June 30, 2013
Common stock, $.75 par value	1,932,023,723

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

This quarterly report on Form 10-Q 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," "forecasts," "projects," "believes," "seeks," "schedules," "estimates," "budgets," "outlook" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many 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 chemicals 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 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 required by 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 28 through 30 of the company's 2012 Annual Report on Form 10-K. In addition, such results could be affected by general domestic and international economic and political conditions. Other unpredictable or unknown factors not discussed in this report could also have material adverse effects on forward-looking statements.

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PART I.
FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements
CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars, except per-share amounts)			
Revenues and Other Income				
Sales and other operating revenues*	$55,307	$59,780	$109,603	$118,676
Income from equity affiliates	1,784	2,091	4,068	3,800
Other income	278	737	516	837
Total Revenues and Other Income	57,369	62,608	114,187	123,313
Costs and Other Deductions				
Purchased crude oil and products	34,273	36,772	67,183	72,825
Operating expenses	6,278	5,420	12,040	10,603
Selling, general and administrative expenses	1,139	1,250	2,137	2,190
Exploration expenses	329	493	576	896
Depreciation, depletion and amortization	3,412	3,284	6,893	6,489
Taxes other than on income*	3,349	3,034	6,486	5,886
Total Costs and Other Deductions	48,780	50,253	95,315	98,889
Income Before Income Tax Expense	8,589	12,355	18,872	24,424
Income Tax Expense	3,185	5,123	7,229	10,693
Net Income	5,404	7,232	11,643	13,731
Less: Net income attributable to noncontrolling interests	39	22	100	50
Net Income Attributable to Chevron Corporation	$5,365	$7,210	$11,543	$13,681
Per Share of Common Stock:				
Net Income Attributable to Chevron Corporation				
— Basic	$2.80	$3.68	$6.00	$6.98
— Diluted	$2.77	$3.66	$5.95	$6.93
Dividends	$1.00	$0.90	$1.90	$1.71
Weighted Average Number of Shares Outstanding (000s)				
— Basic	1,921,391	1,954,147	1,925,181	1,959,005
— Diluted	1,936,783	1,967,990	1,940,337	1,973,386
* Includes excise, value-added and similar taxes:	$2,108	$1,929	$4,141	$3,716

See accompanying notes to consolidated financial statements.

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CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Net Income	$5,404	$7,232	$11,643	$13,731
Currency translation adjustment	42	(12)	31	2
Unrealized holding loss on securities:				
Net loss arising during period	(6)	(2)	(7)	(1)
Derivatives:				
Net derivatives gain (loss) on hedge transactions	2	(7)	2	3
Reclassification to net income of net realized gain (loss)	5	(4)	—	2
Income taxes (expense) benefit on derivatives transactions	(3)	4	(1)	(2)
Total	4	(7)	1	3
Defined benefit plans:				
Actuarial loss:				
Amortization to net income of net actuarial and settlement losses	232	233	459	506
Actuarial loss arising during period	—	—	—	(43)
Prior service cost:				
Amortization to net income of net prior service credits	(7)	(16)	(14)	(30)
Defined benefit plans sponsored by equity affiliates	11	7	(9)	18
Income taxes on defined benefit plans	(85)	(60)	(170)	(165)
Total	151	164	266	286
Other Comprehensive Gain, Net of Tax	191	143	291	290
Comprehensive Income	5,595	7,375	11,934	14,021
Comprehensive income attributable to noncontrolling interests	(39)	(22)	(100)	(50)
Comprehensive Income Attributable to Chevron Corporation	$5,556	$7,353	$11,834	$13,971

See accompanying notes to consolidated financial statements.

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CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	At June 30 2013	At December 31 2012
	(Millions of dollars, except per-share amounts)	
ASSETS		
Cash and cash equivalents	$20,630	$20,939
Time deposits	1,408	708
Marketable securities	258	266
Accounts and notes receivable, net	20,273	20,997
Inventories		
Crude oil and petroleum products	5,063	3,923
Chemicals	467	475
Materials, supplies and other	1,893	1,746
Total inventories	7,423	6,144
Prepaid expenses and other current assets	6,112	6,666
Total Current Assets	56,104	55,720
Long-term receivables, net	3,017	3,053
Investments and advances	25,133	23,718
Properties, plant and equipment, at cost	279,025	263,481
Less: Accumulated depreciation, depletion and amortization	128,433	122,133
Properties, plant and equipment, net	150,592	141,348
Deferred charges and other assets	4,562	4,503
Goodwill	4,640	4,640
Total Assets	$244,048	$232,982
LIABILITIES AND EQUITY		
Short-term debt	$1,913	$127
Accounts payable	21,609	22,776
Accrued liabilities	5,180	5,738
Federal and other taxes on income	3,433	4,341
Other taxes payable	1,278	1,230
Total Current Liabilities	33,413	34,212
Long-term debt	17,960	11,966
Capital lease obligations	91	99
Deferred credits and other noncurrent obligations	21,099	21,502
Noncurrent deferred income taxes	18,039	17,672
Reserves for employee benefit plans	9,282	9,699
Total Liabilities	99,884	95,150
Preferred stock (authorized 100,000,000 shares, $1.00 par value, none issued)	—	—
Common stock (authorized 6,000,000,000 shares; $0.75 par value; 2,442,676,580 shares issued at June 30, 2013, and December 31, 2012)	1,832	1,832
Capital in excess of par value	15,677	15,497
Retained earnings	167,615	159,730
Accumulated other comprehensive loss	(6,078)	(6,369)
Deferred compensation and benefit plan trust	(262)	(282)
Treasury stock, at cost (510,652,857 and 495,978,691 shares at June 30, 2013,	(35,943)	(33,884)

and December 31, 2012, respectively)		
Total Chevron Corporation Stockholders' Equity	142,841	136,524
Noncontrolling interests	1,323	1,308
Total Equity	144,164	137,832
Total Liabilities and Equity	$244,048	$232,982

See accompanying notes to consolidated financial statements.

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CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30	
	2013	2012
	(Millions of dollars)	
Operating Activities		
Net Income	$11,643	$13,731
Adjustments		
Depreciation, depletion and amortization	6,893	6,489
Dry hole expense	79	442
Distributions less than income from equity affiliates	(1,118)	(1,069)
Net before-tax gains on asset retirements and sales	(175)	(544)
Net foreign currency effects	(138)	24
Deferred income tax provision	32	994
Net increase in operating working capital	(2,515)	(2,197)
Increase in long-term receivables	(56)	(140)
Decrease in other deferred charges	68	582
Cash contributions to employee pension plans	(610)	(679)
Other	131	669
Net Cash Provided by Operating Activities	14,234	18,302
Investing Activities		
Capital expenditures	(16,765)	(12,962)
Proceeds and deposits related to asset sales	641	1,153
Net (purchases) sales of time deposits	(700)	3,950
Net sales of marketable securities	2	11
Repayment of loans by equity affiliates	162	171
Net sales of other short-term investments	189	198
Net Cash Used for Investing Activities	(16,471)	(7,479)
Financing Activities		
Net borrowings of short-term obligations	1,903	122
Proceeds from issuance of long-term debt	6,000	—
Repayments of long-term debt and other financing obligations	(110)	(28)
Cash dividends — common stock	(3,656)	(3,348)
Distributions to noncontrolling interests	(73)	(11)
Net purchases of treasury shares	(2,028)	(2,161)
Net Cash Provided (Used) for Financing Activities	2,036	(5,426)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(108)	(52)
Net Change in Cash and Cash Equivalents	(309)	5,345
Cash and Cash Equivalents at January 1	20,939	15,864
Cash and Cash Equivalents at June 30	$20,630	$21,209

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Interim Financial Statements

The accompanying consolidated financial statements of Chevron Corporation and its subsidiaries (the company) have not been audited by an independent registered public accounting firm. In the opinion of the company's management, the interim data includes all adjustments necessary for a fair statement of the results for the interim periods. These adjustments were of a normal recurring nature. The results for the three- and six-month periods ended June 30, 2013, are not necessarily indicative of future financial results. The term "earnings" is defined as net income attributable to Chevron Corporation.

Certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the company's 2012 Annual Report on Form 10-K.

Note 2. Changes in Accumulated Other Comprehensive Losses

The change in Accumulated Other Comprehensive Losses (AOCL) presented on the Consolidated Balance Sheet and the impact of significant amounts reclassified from AOCL on information presented in the Consolidated Statement of Income for the six months ending June 30, 2013, are reflected in the table below.

Changes in Accumulated Other Comprehensive Income (Loss) by Component [1]
(Millions of Dollars)

	Six Months Ended June 30, 2013				
	Currency Translation Adjustment	Unrealized Holding Gains (Losses) on Securities	Derivatives	Defined Benefit Plans	Total
Balance at January 1	$(65)	$1	$125	$(6,430)	$(6,369)
Components of Other Comprehensive Income (Loss):					
Before Reclassifications	31	(7)	1	(18)	7
Reclassifications [2]	—	—	—	284	284
Net Other Comprehensive Income (Loss)	31	(7)	1	266	291
Balance at June 30	$(34)	$(6)	$126	$(6,164)	$(6,078)

[1] All amounts are net of tax.

[2] Refer to Note 9, Employee Benefits for reclassified components totaling $445 million that are included in employee benefit costs for the six months ending June 30, 2013. Related income taxes for the same period, totaling $161 million, are reflected in Income Tax Expense on the Consolidated Statement of Income. All other reclassified amounts were insignificant.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 3. Noncontrolling Interests

Ownership interests in the company's subsidiaries held by parties other than the parent are presented separately from the parent's equity on the Consolidated Balance Sheet. The amount of consolidated net income attributable to the parent and the noncontrolling interests are both presented on the face of the Consolidated Statement of Income.

Activity for the equity attributable to noncontrolling interests for the first six months of 2013 and 2012 is as follows:

	2013			2012		
	Chevron Corporation Stockholders' Equity	Non-controlling Interest	Total Equity	Chevron Corporation Stockholders' Equity	Non-controlling Interest	Total Equity
	(Millions of dollars)					
Balance at January 1	$136,524	$ 1,308	$137,832	$121,382	$ 799	$122,181
Net income	11,543	100	11,643	13,681	50	13,731
Dividends	(3,659)	—	(3,659)	(3,350)	—	(3,350)
Distributions to noncontrolling interests	—	(73)	(73)	—	(11)	(11)
Treasury shares, net	(2,059)	—	(2,059)	(2,188)	—	(2,188)
Other changes, net*	492	(12)	480	472	454	926
Balance at June 30	$142,841	$ 1,323	$144,164	$129,997	$ 1,292	$131,289

* Includes components of comprehensive income, which are disclosed separately in the Consolidated Statement of Comprehensive Income.

Note 4. Information Relating to the Consolidated Statement of Cash Flows

The "Net increase in operating working capital" was composed of the following operating changes:

	Six Months Ended June 30	
	2013	2012
	(Millions of dollars)	
Decrease in accounts and notes receivable	$504	$1,377
Increase in inventories	(1,279)	(1,359)
Decrease (increase) in prepaid expenses and other current assets	505	(375)
Decrease in accounts payable and accrued liabilities	(1,535)	(1,062)
Decrease in income and other taxes payable	(710)	(778)
Net increase in operating working capital	$(2,515)	$(2,197)

The "Net increase in operating working capital" includes reductions of $55 million and $34 million for excess income tax benefits associated with stock options exercised during the six months ended June 30, 2013, and 2012, respectively. These amounts are offset by an equal amount in "Net purchases of treasury shares."

"Net Cash Provided by Operating Activities" included the following cash payments for interest on debt and for income taxes:

	Six Months Ended June 30	
	2013	2012
	(Millions of dollars)	
Interest on debt (net of capitalized interest)	$—	$—
Income taxes	7,565	10,524

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

"Other" includes changes in postretirement benefits obligations and other long-term liabilities.
Information related to "Restricted Cash" is included on page 22 in Note 12 under the heading "Restricted Cash."
The “Net (purchases) sales of time deposits” consisted of the following gross amounts:

	Six Months Ended June 30	
	2013	2012
	(Millions of dollars)	
Time deposits purchased	$(1,608)	$(8)
Time deposits matured	908	3,958
Net (purchases) sales of time deposits	$(700)	$3,950

The “Net sales of marketable securities” consisted of the following gross amounts:

	Six Months Ended June 30	
	2013	2012
	(Millions of dollars)	
Marketable securities purchased	$(5)	$—
Marketable securities sold	7	11
Net sales of marketable securities	$2	$11

The “Net purchases of treasury shares” represents the cost of common shares acquired less the cost of shares issued for share-based compensation plans. Purchases totaled $2.5 billion for the first six months periods in both 2013 and 2012. During the first six months of 2013 and 2012, the company purchased 21.1 million and 23.9 million common shares under its ongoing share repurchase program, respectively, for $2.5 billion in each corresponding period.
The major components of “Capital expenditures” and the reconciliation of this amount to the capital and exploratory expenditures, including equity affiliates, are as follows:

	Six Months Ended June 30	
	2013	2012
	(Millions of dollars)	
Additions to properties, plant and equipment	$16,334	$12,163
Additions to investments	472	437
Current year dry hole expenditures	18	404
Payments for other liabilities and assets, net	(59)	(42)
Capital expenditures	16,765	12,962
Expensed exploration expenditures	497	454
Assets acquired through capital lease obligations	2	—
Capital and exploratory expenditures, excluding equity affiliates	17,264	13,416
Company’s share of expenditures by equity affiliates	1,070	827
Capital and exploratory expenditures, including equity affiliates	$18,334	$14,243

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 5. Operating Segments and Geographic Data

Although each subsidiary of Chevron is responsible for its own affairs, Chevron Corporation manages its investments in these subsidiaries and their affiliates. The investments are grouped into two business segments, Upstream and Downstream, representing the company's "reportable segments" and "operating segments" as defined in accounting standards for segment reporting (ASC 280). Upstream operations consist primarily of exploring for, developing and producing crude oil and natural gas; liquefaction, transportation and regasification associated with liquefied natural gas (LNG); transporting crude oil by major international oil export pipelines; processing, transporting, storage and marketing of natural gas; and a gas-to-liquids project. Downstream operations consist primarily of refining of crude oil into petroleum products; marketing of crude oil and refined products; transporting of crude oil and refined products by pipeline, marine vessel, motor equipment and rail car; and manufacturing and marketing of commodity petrochemicals, plastics for industrial uses, and fuel and lubricant additives. All Other activities of the company include mining operations, power generation businesses, worldwide cash management and debt financing activities, corporate administrative functions, insurance operations, real estate activities, energy services, alternative fuels, and technology companies.

The segments are separately managed for investment purposes under a structure that includes "segment managers" who report to the company's "chief operating decision maker" (CODM) (terms as defined in ASC 280). The CODM is the company's Executive Committee (EXCOM), a committee of senior officers that includes the Chief Executive Officer, and EXCOM reports to the Board of Directors of Chevron Corporation.

The operating segments represent components of the company, as described in accounting standards for segment reporting (ASC 280), that engage in activities (a) from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the CODM, which makes decisions about resources to be allocated to the segments and assesses their performance; and (c) for which discrete financial information is available.

Segment managers for the reportable segments are directly accountable to, and maintain regular contact with, the company's CODM to discuss the segment's operating activities and financial performance. The CODM approves annual capital and exploratory budgets at the reportable segment level, as well as reviews capital and exploratory funding for major projects and approves major changes to the annual capital and exploratory budgets. However, business-unit managers within the operating segments are directly responsible for decisions relating to project implementation and all other matters connected with daily operations. Company officers who are members of the EXCOM also have individual management responsibilities and participate in other committees for purposes other than acting as the CODM.

The company's primary country of operation is the United States of America, its country of domicile. Other components of the company's operations are reported as "International" (outside the United States).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Segment Earnings The company evaluates the performance of its operating segments on an after-tax basis, without considering the effects of debt financing interest expense or investment interest income, both of which are managed by the company on a worldwide basis. Corporate administrative costs and assets are not allocated to the operating segments. However, operating segments are billed for the direct use of corporate services. Nonbillable costs remain at the corporate level in "All Other." Earnings by major operating area for the three- and six-month periods ended June 30, 2013, and 2012, are presented in the following table:

Segment Earnings	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Upstream				
United States	$1,083	$1,318	$2,215	$2,847
International	3,866	4,302	8,650	8,944
Total Upstream	4,949	5,620	10,865	11,791
Downstream				
United States	138	802	273	1,261
International	628	1,079	1,194	1,424
Total Downstream	766	1,881	1,467	2,685
Total Segment Earnings	5,715	7,501	12,332	14,476
All Other				
Interest Income	18	19	39	39
Other	(368)	(310)	(828)	(834)
Net Income Attributable to Chevron Corporation	$5,365	$7,210	$11,543	$13,681

Segment Assets Segment assets do not include intercompany investments or intercompany receivables. "All Other" assets consist primarily of worldwide cash, cash equivalents, time deposits and marketable securities; real estate; information systems; mining operations; power generation businesses; energy services; alternative fuels; technology companies; and assets of the corporate administrative functions. Segment assets at June 30, 2013, and December 31, 2012, are as follows:

Segment Assets	At June 30 2013	At December 31 2012
	(Millions of dollars)	
Upstream		
United States	$43,220	$41,891
International	124,752	115,806
Goodwill	4,640	4,640
Total Upstream	172,612	162,337
Downstream		
United States	23,012	23,023
International	21,134	20,024
Total Downstream	44,146	43,047
Total Segment Assets	216,758	205,384
All Other		
United States	10,221	7,727
International	17,069	19,871
Total All Other	27,290	27,598

Total Assets — United States	76,453	72,641
Total Assets — International	162,955	155,701
Goodwill	4,640	4,640
Total Assets	$244,048	$232,982

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Segment Sales and Other Operating Revenues Segment sales and other operating revenues, including internal transfers, for the three- and six-month periods ended June 30, 2013, and 2012, are presented in the following table. Products are transferred between operating segments at internal product values that approximate market prices. Revenues for the upstream segment are derived primarily from the production and sale of crude oil and natural gas, as well as the sale of third-party production of natural gas. Revenues for the downstream segment are derived from the refining and marketing of petroleum products such as gasoline, jet fuel, gas oils, lubricants, residual fuel oils and other products derived from crude oil. This segment also generates revenues from the manufacture and sale of fuel and lubricant additives and the transportation and trading of refined products and crude oil. “All Other” activities include revenues from mining operations, power generation businesses, insurance operations, real estate activities, energy services, alternative fuels, and technology companies.

Sales and Other Operating Revenues	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Upstream				
United States	$6,413	$5,732	$12,680	$11,933
International	11,746	13,185	24,657	27,700
Subtotal	18,159	18,917	37,337	39,633
Intersegment Elimination — United States	(4,217)	(4,444)	(8,411)	(9,041)
Intersegment Elimination — International	(7,449)	(8,022)	(15,805)	(17,248)
Total Upstream	6,493	6,451	13,121	13,344
Downstream				
United States	21,555	22,657	41,985	45,341
International	27,222	30,598	54,400	59,848
Subtotal	48,777	53,255	96,385	105,189
Intersegment Elimination — United States	(11)	(10)	(22)	(25)
Intersegment Elimination — International	(26)	(22)	(42)	(33)
Total Downstream	48,740	53,223	96,321	105,131
All Other				
United States	449	436	827	762
International	9	13	15	25
Subtotal	458	449	842	787
Intersegment Elimination — United States	(375)	(332)	(667)	(563)
Intersegment Elimination — International	(9)	(11)	(14)	(23)
Total All Other	74	106	161	201
Sales and Other Operating Revenues				
United States	28,417	28,825	55,492	58,036
International	38,977	43,796	79,072	87,573
Subtotal	67,394	72,621	134,564	145,609
Intersegment Elimination — United States	(4,603)	(4,786)	(9,100)	(9,629)
Intersegment Elimination — International	(7,484)	(8,055)	(15,861)	(17,304)
Total Sales and Other Operating Revenues	$55,307	$59,780	$109,603	$118,676

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Note 6. Summarized Financial Data — Chevron U.S.A. Inc.

Chevron U.S.A. Inc. (CUSA) is a major subsidiary of Chevron Corporation. CUSA and its subsidiaries manage and operate most of Chevron's U.S. businesses. Assets include those related to the exploration and production of crude oil, natural gas and natural gas liquids and those associated with refining, marketing, and supply and distribution of products derived from petroleum, excluding most of the regulated pipeline operations of Chevron. CUSA also holds the company's investment in the Chevron Phillips Chemical Company LLC joint venture, which is accounted for using the equity method.

The summarized financial information for CUSA and its consolidated subsidiaries is as follows:

	Six Months Ended June 30	
	2013	2012
	(Millions of dollars)	
Sales and other operating revenues	$85,598	$94,474
Costs and other deductions	83,253	89,571
Net income attributable to CUSA	2,037	3,529

	At June 30	At December 31
	2013	2012
	(Millions of dollars)	
Current assets	$18,231	$18,983
Other assets	53,775	52,082
Current liabilities	17,336	18,161
Other liabilities	26,721	26,472
Total CUSA net equity	$27,949	$26,432
Memo: Total debt	$14,486	$14,482

Note 7. Summarized Financial Data — Chevron Transport Corporation

Chevron Transport Corporation Limited (CTC), incorporated in Bermuda, 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 crude oil and refined petroleum products. Most of CTC's shipping revenue is derived from providing transportation services to other Chevron companies. Chevron Corporation has fully and unconditionally guaranteed this subsidiary's obligations in connection with certain debt securities.

During 2012, CTC implemented legal reorganizations in which certain Chevron business units transferred assets out of CTC. The summarized financial information for CTC and its consolidated subsidiaries presented in the table below gives retroactive effect to the reorganizations as if they had occurred on January 1, 2012. However, the financial information in the following table may not reflect the financial position and operating results in the periods presented if the reorganization had occurred on that date. Summarized income statement information for CTC and its consolidated subsidiaries is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Sales and other operating revenues	$120	$193	$251	$337
Costs and other deductions	164	214	336	398
Net loss attributable to CTC	(43)	(21)	(84)	(59)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Summarized balance sheet information for CTC and its consolidated subsidiaries is as follows:

	At June 30 2013	At December 31 2012
	(Millions of dollars)	
Current assets	$183	$199
Other assets	385	313
Current liabilities	297	154
Other liabilities	413	415
Total CTC net (deficit) equity	$(142)	$(57)

There were no restrictions on CTC's ability to pay dividends or make loans or advances at June 30, 2013.

Note 8. Income Taxes

Taxes on income for the second quarter and first six months of 2013 were $3.2 billion and $7.2 billion, respectively, compared with $5.1 billion and $10.7 billion for the corresponding periods in 2012. The associated effective tax rates (calculated as the amount of Income Tax Expense divided by Income Before Income Tax Expense) for the second quarters of 2013 and 2012 were 37 percent and 41 percent, respectively. For the comparative six-month periods, the effective tax rates were 38 percent and 44 percent, respectively.

The decrease in the effective tax rate between the quarterly periods was primarily due to lower earnings in higher tax rate international upstream jurisdictions, in addition to the effects of foreign currency remeasurement impacts and non-recurring tax adjustments between periods. The decrease in the effective tax rate for the six-month comparative periods was primarily due to lower earnings in higher tax rate international upstream jurisdictions and foreign currency remeasurement impacts between periods.

Tax positions for Chevron and its subsidiaries and affiliates are subject to income tax audits by many tax jurisdictions throughout the world. For the company's major tax jurisdictions, examinations of tax returns for certain prior tax years had not been completed as of June 30, 2013. For these jurisdictions, the latest years for which income tax examinations had been finalized were as follows: United States — 2007, Nigeria — 2000, Angola — 2001, Saudi Arabia — 2003 and Kazakhstan — 2007.

The company engages in ongoing discussions with tax authorities regarding the resolution of tax matters in the various jurisdictions. Both the outcomes for these tax matters and the timing of resolution and/or closure of the tax audits are highly uncertain. However, it is reasonably possible that developments regarding tax matters in certain tax jurisdictions may result in significant increases or decreases in the company's total unrecognized tax benefits within the next 12 months. Given the number of years that still remain subject to examination and the number of matters being examined in the various tax jurisdictions, the company is unable to estimate the range of possible adjustments to the balance of unrecognized tax benefits.

The company is currently assessing the potential impact of an August 2012 decision by the U.S. Court of Appeals for the Third Circuit that disallows the Historic Rehabilitation Tax Credits (HRTCs) claimed by an unrelated taxpayer. The company has claimed a significant amount of HRTCs on its U.S. federal income tax returns in open years, and it is reasonably possible that the specific findings from management's ongoing assessment and evaluation could result in a significant increase in the company's unrecognized tax benefit within the next 12 months. Any such increase would impact the effective tax rate.

Note 9. Employee Benefits

Chevron has defined benefit pension plans for many employees. The company typically prefunds defined benefit plans as required by local regulations or in certain situations where prefunding provides economic advantages. In the United States, all qualified plans are subject to the Employee Retirement Income Security Act (ERISA) minimum funding standard. The company does not typically fund U.S. nonqualified pension plans that are not subject to funding requirements under laws and regulations because contributions to these pension plans may be less economic and

investment returns may be less attractive than the company's other investment alternatives.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The company also sponsors other postretirement (OPEB) plans that provide medical and dental benefits, as well as life insurance for some active and qualifying retired employees. The plans are unfunded, and the company and the retirees share the costs. Medical coverage for Medicare-eligible retirees in the company's main U.S. medical plan is secondary to Medicare (including Part D) and the increase to the company contribution for retiree medical coverage is limited to no more than 4 percent each year. Certain life insurance benefits are paid by the company.

The components of net periodic benefit costs for 2013 and 2012 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Pension Benefits				
United States				
Service cost	$123	$113	$247	$226
Interest cost	118	109	236	218
Expected return on plan assets	(175)	(158)	(350)	(317)
Amortization of prior service costs (credits)	1	(2)	1	(4)
Amortization of actuarial losses	122	117	243	235
Settlement losses	57	65	114	139
Total United States	246	244	491	497
International				
Service cost	49	46	97	90
Interest cost	82	83	159	162
Expected return on plan assets	(68)	(68)	(136)	(134)
Amortization of prior service costs	5	4	10	9
Amortization of actuarial losses	39	37	75	70
Total International	107	102	205	197
Net Periodic Pension Benefit Costs	$353	$346	$696	$694
Other Benefits*				
Service cost	$18	$15	$36	$30
Interest cost	40	38	80	77
Amortization of prior service credits	(13)	(18)	(25)	(36)
Amortization of actuarial losses	14	14	27	29
Settlement gains	—	—	—	(26)
Net Periodic Other Benefit Costs	$59	$49	$118	$74

* Includes costs for U.S. and international OPEB plans. Obligations for plans outside the United States are not significant relative to the company's total OPEB obligation.

At the end of 2012, the company estimated it would contribute $1.0 billion to employee pension plans during 2013 (composed of $650 million for the U.S. plans and $350 million for the international plans). Through June 30, 2013, a total of $610 million was contributed (including $501 million to the U.S. plans). Total contributions for the full year are currently estimated to be $1.2 billion ($850 million for the U.S. plans and $350 million for the international plans). Actual contribution amounts are dependent upon plan investment returns, changes in pension obligations, regulatory requirements and other economic factors. Additional funding may ultimately be required if investment returns are insufficient to offset increases in plan obligations.

During the first six months of 2013, the company contributed $101 million to its OPEB plans. The company anticipates contributing approximately $127 million during the remainder of 2013.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 10. Litigation

MTBE Chevron and many other companies in the petroleum industry have used methyl tertiary butyl ether (MTBE) as a gasoline additive. Chevron is a party to nine pending lawsuits and claims, the majority of which involve numerous other petroleum marketers and refiners. Resolution of these lawsuits and claims may ultimately require the company to correct or ameliorate the alleged effects on the environment of prior release of MTBE by the company or other parties. Additional lawsuits and claims related to the use of MTBE, including personal-injury claims, may be filed in the future. The company's ultimate exposure related to pending lawsuits and claims is not determinable. The company no longer uses MTBE in the manufacture of gasoline in the United States.

Ecuador Chevron is a defendant in a civil lawsuit initiated in the Superior Court of Nueva Loja in Lago Agrio, Ecuador, in May 2003 by plaintiffs who claim to be representatives of certain residents of an area where an oil production consortium formerly had operations. The lawsuit alleges damage to the environment from the oil exploration and production operations and seeks unspecified damages to fund environmental remediation and restoration of the alleged environmental harm, plus a health monitoring program. Until 1992, Texaco Petroleum Company (Texpet), a subsidiary of Texaco Inc., was a minority member of this consortium with Petroecuador, the Ecuadorian state-owned oil company, as the majority partner; since 1990, the operations have been conducted solely by Petroecuador. At the conclusion of the consortium and following an independent third-party environmental audit of the concession area, Texpet entered into a formal agreement with the Republic of Ecuador and Petroecuador for Texpet to remediate specific sites assigned by the government in proportion to Texpet's ownership share of the consortium. Pursuant to that agreement, Texpet conducted a three-year remediation program at a cost of $40 million. After certifying that the sites were properly remediated, the government granted Texpet and all related corporate entities a full release from any and all environmental liability arising from the consortium operations.

Based on the history described above, Chevron believes that this lawsuit lacks legal or factual merit. As to matters of law, the company believes first, that the court lacks jurisdiction over Chevron; second, that the law under which plaintiffs bring the action, enacted in 1999, cannot be applied retroactively; third, that the claims are barred by the statute of limitations in Ecuador; and, fourth, that the lawsuit is also barred by the releases from liability previously given to Texpet by the Republic of Ecuador and Petroecuador and by the pertinent provincial and municipal governments. With regard to the facts, the company believes that the evidence confirms that Texpet's remediation was properly conducted and that the remaining environmental damage reflects Petroecuador's failure to timely fulfill its legal obligations and Petroecuador's further conduct since assuming full control over the operations.

In 2008, a mining engineer appointed by the court to identify and determine the cause of environmental damage, and to specify steps needed to remediate it, issued a report recommending that the court assess $18.9 billion, which would, according to the engineer, provide financial compensation for purported damages, including wrongful death claims, and pay for, among other items, environmental remediation, health care systems and additional infrastructure for Petroecuador. The engineer's report also asserted that an additional $8.4 billion could be assessed against Chevron for unjust enrichment. In 2009, following the disclosure by Chevron of evidence that the judge participated in meetings in which businesspeople and individuals holding themselves out as government officials discussed the case and its likely outcome, the judge presiding over the case was recused. In 2010, Chevron moved to strike the mining engineer's report and to dismiss the case based on evidence obtained through discovery in the United States indicating that the report was prepared by consultants for the plaintiffs before being presented as the mining engineer's independent and impartial work and showing further evidence of misconduct. In August 2010, the judge issued an order stating that he was not bound by the mining engineer's report and requiring the parties to provide their positions on damages within 45 days. Chevron subsequently petitioned for recusal of the judge, claiming that he had disregarded evidence of fraud and misconduct and that he had failed to rule on a number of motions within the statutory time requirement.

In September 2010, Chevron submitted its position on damages, asserting that no amount should be assessed against it. The plaintiffs' submission, which relied in part on the mining engineer's report, took the position that

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damages are between approximately $16 billion and $76 billion and that unjust enrichment should be assessed in an amount between approximately $5 billion and $38 billion. The next day, the judge issued an order closing the evidentiary phase of the case and notifying the parties that he had requested the case file so that he could prepare a judgment. Chevron petitioned to have that order declared a nullity in light of Chevron's prior recusal petition, and because procedural and evidentiary matters remained unresolved. In October 2010, Chevron's motion to recuse the judge was granted. A new judge took charge of the case and revoked the prior judge's order closing the evidentiary phase of the case. On December 17, 2010, the judge issued an order closing the evidentiary phase of the case and notifying the parties that he had requested the case file so that he could prepare a judgment.

On February 14, 2011, the provincial court in Lago Agrio rendered an adverse judgment in the case. The court rejected Chevron's defenses to the extent the court addressed them in its opinion. The judgment assessed approximately $8.6 billion in damages and approximately $900 million as an award for the plaintiffs' representatives. It also assessed an additional amount of approximately $8.6 billion in punitive damages unless the company issued a public apology within 15 days of the judgment, which Chevron did not do. On February 17, 2011, the plaintiffs appealed the judgment, seeking increased damages, and on March 11, 2011, Chevron appealed the judgment seeking to have the judgment nullified. On January 3, 2012, an appellate panel in the provincial court affirmed the February 14, 2011 decision and ordered that Chevron pay additional attorneys' fees in the amount of "0.10% of the values that are derived from the decisional act of this judgment." The plaintiffs filed a petition to clarify and amplify the appellate decision on January 6, 2012, and the court issued a ruling in response on January 13, 2012, purporting to clarify and amplify its January 3, 2012 ruling, which included clarification that the deadline for the company to issue a public apology to avoid the additional amount of approximately $8.6 billion in punitive damages was within 15 days of the clarification ruling, or February 3, 2012. Chevron did not issue an apology because doing so might be mischaracterized as an admission of liability and would be contrary to facts and evidence submitted at trial. On January 20, 2012, Chevron appealed (called a petition for cassation) the appellate panel's decision to Ecuador's National Court of Justice. As part of the appeal, Chevron requested the suspension of any requirement that Chevron post a bond to prevent enforcement under Ecuadorian law of the judgment during the cassation appeal. On February 17, 2012, the appellate panel of the provincial court admitted Chevron's cassation appeal in a procedural step necessary for the National Court of Justice to hear the appeal. The provincial court appellate panel denied Chevron's request for suspension of the requirement that Chevron post a bond and stated that it would not comply with the First and Second Interim Awards of the international arbitration tribunal discussed below. On March 29, 2012, the matter was transferred from the provincial court to the National Court of Justice, and on November 22, 2012, the National Court agreed to hear Chevron's cassation appeal. On August 3, 2012, the provincial court in Lago Agrio approved a court-appointed liquidator's report on damages that calculated the total judgment in the case to be $19.1 billion. On July 2, 2013, the provincial court in Lago Agrio issued an embargo order in Ecuador ordering that any funds to be paid by the Government of Ecuador to Chevron to satisfy a $96 million award issued in an unrelated action by an arbitral tribunal presiding in the Permanent Court of Arbitration in The Hague under the Rules of the United Nations Commission on International Trade Law must be paid to the Lago Agrio plaintiffs. The award was issued by the tribunal under the United States-Ecuador Bilateral Investment Treaty in an action filed in 2006 in connection with seven breach of contract cases that Texpet filed against the Government of Ecuador between 1991 and 1993. The Government of Ecuador has appealed the tribunal's award. A Federal District Court for the District of Columbia confirmed the tribunal's award, and the Government of Ecuador has appealed the District Court's decision.

Chevron has no assets in Ecuador and the Lago Agrio plaintiffs' lawyers have stated in press releases and through other media that they will seek to enforce the Ecuadorian judgment in various countries and otherwise disrupt Chevron's operations. On May 30, 2012, the Lago Agrio plaintiffs filed an action against Chevron Corporation, Chevron Canada Limited, and Chevron Canada Finance Limited in the Ontario Superior Court of Justice in Ontario, Canada, seeking to recognize and enforce the Ecuadorian judgment. On May 1, 2013, the Ontario Superior Court of Justice stayed this action, subject to the plaintiffs presenting new evidence that Chevron Corporation has a presence in Ontario, and the Lago Agrio plaintiffs have appealed that decision. On June 27, 2012, the Lago Agrio plaintiffs filed

an action against Chevron Corporation in the Superior Court of Justice in Brasilia, Brazil, seeking to recognize and enforce the Ecuadorian judgment. On October 15, 2012, the

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provincial court in Lago Agrio issued an ex parte embargo order that purports to order the seizure of assets belonging to separate Chevron subsidiaries in Ecuador, Argentina and Colombia. On November 6, 2012, at the request of the Lago Agrio plaintiffs, a court in Argentina issued a Freeze Order against Chevron Argentina S.R.L. and another Chevron subsidiary, Ingeniero Nortberto Priu, requiring shares of both companies to be "embargoed," requiring third parties to withhold 40 percent of any payments due to Chevron Argentina S.R.L. and ordering banks to withhold 40 percent of the funds in Chevron Argentina S.R.L. bank accounts. On December 14th, 2012, the Argentinean court rejected a motion to revoke the Freeze Order but modified it by ordering that third parties are not required to withhold funds but must report their payments. The court also clarified that the Freeze Order relating to bank accounts excludes taxes. On January 30, 2013, an appellate court upheld the Freeze Order, and on June 4, 2013 the Supreme Court of Argentina revoked the Freeze Order in its entirety. Chevron continues to believe the provincial court's judgment is illegitimate and unenforceable in Ecuador, the United States and other countries. The company also believes the judgment is the product of fraud, and contrary to the legitimate scientific evidence. Chevron cannot predict the timing or ultimate outcome of the appeals process in Ecuador or any enforcement action. Chevron expects to continue a vigorous defense of any imposition of liability in the Ecuadorian courts and to contest and defend any and all enforcement actions.

Chevron and Texpet filed an arbitration claim in September 2009 against the Republic of Ecuador before an arbitral tribunal presiding in the Permanent Court of Arbitration in The Hague under the Rules of the United Nations Commission on International Trade Law. The claim alleges violations of the Republic of Ecuador's obligations under the United States–Ecuador Bilateral Investment Treaty (BIT) and breaches of the settlement and release agreements between the Republic of Ecuador and Texpet (described above), which are investment agreements protected by the BIT. Through the arbitration, Chevron and Texpet are seeking relief against the Republic of Ecuador, including a declaration that any judgment against Chevron in the Lago Agrio litigation constitutes a violation of Ecuador's obligations under the BIT. On February 9, 2011, the Tribunal issued an Order for Interim Measures requiring the Republic of Ecuador to take all measures at its disposal to suspend or cause to be suspended the enforcement or recognition within and without Ecuador of any judgment against Chevron in the Lago Agrio case pending further order of the Tribunal. On January 25, 2012, the Tribunal converted the Order for Interim Measures into an Interim Award. Chevron filed a renewed application for further interim measures on January 4, 2012, and the Republic of Ecuador opposed Chevron's application and requested that the existing Order for Interim Measures be vacated on January 9, 2012. On February 16, 2012, the Tribunal issued a Second Interim Award mandating that the Republic of Ecuador take all measures necessary (whether by its judicial, legislative or executive branches) to suspend or cause to be suspended the enforcement and recognition within and without Ecuador of the judgment against Chevron and, in particular, to preclude any certification by the Republic of Ecuador that would cause the judgment to be enforceable against Chevron. On February 27, 2012, the Tribunal issued a Third Interim Award confirming its jurisdiction to hear Chevron's arbitration claims. On April 9, 2012, the Tribunal issued a scheduling order to hear issues relating to the scope of the settlement and release agreements between the Republic of Ecuador and Texpet, and on July 9, 2012, the Tribunal indicated that it wanted to hear the remaining issues in January 2014. On February 7, 2013, the Tribunal issued its Fourth Interim Award in which it declared that the Republic of Ecuador "has violated the First and Second Interim Awards under the [BIT], the UNCITRAL Rules and international law in regard to the finalization and enforcement subject to execution of the Lago Agrio Judgment within and outside Ecuador, including (but not limited to) Canada, Brazil and Argentina." A schedule for the Tribunal's order to show cause hearing will be issued separately.

Through a series of U.S. court proceedings initiated by Chevron to obtain discovery relating to the Lago Agrio litigation and the BIT arbitration, Chevron obtained evidence that it believes shows a pattern of fraud, collusion, corruption, and other misconduct on the part of several lawyers, consultants and others acting for the Lago Agrio plaintiffs. In February 2011, Chevron filed a civil lawsuit in the Federal District Court for the Southern District of New York against the Lago Agrio plaintiffs and several of their lawyers, consultants and supporters, alleging violations of the Racketeer Influenced and Corrupt Organizations Act and other state laws. Through the civil lawsuit, Chevron is seeking relief that includes an award of damages and a declaration that any judgment against Chevron in

the Lago Agrio litigation is the result of fraud and other unlawful conduct and is therefore unenforceable. On March 7, 2011, the Federal District Court issued a preliminary injunction prohibiting the Lago

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Agrio plaintiffs and persons acting in concert with them from taking any action in furtherance of recognition or enforcement of any judgment against Chevron in the Lago Agrio case pending resolution of Chevron's civil lawsuit by the Federal District Court. On May 31, 2011, the Federal District Court severed claims one through eight of Chevron's complaint from the ninth claim for declaratory relief and imposed a discovery stay on claims one through eight pending a trial on the ninth claim for declaratory relief. On September 19, 2011, the U.S. Court of Appeals for the Second Circuit vacated the preliminary injunction, stayed the trial on Chevron's ninth claim, a claim for declaratory relief, that had been set for November 14, 2011, and denied the defendants' mandamus petition to recuse the judge hearing the lawsuit. The Second Circuit issued its opinion on January 26, 2012 ordering the dismissal of Chevron's ninth claim for declaratory relief. On February 16, 2012, the Federal District Court lifted the stay on claims one through eight, and on October 18, 2012, the Federal District Court set a trial date of October 15, 2013. On March 22, 2013, Chevron settled its claims against Stratus Consulting, and on April 12, 2013 sworn declarations by representatives of Stratus Consulting were filed with the Court admitting their role and that of the plaintiffs' attorneys in drafting the environmental report of the mining engineer appointed by the provincial court in Lago Agrio.
The ultimate outcome of the foregoing matters, including any financial effect on Chevron, remains uncertain. Management does not believe an estimate of a reasonably possible loss (or a range of loss) can be made in this case. Due to the defects associated with the Ecuadorian judgment, the 2008 engineer's report on alleged damages and the September 2010 plaintiffs' submission on alleged damages, management does not believe these documents have any utility in calculating a reasonably possible loss (or a range of loss). Moreover, the highly uncertain legal environment surrounding the case provides no basis for management to estimate a reasonably possible loss (or a range of loss).

Note 11. Other Contingencies and Commitments
Income Taxes The company calculates its income tax expense and liabilities quarterly. These liabilities generally are subject to audit and are not finalized with the individual taxing authorities until several years after the end of the annual period for which income taxes have been calculated. Refer to Note 8 on page 14 for a discussion of the periods for which tax returns have been audited for the company's major tax jurisdictions.
As discussed on page 14, Chevron is currently assessing the potential impact of a decision by the U.S. Court of Appeals for the Third Circuit that disallows the Historic Rehabilitation Tax Credits claimed by an unrelated taxpayer. It is reasonably possible that the specific findings from this assessment could result in a significant increase in unrecognized tax benefits, which may have a material effect on the company's results of operations in any one reporting period. The company does not expect settlement of income tax liabilities associated with uncertain tax positions to have a material effect on its consolidated financial position or liquidity.
Guarantees The company and its subsidiaries have certain other contingent liabilities with respect to guarantees, direct or indirect, of debt of affiliated companies or third parties. Under the terms of the guarantee arrangements, the company would generally be required to perform should the affiliated company or third party fail to fulfill its obligations under the arrangements. In some cases, the guarantee arrangements may have recourse provisions that would enable the company to recover any payments made under the terms of the guarantees from assets provided as collateral.
Indemnifications In the acquisition of Unocal, the company assumed certain indemnities relating to contingent environmental liabilities associated with assets that were sold in 1997. The acquirer of those assets shared in certain environmental remediation costs up to a maximum obligation of $200 million, which had been reached at December 31, 2009. Under the indemnification agreement, after reaching the $200 million obligation, Chevron is solely responsible until April 2022, when the indemnification expires. The environmental conditions or events that are subject to these indemnities must have arisen prior to the sale of the assets in 1997.
Although the company has provided for known obligations under this indemnity that are probable and reasonably estimable, the amount of additional future costs may be material to results of operations in the period in which they are recognized. The company does not expect these costs will have a material effect on its consolidated financial position or liquidity.

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Off-Balance-Sheet Obligations The company and its subsidiaries have certain other contingent liabilities with respect to long-term unconditional purchase obligations and commitments, including throughput and take-or-pay agreements, some of which relate to suppliers' financing arrangements. The agreements typically provide goods and services, such as pipeline and storage capacity, drilling rigs, utilities, and petroleum products, to be used or sold in the ordinary course of the company's business.

Environmental The company is subject to loss contingencies pursuant to laws, regulations, private claims and legal proceedings related to environmental matters that are subject to legal settlements or that in the future may require the company to take action to correct or ameliorate the effects on the environment of prior release of chemicals or petroleum substances, including MTBE, by the company or other parties. Such contingencies may exist for various sites, including, but not limited to, federal Superfund sites and analogous sites under state laws, refineries, crude oil fields, service stations, terminals, land development areas, and mining operations, whether operating, closed or divested. These future costs are not fully determinable 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.

Although the company has provided for known environmental obligations that are probable and reasonably estimable, the amount of additional future costs may be material to results of operations in the period in which they are recognized. The company does not expect these costs will 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 U.S. or international petroleum or chemical companies.

Other Contingencies On April 26, 2010, a California appeals court issued a ruling related to the adequacy of an Environmental Impact Report (EIR) supporting the issuance of certain permits by the city of Richmond, California, to replace and upgrade certain facilities at Chevron's refinery in Richmond. Settlement discussions with plaintiffs in the case ended late fourth quarter 2010, and on March 3, 2011, the trial court entered a final judgment and peremptory writ ordering the City to set aside the project EIR and conditional use permits and enjoining Chevron from any further work. On May 23, 2011, the company filed an application with the City Planning Department for a conditional use permit for a revised project to complete construction of the hydrogen plant, certain sulfur removal facilities and related infrastructure. On June 10, 2011, the City published its Notice of Preparation of the revised EIR for the project. The revised and recirculated EIR is intended to comply with the appeals court decision. Management believes the outcomes associated with the project are uncertain. Due to the uncertainty of the company's future course of action, or potential outcomes of any action or combination of actions, management does not believe an estimate of the financial effects, if any, can be made at this time.

Chevron receives claims from and submits claims to customers; trading partners; U.S. federal, state and local regulatory bodies; governments; contractors; insurers; and suppliers. The amounts of these claims, individually and in the aggregate, may be significant and take lengthy periods to resolve.

The company and its affiliates also continue to review and analyze their operations and may close, abandon, sell, exchange, acquire or restructure assets to achieve operational or strategic benefits and to improve competitiveness and profitability. These activities, individually or together, may result in gains or losses in future periods.

Note 12. Fair Value Measurements

Accounting standards for fair value measurement (ASC 820) establish a framework for measuring fair value and stipulate disclosures about fair value measurements. The standards apply to recurring and nonrecurring fair value measurements of financial and nonfinancial assets and liabilities. Among the required disclosures is the fair value hierarchy of inputs the company uses to value an asset or a liability. The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. For the company, Level 1 inputs include exchange-traded futures contracts for which the parties are willing to transact at the exchange-quoted price and marketable securities that are actively traded.

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Level 2: Inputs other than Level 1 that are observable, either directly or indirectly. For the company, Level 2 inputs include quoted prices for similar assets or liabilities, prices obtained through third-party broker quotes and prices that can be corroborated with other observable inputs for substantially the complete term of a contract.
Level 3: Unobservable inputs. The company does not use Level 3 inputs for any of its recurring fair value measurements. Level 3 inputs may be required for the determination of fair value associated with certain nonrecurring measurements of nonfinancial assets and liabilities.

The fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at June 30, 2013 and December 31, 2012 is as follows:
Assets and Liabilities Measured at Fair Value on a Recurring Basis
(Millions of dollars)

	At June 30, 2013				At December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Marketable Securities	$258	$258	$—	$—	$266	$266	$—	$—
Derivatives	82	26	56	—	86	21	65	—
Total Assets at Fair Value	$340	$284	$56	$—	$352	$287	$65	$—
Derivatives	86	86	—	—	149	148	1	—
Total Liabilities at Fair Value	$86	$86	$—	$—	$149	$148	$1	$—

Marketable Securities The company calculates fair value for its marketable securities based on quoted market prices for identical assets. The fair values reflect the cash that would have been received if the instruments were sold at June 30, 2013.
Derivatives The company records its derivative instruments — other than any commodity derivative contracts that are designated as normal purchase and normal sale — on the Consolidated Balance Sheet at fair value, with the offsetting amount to the Consolidated Statement of Income. For derivatives with identical or similar provisions as contracts that are publicly traded on a regular basis, the company uses the market values of the publicly traded instruments as an input for fair value calculations.
The company's derivative instruments principally include futures, swaps, options and forward contracts for crude oil, natural gas and refined products. Derivatives classified as Level 1 include futures, swaps and options contracts traded in active markets such as the New York Mercantile Exchange.
Derivatives classified as Level 2 include swaps, options and forward contracts principally with financial institutions and other oil and gas companies, the fair values of which are obtained from third-party broker quotes, industry pricing services and exchanges. The company obtains multiple sources of pricing information for the Level 2 instruments. Since this pricing information is generated from observable market data, it has historically been very consistent. The company does not materially adjust this information. The company incorporates internal review, evaluation and assessment procedures, including a comparison of Level 2 fair values derived from the company's internally developed forward curves (on a sample basis), with the pricing information to document reasonable, logical and supportable fair value determinations and proper level of classification.
Assets carried at fair value at June 30, 2013, and December 31, 2012, are as follows:
Cash and Cash Equivalents and Time Deposits The company holds cash equivalents and bank time deposits in U.S. and non-U.S. portfolios. The instruments classified as cash equivalents are primarily bank time deposits with maturities of 90 days or less, and money market funds. "Cash and cash equivalents" had carrying/fair values of $20.6 billion and $20.9 billion at June 30, 2013, and December 31, 2012, respectively. The instruments held in "Time deposits" are bank time deposits with maturities greater than 90 days and had carrying/fair values of $1.4 billion and $0.7 billion at June 30, 2013, and December 31, 2012, respectively. The fair values of cash, cash equivalents and bank time deposits are classified as Level 1 and reflect the cash that would have been received if the instruments were settled at June 30, 2013.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted Cash had a carrying/fair value of $1.0 billion and $1.5 billion at June 30, 2013, and December 31, 2012, respectively. At June 30, 2013, restricted cash is classified as Level 1 and is reported in “Deferred charges and other assets” on the face of the Consolidated Balance Sheet, and includes restricted funds related to certain Upstream abandonment activities, tax payments, funds held in escrow for an asset acquisition and acquisitions pending tax deferred exchanges.

Long-Term Debt had a net carrying value, excluding amounts reclassified from short-term, of $12.0 billion and $6.1 billion at June 30, 2013, and December 31, 2012, respectively. The fair value of long-term debt at June 30, 2013, and December 31, 2012 is $12.3 billion and $6.8 billion, respectively. Long-term debt primarily includes corporate issued bonds. The fair value of corporate bonds is $11.6 billion and classified as Level 1. The fair value of the other bonds is $0.7 billion and classified as Level 2.

The carrying values of other short-term financial assets and liabilities, including short-term debt reclassified to long-term, on the consolidated balance sheet approximate their fair values. Fair value remeasurements of other financial instruments at June 30, 2013 and 2012 were not material.

The fair value hierarchy for assets and liabilities measured at fair value on a nonrecurring basis at June 30, 2013 is as follows:

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis
(Millions of dollars)

	At June 30, 2013					
					Before-Tax Loss	
	Total	Level 1	Level 2	Level 3	Three Months Ended	Six Months Ended
Properties, plant and equipment, net (held and used)	$—	$—	$—	$—	$10	$14
Properties, plant and equipment, net (held for sale)	10	—	—	10	6	84
Investments and advances	18	—	15	3	103	103
Total Assets at Fair Value	$28	$—	$15	$13	$119	$201

Properties, plant and equipment The company did not have any material impairments of long-lived assets measured at fair value on a nonrecurring basis to report in second quarter 2013.

Investments and advances The company did not have any material impairments of investments and advances measured at fair value on a nonrecurring basis to report in second quarter 2013.

Note 13. Derivative Instruments and Hedging Activities

The company’s derivative instruments principally include crude oil, natural gas and refined product futures, swaps, options, and forward contracts. None of the company’s derivative instruments is designated as a hedging instrument, although certain of the company’s affiliates make such a designation. The company’s derivatives are not material to the company’s financial position, results of operations or liquidity. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Derivative instruments measured at fair value at June 30, 2013, and December 31, 2012, and their classification on the Consolidated Balance Sheet and Consolidated Statement of Income are as follows:

Consolidated Balance Sheet: Fair Value of Derivatives Not Designated as Hedging Instruments
(Millions of Dollars)

Type of Contract	Balance Sheet Classification	At June 30 2013	At December 31 2012
Commodity	Accounts and notes receivable, net	$65	$57
Commodity	Long-term receivables, net	17	29
Total Assets at Fair Value		$82	$86
Commodity	Accounts payable	$52	$112
Commodity	Deferred credits and other noncurrent obligations	34	37
Total Liabilities at Fair Value		$86	$149

Consolidated Statement of Income: The Effect of Derivatives Not Designated as Hedging Instruments
(Millions of dollars)

		Gain / (Loss) Three Months Ended June 30		Gain / (Loss) Six Months Ended June 30	
Type of Contract	Statement of Income Classification	2013	2012	2013	2012
Commodity	Sales and other operating revenues	$112	$233	$37	$115
Commodity	Purchased crude oil and products	(28)	8	(32)	(11)
Commodity	Other income	(6)	(1)	(7)	4
		$78	$240	$(2)	$108

The table below represents gross and net derivative assets and liabilities subject to netting agreements on the Statement of Financial Position at June 30, 2013 and December 31, 2012.

Consolidated Balance Sheet: The Effect of Netting Derivative Assets and Liabilities
(Millions of dollars)

At June 30, 2013	Gross Amount Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Not Offset	Net Amount
Derivative Assets	$1,045	$963	$82	$46	$36
Derivative Liabilities	$1,049	$963	$86	$1	$85
At December 31, 2012					
Derivative Assets	$749	$663	$86	$64	$22
Derivative Liabilities	$812	$663	$149	$5	$144

Derivative assets and liabilities are classified on the Consolidated Balance Sheet as accounts and notes receivable, long-term receivables, accounts payable, and deferred credits and other noncurrent obligations.

The company uses derivative commodity instruments traded on the New York Mercantile Exchange and on electronic platforms of the Inter-Continental Exchange and Chicago Mercantile Exchange. In addition, the company enters into swap contracts and option contracts principally with major financial institutions and other oil and gas companies in the “over-the-counter” markets, which are governed by International Swaps and Derivatives Association agreements and other master netting arrangements. Amounts not offset on the Consolidated Balance sheet represent positions that do not meet all the conditions for "a right of offset".

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 14. Accounting for Suspended Exploratory Wells
Accounting standards for the costs of exploratory wells (ASC 932) provide that exploratory well costs continue to be capitalized after the completion of drilling when (a) the well has found a sufficient quantity of reserves to justify its completion as a producing well and (b) the entity is making sufficient progress assessing the reserves and the economic and operating viability of the project. If either condition is not met or if an entity obtains information that raises substantial doubt about the economic or operational viability of the project, the exploratory well would be assumed to be impaired, and its costs, net of any salvage value, would be charged to expense. (Note that an entity is not required to complete the exploratory well as a producing well.) The company’s capitalized cost of suspended wells at June 30, 2013, was $3.1 billion, a net increase of $435 million from year-end 2012, primarily due to drilling activities in the United States, Australia and Canada.

Note 15. New Accounting Standards
Income Taxes (Topic740), Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU 2013-11) In July 2013, the FASB issued ASU 2013-11, which becomes effective for the company January 1, 2014. The standard provides that a liability related to an unrecognized tax benefit should be offset against a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. Adoption of the standard is not expected to have a significant effect on the company's results of operations, financial position or liquidity.

Note 16. Long-Term Debt
On June 24, 2013, the Company issued $750,000,000 in aggregate principal amount of 0.889% notes due 2016, $2,000,000,000 in aggregate principal amount of 1.718% notes due 2018, $1,000,000,000 in aggregate principal amount of 2.427% notes due 2020 and $2,250,000,000 in aggregate principal amount of 3.191% notes due 2023. The notes were issued pursuant to an indenture, dated as of June 15, 1995, as supplemented by the Fourth Supplemental Indenture dated as of June 24, 2013, each being between the Company and Wells Fargo Bank, National Association, as trustee.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Second Quarter 2013 Compared with Second Quarter 2012
And Six Months 2013 Compared with Six Months 2012

Key Financial Results
Earnings by Business Segment

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Upstream				
United States	$1,083	$1,318	$2,215	$2,847
International	3,866	4,302	8,650	8,944
Total Upstream	4,949	5,620	10,865	11,791
Downstream				
United States	138	802	273	1,261
International	628	1,079	1,194	1,424
Total Downstream	766	1,881	1,467	2,685
Total Segment Earnings	5,715	7,501	12,332	14,476
All Other	(350)	(291)	(789)	(795)
Net Income Attributable to Chevron Corporation [1] [2]	$5,365	$7,210	$11,543	$13,681
[1] Includes foreign currency effects	$302	$198	$548	$(30)

[2] Also referred to as "earnings" in the discussions that follow.

Net income attributable to Chevron Corporation for second quarter 2013 was $5.4 billion ($2.77 per share — diluted), compared with $7.2 billion ($3.66 per share — diluted) in the corresponding 2012 period. Net income attributable to Chevron Corporation for the first six months of 2013 was $11.5 billion ($5.95 per share — diluted), versus $13.7 billion ($6.93 per share — diluted) in the first six months of 2012.

Upstream earnings were $4.9 billion in second quarter 2013 and $10.9 billion for the first six months of 2013, compared with $5.6 billion and $11.8 billion in the comparative 2012 periods. The decrease between both comparative periods was mainly due to lower crude oil realizations and volumes.

Downstream earnings were $766 million in second quarter 2013, compared with $1.9 billion in the year-earlier period. The decline was mainly due to lower margins on refined products, unfavorable changes in effects on derivative instruments, lower gains on asset sales and higher repair and maintenance expenses at the company's refineries. Earnings for the first six months of 2013 were $1.5 billion, compared with $2.7 billion in the corresponding 2012 period. The decrease was mainly due to higher operating expenses at the company's refineries, lower gains on asset sales and lower margins on refined products sales.

Refer to pages 29 through 32 for additional discussion of results by business segment and "All Other" activities for second quarter and first six months of 2013 versus the same period in 2012.

Business Environment and Outlook

Chevron is a global energy company with substantial business activities in the following countries: Angola, Argentina, Australia, Azerbaijan, Bangladesh, Brazil, Cambodia, Canada, Chad, China, Colombia, Democratic Republic of the Congo, Denmark, Indonesia, Kazakhstan, Myanmar, the Netherlands, Nigeria, Norway, the Partitioned Zone between Saudi Arabia and Kuwait, the Philippines, Republic of the Congo, Singapore, South Africa, South Korea, Thailand, Trinidad and Tobago, the United Kingdom, the United States, Venezuela, and Vietnam.

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Earnings of the company depend mostly on the profitability of its upstream and downstream business segments. The biggest factor affecting the results of operations for the company is the level of the price of crude oil. In the downstream business, crude oil is the largest cost component of refined products. Seasonality is not a primary driver of changes in the company's quarterly earnings during the year.

To sustain its long-term competitive position in the upstream business, the company must develop and replenish an inventory of projects that offer attractive financial returns for the investment required. Identifying promising areas for exploration, acquiring the necessary rights to explore for and to produce crude oil and natural gas, drilling successfully, and handling the many technical and operational details in a safe and cost-effective manner are all important factors in this effort. Projects often require long lead times and large capital commitments.

The company's operations, especially upstream, can also be affected by changing economic, regulatory and political environments in the various countries in which it operates, including the United States. From time to time, certain governments have sought to renegotiate contracts or impose additional costs on the company. Governments may attempt to do so in the future. Civil unrest, acts of violence or strained relations between a government and the company or other governments may impact the company's operations or investments. Those developments have at times significantly affected the company's operations and results and are carefully considered by management when evaluating the level of current and future activity in such countries.

The company continually evaluates opportunities to dispose of assets that are not expected to provide sufficient long-term value or to acquire assets or operations complementary to its asset base to help augment the company's financial performance and growth. Asset dispositions and restructurings may also occur in future periods and could result in significant gains or losses.

The company closely monitors developments in the financial and credit markets, the level of worldwide economic activity, and the implications for the company of movements in prices for crude oil and natural gas. Management takes these developments into account in the conduct of daily operations and for business planning.

Comments related to earnings trends for the company's major business areas are as follows:

Upstream Earnings for the upstream segment are closely aligned with industry price levels for crude oil and natural gas. Crude oil and natural gas prices are subject to external factors over which the company has no control, including product demand connected with global economic conditions, industry production and inventory levels, production quotas imposed by the Organization of Petroleum Exporting Countries (OPEC), weather-related damage and disruptions, competing fuel prices, and regional supply interruptions or fears thereof that may be caused by military conflicts, civil unrest or political uncertainty. Any of these factors could also inhibit the company's production capacity in an affected region. The company closely monitors developments in the countries in which it operates and holds investments, and seeks to manage risks in operating its facilities and businesses. The longer-term trend in earnings for the upstream segment is also a function of other factors, including the company's ability to find or acquire and efficiently produce crude oil and natural gas, changes in fiscal terms of contracts, and changes in tax laws and regulations.

The company continues to actively manage its schedule of work, contracting, procurement and supply-chain activities to effectively manage costs. However, price levels for capital and exploratory costs and operating expenses associated with the production of crude oil and natural gas can be subject to external factors beyond the company's control. External factors include not only the general level of inflation, but also commodity prices and prices charged by the industry's material and service providers, which can be affected by the volatility of the industry's own supply-and-demand conditions for such materials and services. Capital and exploratory expenditures and operating expenses can also be affected by damage to production facilities caused by severe weather or civil unrest.

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The chart above shows the trend in benchmark prices for Brent crude oil, West Texas Intermediate (WTI) crude oil, and U.S. Henry Hub natural gas. The Brent price averaged $112 per barrel for the full-year 2012. During 2013, Brent averaged $102 per barrel in the second quarter, $108 per barrel for the six-month period, and ended July at about $108. In the first quarter 2013, Brent-related crudes in the Atlantic Basin began to decline as a result of negative economic developments, high refinery maintenance in Europe and higher North Sea production. This trend began to shift in early second quarter as seasonal maintenance ended and additional North Sea production outages helped Brent prices recover into July. The majority of the company's equity crude production is priced based on the Brent benchmark. The WTI price averaged $94 per barrel for the full-year 2012. During 2013, WTI averaged $94 per barrel in the second quarter, $94 for the six-month period, and ended July at about $105. WTI traded at a discount to Brent throughout 2012 due to high inventories and excess crude supply in the U.S. midcontinent market. During second quarter 2013 the WTI discount narrowed significantly as Brent prices declined on market concerns over economic growth, while U.S. infrastructure enhancements and increasing U.S. refinery demand eased inventory constraints and provided relative support to WTI prices.

A differential in crude oil prices exists between high quality (high-gravity, low-sulfur) crudes and those of lower quality (low-gravity, high-sulfur). The amount of the differential in any period is associated with the supply of heavy crude versus the demand, which is a function of the capacity of refineries that are able to process this lower quality feedstock into light products (motor gasoline, jet fuel, aviation gasoline and diesel fuel). The differential eased globally over the first quarter 2013 as heavy refinery maintenance schedules in Europe, the U.S., and elsewhere reduced demand and price support for light sweet crudes. However, the differential recovered somewhat during the second quarter as maintenance activities have declined.

Chevron produces or shares in the production of heavy crude oil in California, Chad, Indonesia, the Partitioned Zone between Saudi Arabia and Kuwait, Venezuela and in certain fields in Angola, China and the United Kingdom sector of the North Sea. (See page 35 for the company's average U.S. and international crude oil realizations.)

In contrast to price movements in the global market for crude oil, price changes for natural gas in many regional markets are more closely aligned with supply-and-demand conditions in those markets. In the United States, prices at Henry Hub averaged $3.76 per thousand cubic feet (MCF) in the first six months of 2013, compared with $2.36 during the first six months of 2012. At the end of July 2013, the Henry Hub spot price was $3.44 per MCF. Fluctuations in the price for natural gas in the United States are closely associated with customer demand relative to the volumes produced in North America.

Outside the United States, price changes for natural gas depend on a wide range of supply, demand and regulatory circumstances. In some locations, Chevron is investing in long-term projects to install infrastructure to produce and liquefy natural gas for transport by tanker to other markets. International natural gas realizations averaged $6.00 per MCF during the first six months of 2013, compared with $5.99 in the same period last year. (See page 35 for the company's average natural gas realizations for the U.S. and international regions.)

The company's worldwide net oil-equivalent production in the first six months of 2013 averaged 2.613 million barrels per day. About one-fifth of the company's net oil-equivalent production in the first six months of 2013 occurred in the OPEC-member countries of Angola, Nigeria, Venezuela and the Partitioned Zone between Saudi

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Arabia and Kuwait. OPEC quotas had no effect on the company's net crude oil production for the second quarter or six-month periods of 2013 or 2012. At their May 2013 meeting, members of OPEC supported maintaining the current production quota of 30 million barrels per day, which has been in effect since December 2008.

The company estimates that oil-equivalent production in 2013 will average approximately 2.650 million barrels per day based on a Brent price of $112 per barrel. This estimate is subject to many factors and uncertainties, including quotas that may be imposed by OPEC, price effects on entitlement volumes, changes in fiscal terms or restrictions on the scope of company operations, delays in project startups or ramp-ups, fluctuations in demand for natural gas in various markets, weather conditions that may shut in production, civil unrest, changing geopolitics, delays in completion of maintenance turnarounds, greater-than-expected declines in production from mature fields, or other disruptions to operations. The outlook for future production levels is also 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. Investments in upstream projects generally begin well in advance of the start of the associated crude oil and natural gas production. A significant majority of Chevron's upstream investment is made outside the United States.

On November 7, 2011, while drilling a development well in the deepwater Frade Field about 75 miles offshore Brazil, an unanticipated pressure spike caused oil to migrate from the well bore through a series of fissures to the sea floor, emitting approximately 2,400 barrels of oil. The source of the seep was substantially contained within four days and the well was plugged and abandoned. No evidence of any coastal or wildlife impacts related to this seep has emerged. On March 14, 2012, the company identified a small, second seep in a different part of the field. As a precautionary measure, the company and its partners decided to temporarily suspend field production and received approval from Brazil's National Petroleum Agency (ANP) to do so. Chevron and its partners are cooperating with the Brazilian authorities. On July 19, 2012, ANP issued its final investigative report on the November 2011 incident. On April 8, 2013, ANP approved a plan for partial restoration of production in the Frade Field, and production under that approved plan commenced on April 30, 2013. A Brazilian federal district prosecutor filed two civil lawsuits seeking $10.7 billion in damages for each of the two seeps. The company is not aware of any basis for damages to be awarded in any civil lawsuit. On July 31, 2012, a court presiding over the civil litigation entered a preliminary injunction barring Chevron from conducting oil production and transportation activities in Brazil pending completion of the legal proceedings commenced by the federal district prosecutor and the ongoing proceedings of ANP and the Brazilian environment and natural resources regulatory agency. On September 28, 2012, the injunction was modified to clarify that Chevron may continue its containment and mitigation activities under supervision of ANP, and on appeal, the injunction was revoked in its entirety on November 27, 2012. The prosecutor has asked the court to reconsider the revocation. The federal district prosecutor also filed criminal charges against eleven Chevron employees. Jurisdiction for all three matters was moved from Campos to a court in Rio de Janeiro. On February 19, 2013, the court dismissed the criminal matter, which is being appealed by the prosecutor. The company's ultimate exposure related to the incident is not currently determinable, but could be significant to net income in any one period.

On May 27, 2013 the company executed financing agreements with Petroboscan, a joint stock company owned 39.2 percent by Chevron, which operates the Boscan Field in Venezuela. The financing will occur in stages over a limited drawdown period and will support a specific work program to maintain and increase production to an agreed-upon level. The terms are designed to support cash needs for ongoing operations and new development, as well as distributions to shareholders - including current outstanding obligations. The loan will be repaid from future Petroboscan crude sales. Final closing of the transaction will occur once all conditions precedent are satisfied.

Refer to the "Results of Operations" section on pages 29 through 31 for additional discussion of the company's upstream business.

Downstream Earnings for the downstream segment are closely tied to margins on the refining, manufacturing and marketing of products that include gasoline, diesel, jet fuel, lubricants, fuel oil, fuel and lubricant additives, and petrochemicals. Industry margins are sometimes volatile and can be affected by the global and regional supply-and-demand balance for refined products and petrochemicals and by changes in the price of crude oil, other refinery and petrochemical feedstocks, and natural gas. Industry margins can also be influenced by inventory levels, geopolitical events, costs of materials and services, refinery or chemical plant capacity utilization, maintenance

programs, and disruptions at refineries or chemical plants resulting from unplanned outages due to severe weather, fires or other operational events.

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Other factors affecting profitability for downstream operations include the reliability and efficiency of the company's refining, marketing and petrochemical assets, the effectiveness of its crude oil and product supply functions, and the volatility of tanker-charter rates for the company's shipping operations, which are driven by the industry's demand for crude oil and product tankers. Other factors beyond the company's control include the general level of inflation and energy costs to operate the company's refining, marketing and petrochemical assets.

The company's most significant marketing areas are the West Coast of North America, the U.S. Gulf Coast, Asia and southern Africa. Chevron operates or has significant ownership interests in refineries in each of these areas.

Refer to the "Results of Operations" section on pages 31 through 32 for additional discussion of the company's downstream operations.

All Other consists of mining operations, power generation businesses, worldwide cash management and debt financing activities, corporate administrative functions, insurance operations, real estate activities, energy services, alternative fuels, and technology companies.

Operating Developments

Noteworthy operating developments for the upstream business in recent months included the following:

- Angola - Announced the loading of the first cargo of liquefied natural gas at the Angola LNG project.
- Argentina - Signed an agreement advancing the development of shale oil and natural gas resources from the Vaca Muerta formation.
- Brazil - Awarded participation in a deepwater block in the Ceará Basin.
- Canada - Announced agreement to acquire additional, complementary acreage in the Duvernay Shale located in western Canada.
- Kurdistan Region of Iraq - Announced the acquisition of an 80 percent interest and operatorship of the Qara Dagh Block.
- United States - Announced a joint development agreement for additional Permian Basin acreage and access to related infrastructure.

In the downstream business, GS Caltex, the company's 50 percent-owned joint venture, started commercial operations of its newest heavy oil upgrading unit at the Yeosu Refinery in South Korea. Also in the second quarter, Chevron Phillips Chemical Company LLC, the company's 50 percent-owned affiliate, announced plans to expand annual ethylene production by 200 million pounds at its Sweeny complex in Old Ocean, Texas.

The company purchased $1.25 billion of its common stock in second quarter 2013 under its share repurchase program.

Results of Operations

Business Segments The following section presents the results of operations for the company's business segments — Upstream and Downstream — as well as for "All Other." (Refer to Note 5, on page 10, for a discussion of the company's "reportable segments," as defined under the accounting standards for segment reporting.)

Upstream

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
U.S. Upstream Earnings	$1,083	$1,318	$2,215	$2,847

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U.S. upstream earnings of $1.1 billion in second quarter 2013 decreased $235 million from the same period last year. The decrease was primarily due to higher operating and depreciation expenses of $100 million and $50 million, respectively, and lower net crude oil production of $50 million. Lower crude oil realizations were mostly offset by higher natural gas realizations.

Earnings for the first six months of 2013 were approximately $2.2 billion, down $632 million from the corresponding period in 2012. Lower crude oil realizations and higher operating expenses reduced earnings by approximately $340 million and $230 million, respectively.

The company's average realization for U.S. crude oil and natural gas liquids in second quarter 2013 was $92 per barrel, compared with $97 a year earlier. For the six-month periods, average realizations were $93 in 2013 and $100 in 2012. The average natural gas realization in second quarter 2013 was $3.78 per thousand cubic feet, compared with $2.17 in the year-ago period. The average six-month realizations were $3.44 per thousand cubic feet in 2013 and $2.33 in 2012.

Net oil-equivalent production of 659,000 barrels per day in second quarter 2013 was unchanged from second quarter a year earlier. Net oil-equivalent production of 661,000 barrels per day in the six-month period increased 6,000 barrels per day from the corresponding 2012 period. Production increases in the Marcellus Shale in western Pennsylvania, the Delaware Basin in New Mexico and at Perdido in the Gulf of Mexico were offset by normal field declines elsewhere in both comparative periods.

The net liquids component of oil-equivalent production of 455,000 barrels per day for second quarter and first six months of 2013 was down 1 percent from the corresponding 2012 periods. Net natural gas production was 1.23 billion cubic feet per day in second quarter 2013 and 1.24 billion cubic feet per day for the first half of 2013, increases of 3 percent and 5 percent from comparative 2012 periods.

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
International Upstream Earnings*	$3,866	$4,302	$8,650	$8,944
* Includes foreign currency effects	$275	$219	$447	$11

International upstream earnings of $3.9 billion in second quarter 2013 decreased $436 million from the corresponding period in 2012. Lower crude oil volumes and realizations of $240 million and $220 million, respectively, and higher operating expense of $130 million, were partially offset by lower exploration expenses of $160 million. Foreign currency effects increased earnings by $275 million in the 2013 quarter, compared with an earnings benefit of $219 million a year earlier.

Earnings for the first six months of 2013 were $8.7 billion, down $294 million from the same period in 2012. The decrease was mainly due to lower crude oil volumes and prices of $620 million and $460 million, respectively, and higher operating expenses of about $200 million. Partially offsetting these effects were lower exploration expenses of $300 million. Foreign currency effects increased earnings by $447 million in the first six months of 2013, compared with an increase of $11 million a year earlier.

The average realization per barrel of crude oil and natural gas liquids in second quarter 2013 was $94 compared with $99 a year earlier. For the six-month periods, average crude oil and natural gas liquids realizations were $98 and $105 for 2013 and 2012, respectively. The average natural gas realization per thousand cubic feet in second quarter 2013 was $5.93 compared with $6.10 in the corresponding 2012 period. Between the six-month periods, the average natural gas realization increased to $6.00 per thousand cubic feet from $5.99 in 2012.

International net oil-equivalent production of 1.92 million barrels per day in second quarter 2013 was down 2 percent from second quarter a year ago. Normal field declines were partially offset by a project start-up in Angola.

International net oil-equivalent production of 1.95 million barrels per day for the six months of 2013 decreased 21,000 barrels per day from the six months of 2012. Production increases from a project ramp-up in Nigeria and a project start-up in Angola were more than offset by normal field declines.

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The net liquids component of oil-equivalent production of 1.26 million barrels per day in second quarter 2013 and 1.28 million barrels per day in the six-month period decreased 4 percent and 3 percent for the respective periods. Net natural gas production totaled 3.99 billion cubic feet per day in second quarter 2013 and 4.02 billion cubic feet per day in the first six months, increases of 2 percent and 4 percent from the 2012 periods.

Downstream

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
U.S. Downstream Earnings	$138	$802	$273	$1,261

U.S. downstream earned $138 million in the second quarter 2013, compared with earnings of $802 million a year earlier. Earnings for the first six months of 2013 were $273 million compared to $1.3 billion in the corresponding 2012 period. The decrease in both comparative periods was mainly due to lower margins on refined product sales of $330 million and $510 million, respectively. Higher operating expenses, mainly reflecting repair and maintenance activities at the company's refineries, also decreased earnings by $200 million and $380 million, respectively.

Refinery crude-input of 814,000 barrels per day in second quarter 2013 was down 114,000 barrels per day from the corresponding 2012 period. For the first six months of 2013, crude-input was 696,000 barrels per day, down from 926,000 barrels per day in the corresponding 2012 period. The decline in both periods was largely due to an August 2012 incident at the refinery in Richmond, California that shut down the crude unit. Planned turnarounds at the Kapolei, Hawaii and Pascagoula, Mississippi refineries also contributed to the decreases in the second quarter and six-month periods, respectively.

Refined product sales of 1.21 million barrels per day in the quarterly period and 1.16 million barrels per day in the six-month period declined 4 percent and 8 percent, respectively, mainly due to lower gas oil, kerosene and gasoline sales. Branded gasoline sales of 526,000 barrels per day for the second quarter were up 1 percent from a year ago, while sales of 513,000 barrels per day for the first six months were essentially flat with the same period a year ago.

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)		(Millions of dollars)	
International Downstream Earnings*	$628	$1,079	$1,194	$1,424
* Includes foreign currency effects	$30	$(22)	$106	$(33)

International downstream operations earned $628 million in second quarter 2013, compared with $1.1 billion a year earlier. Earnings decreased approximately $200 million due to lower gains on asset sales, primarily reflecting the absence of the 2012 sale of GS Caltex's power operations in South Korea. An unfavorable change in the effects on derivative instruments of $110 million and lower margins on refined product sales of $80 million also contributed to the decrease in the 2013 quarter. Foreign currency effects increased earnings by $30 million in the 2013 quarter, compared with a decrease of $22 million a year earlier.

Earnings for the first six months of 2013 were $1.2 billion compared to $1.4 billion in the corresponding 2012 period. Earnings decreased approximately $400 million due to lower gains on asset sales, primarily reflecting the 2012 sales of the company's fuels and finished lubricants businesses in Spain and GS Caltex's power operations. Higher income tax expenses of $50 million also contributed to the decline. The decrease was partially offset by higher margins on refined products sales of $200 million. Foreign currency effects increased earnings by $106 million, compared with a decrease of $33 million a year earlier.

Refinery crude-input of 872,000 barrels per day in second quarter 2013 was essentially flat with second quarter 2012. For the first six months of 2013, crude oil inputs were 845,000 barrels per day, an increase of 20,000 barrels per day

over the corresponding 2012 period. The increase was primarily due to consolidation of the 64 percent-owned Star Petroleum Refining Company in Thailand, beginning June 2012.

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Total refined product sales of 1.55 million barrels per day in the quarterly period and 1.50 million barrels per day in the six-month period declined 1 percent and 3 percent respectively, mainly reflecting lower fuel oil and gasoline sales.

All Other

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Net Charges*	$(350)	$(291)	$(789)	$(795)
* Includes foreign currency effects	$(3)	$1	$(5)	$(8)

All Other consists of mining operations, power generation businesses, worldwide cash management and debt financing activities, corporate administrative functions, insurance operations, real estate activities, energy services, alternative fuels, and technology companies.

Net charges in second quarter 2013 were $350 million, compared with $291 million in the year-ago period. The change between periods was mainly due to the 2013 impairment of a power-related equity affiliate and absence of a 2012 gain on the sale of a mining investment, partially offset by lower corporate tax items. Foreign currency effects increased net charges by $3 million, compared with a decrease of $1 million last year. For the first six months of 2013, net charges were $789 million, compared with $795 million a year earlier. The increased charges from a 2013 impairment and the absence of a 2012 asset sale gain were largely offset by lower corporate tax items. Foreign currency effects increased net charges by $5 million for the first six months of 2013, compared to an $8 million increase in net charges last year.

Consolidated Statement of Income

Explanations of variations between periods for selected income statement categories are provided below:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Sales and other operating revenues	$55,307	$59,780	$109,603	$118,676

Sales and other operating revenues decreased $4.5 billion and $9.1 billion, in the quarterly and six-month periods, respectively, due to lower refined product sales and lower prices for crude oil.

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Income from equity affiliates	$1,784	$2,091	$4,068	$3,800

Income from equity affiliates in the quarterly period decreased mainly due to the sale of power operations by GS Caltex Corporation in South Korea in 2012, the 2013 impairment of a power-related affiliate, and lower margins for CPChem. Income from equity affiliates in the six-month period increased mainly due to favorable foreign currency effects for Petropiar in Venezuela, GS Caltex Corporation, and Caltex Australia Limited, and higher upstream-related earnings from Tengizchevroil in Kazakhstan. Partially offsetting the increase was the 2013 impairment of a power-related affiliate.

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	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Other income	$278	$737	$516	$837

Other income for the quarterly period decreased, mainly due to lower gains on asset sales. Other income for the six-month period decreased due to lower gains on asset sales, partially offset by a favorable swing in foreign currency effects.

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Purchased crude oil and products	$34,273	$36,772	$67,183	$72,825

Purchases decreased $2.5 billion and $5.6 billion in the quarterly and six-month periods, respectively, primarily due to lower volumes and prices for crude oil.

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Operating, selling, general and administrative expenses	$7,417	$6,670	$14,177	$12,793

Operating, selling, general and administrative expenses increased $747 million and $1.4 billion, in the quarterly and six-month periods, respectively, primarily due to higher employee compensation and benefits costs, higher professional services and maintenance expenses.

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Exploration expenses	$329	$493	$576	$896

The decrease in exploration expenses in the second quarter 2013 was primarily due to lower charges for well write-offs. The six-month period decreased primarily due to lower charges for well write-offs, partially offset by higher geological and geophysical expenses.

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Depreciation, depletion and amortization	$3,412	$3,284	$6,893	$6,489

Depreciation, depletion and amortization in the second quarter 2013 increased mainly due to higher depreciation rates for certain oil and gas producing fields, partially offset by lower production levels. The increase between six-month periods was mainly due to higher depreciation rates for certain oil and gas producing fields, higher upstream impairments and higher accretion expense, partially offset by lower production levels.

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Taxes other than on income	$3,349	$3,034	$6,486	$5,886

Taxes other than on income increased primarily due to the consolidation of the 64 percent-owned Star Petroleum Refining Company, beginning June 2012.

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	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
Income tax expense	$3,185	$5,123	$7,229	$10,693

Effective income tax rates for the 2013 and 2012 quarters were 37 percent and 41 percent, respectively. For the year-to-date period, the effective tax rates were 38 percent and 44 percent for 2013 and 2012, respectively. The decrease in the effective tax rate between the quarterly periods was driven by lower earnings in higher tax rate international upstream jurisdictions, in addition to the effects of foreign currency remeasurement impacts and non-recurring tax adjustments between periods. The decrease in the effective tax rate for the six-month comparative periods was primarily due to lower earnings in higher tax rate international upstream jurisdictions and foreign currency remeasurement impacts between periods.

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Selected Operating Data

The following table presents a comparison of selected operating data:

Selected Operating Data [1][2]

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
U.S. Upstream				
Net crude oil and natural gas liquids production (MBPD)	455	461	455	459
Net natural gas production (MMCFPD)[3]	1,227	1,186	1,241	1,178
Net oil-equivalent production (MBOEPD)	659	659	661	655
Sales of natural gas (MMCFPD)	5,651	5,314	5,872	5,462
Sales of natural gas liquids (MBPD)	13	8	14	13
Revenue from net production				
Liquids ($/Bbl)	$92.25	$97.46	$93.36	$99.68
Natural gas ($/MCF)	$3.78	$2.17	$3.44	$2.33
International Upstream				
Net crude oil and natural gas liquids production (MBPD)[4]	1,258	1,317	1,281	1,327
Net natural gas production (MMCFPD)[3]	3,987	3,894	4,020	3,871
Net oil-equivalent production (MBOEPD)[4]	1,923	1,965	1,952	1,973
Sales of natural gas (MMCFPD)	4,272	4,390	4,384	4,522
Sales of natural gas liquids (MBPD)	26	25	27	24
Revenue from liftings				
Liquids ($/Bbl)	$93.71	$99.21	$98.09	$104.65
Natural gas ($/MCF)	$5.93	$6.10	$6.00	$5.99
U.S. and International Upstream				
Total net oil-equivalent production (MBOEPD)[4]	2,582	2,624	2,613	2,628
U.S. Downstream				
Gasoline sales (MBPD)[5]	626	646	602	636
Other refined product sales (MBPD)	587	624	554	618
Total refined product sales (MBPD)	1,213	1,270	1,156	1,254
Sales of natural gas liquids (MBPD)	130	151	125	142
Refinery input (MBPD)	814	928	696	926
International Downstream				
Gasoline sales (MBPD)[5]	302	331	292	310
Other refined product sales (MBPD)	763	702	736	698
Share of affiliate sales (MBPD)	483	536	471	538
Total refined product sales (MBPD)	1,548	1,569	1,499	1,546
Sales of natural gas liquids (MBPD)	55	61	61	61
Refinery input (MBPD)[6]	872	870	845	825

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[1] Includes company share of equity affiliates.

[2] MBPD — thousands of barrels per day; MMCFPD — millions of cubic feet per day; Bbl — Barrel; MCF — thousands of cubic feet; oil-equivalent gas conversion ratio is 6,000 cubic feet of natural gas = 1 barrel of crude oil; MBOEPD — thousands of barrels of oil-equivalent per day.

[3] Includes natural gas consumed in operations (MMCFPD):

United States [7]	83	64	76	69
International	521	526	520	532

[4] Includes: Canada — synthetic oil

	37	43	41	41

Venezuela affiliate — synthetic oil	14	17	18	21

(5) Includes branded and unbranded gasoline.

(6) As of June 2012, Star Petroleum Refining Company crude-input volumes are reported on a 100 percent consolidated basis. Prior to June 2012, crude-input volumes reflect a 64 percent equity interest.

(7) 2012 conforms to 2013 presentation.

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Liquidity and Capital Resources

Cash, cash equivalents, time deposits and marketable securities totaled $22.3 billion at June 30, 2013, up $383 million from year-end 2012. Cash provided by operating activities in the first six months of 2013 was $14.2 billion, compared with $18.3 billion in the year-ago period. The decline in the current period primarily reflected lower earnings. Cash capital expenditures increased $3.8 billion between periods as work progressed on a number of major capital projects and new resources were acquired, including the Kitimat liquefied natural gas project. The balance of cash, cash equivalents, time deposits and marketable securities was relatively unchanged, reflecting a $6 billion bond issuance in June, 2013, and higher short-term borrowings.

Dividends The company paid dividends of $3.7 billion to common shareholders during the first six months of 2013. In July 2013, the company declared a quarterly dividend of $1.00 per common share, payable in September 2013.

Debt and Capital Lease Obligations Chevron's total debt and capital lease obligations were $20.0 billion at June 30, 2013, up from $12.2 billion at December 31, 2012. The $7.8 billion increase in total debt and capital lease obligations in the first six months of 2013 included a $6 billion bond issuance in June 2013 timed in part to take advantage of historically low interest rates. The company's primary financing source for working capital needs is its commercial paper program. The authorized borrowing limit under this program is $12.0 billion and the outstanding balance at June 30, 2013 was $4.6 billion. This balance is expected to decline significantly early in the third quarter as proceeds from the June bond issuance are used to retire commercial paper as it matures. The company's future debt level is dependent primarily on results of operations, the capital program and cash that may be generated from asset dispositions. The company's debt and capital lease obligations due within one year, consisting primarily of commercial paper, redeemable long-term obligations and the current portion of long-term debt, totaled $7.9 billion at June 30, 2013 and $6.0 billion at December 31, 2012. Of these amounts, $6.0 billion was reclassified to long-term at June 30, 2013 and $5.9 billion at December 31, 2012, respectively. At June 30, 2013, settlement of these obligations was not expected to require the use of working capital within one year, as the company had the intent and the ability, as evidenced by committed credit facilities, to refinance them on a long-term basis.

At June 30, 2013, the company had $6.0 billion in committed credit facilities with various major banks, expiring in December 2016, which enable the refinancing of short-term obligations on a long-term basis. These facilities support commercial paper borrowing and can also be used for general corporate purposes. The company's practice has been to continually replace expiring commitments with new commitments on substantially the same terms, maintaining levels management believes appropriate. Any borrowings under the facilities would be unsecured indebtedness at interest rates based on the London Interbank Offered Rate or an average of base lending rates published by specified banks and on terms reflecting the company's strong credit rating. No borrowings were outstanding under these facilities at June 30, 2013. In addition, the company has an automatic shelf registration statement that expires in November 2015 for an unspecified amount of nonconvertible debt securities issued or guaranteed by the company.

The major debt rating agencies routinely evaluate the company's debt, and the company's cost of borrowing can increase or decrease depending on these debt ratings. The company has outstanding public bonds issued by Chevron Corporation, Chevron Corporation Profit Sharing/Savings Plan Trust Fund and Texaco Capital Inc. All of these securities are the obligations of, or guaranteed by, Chevron Corporation and are rated AA by Standard and Poor's Corporation and Aa1 by Moody's Investors Service. The company's U.S. commercial paper is rated A-1+ by Standard and Poor's and P-1 by Moody's. All of these ratings denote high-quality, investment-grade securities.

Based on its high-quality debt ratings, the company believes that it has substantial borrowing capacity to meet unanticipated cash requirements. The company also can modify capital spending plans during any extended periods of low prices for crude oil and natural gas and narrow margins for refined products and commodity chemicals to provide flexibility to continue paying the common stock dividend and maintain the company's high-quality debt ratings.

Common Share Repurchase Program In July 2010, the Board of Directors approved an ongoing share repurchase program with no set term or monetary limits. The company expects to repurchase between $500 million and $2 billion of its common shares per quarter, through open market purchases or in negotiated transactions at prevailing prices, as permitted by securities laws and other legal requirements and subject to market conditions

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and other factors. During second quarter 2013, the company purchased 10.3 million common shares for $1.25 billion. From the inception of the program through second quarter 2013, the company has purchased 118.8 million shares for $12.5 billion.

Noncontrolling Interests The company had noncontrolling interests of $1.3 billion at June 30, 2013 and December 31, 2012, respectively. Distributions to noncontrolling interests totaled $73 million during the first six months of 2013.

Current Ratio — current assets divided by current liabilities, which indicates the company's ability to repay its short-term liabilities with short-term assets. The current ratio was 1.7 at June 30, 2013 and 1.6 at December 31, 2012. The current ratio is adversely affected by the fact that Chevron's inventories are valued on a last-in, first-out basis. At June 30, 2013, the book value of inventory was lower than replacement cost.

Debt Ratio — total debt as a percentage of total debt plus Chevron Corporation Stockholders' Equity, which indicates the company's leverage. This ratio was 12.3 percent at June 30, 2013, and 8.2 percent at year-end 2012.

Pension Obligations Information related to pension plan contributions is included on page 15 in Note 9 to the Consolidated Financial Statements.

Capital and Exploratory Expenditures Total expenditures, including the company's share of spending by affiliates, were $18.3 billion in the first six months of 2013, compared with $14.2 billion in the corresponding 2012 period. The amounts included the company's share of affiliates' expenditures of $1.1 billion and $827 million in the 2013 and 2012 periods, respectively. Also included were amounts related to the acquisition of additional shale acreage in several locations. Expenditures for upstream projects in the first six months of 2013 were $16.8 billion, representing 92 percent of the companywide total.

Capital and Exploratory Expenditures by Major Operating Area

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(Millions of dollars)			
United States				
Upstream	$2,003	$1,821	$3,846	$3,347
Downstream	431	401	770	679
All Other	160	100	287	152
Total United States	2,594	2,322	4,903	4,178
International				
Upstream	6,560	5,199	12,961	9,578
Downstream	292	303	460	485
All Other	6	2	10	2
Total International	6,858	5,504	13,431	10,065
Worldwide	$9,452	$7,826	$18,334	$14,243

Contingencies and Significant Litigation

MTBE Information related to methyl tertiary butyl ether (MTBE) matters is included on page 16 in Note 10 to the Consolidated Financial Statements under the heading "MTBE."

Ecuador Information related to Ecuador matters is included in Note 10 to the Consolidated Financial Statements under the heading "Ecuador", beginning on page 16.

Income Taxes Information related to income tax contingencies is included on page 14 in Note 8 and page 19 in Note 11 to the Consolidated Financial Statements under the heading "Income Taxes."

Guarantees Information related to the company's guarantees is included on page 19 in Note 11 to the Consolidated Financial Statements under the heading "Guarantees."

Indemnifications Information related to indemnifications is included on page 19 in Note 11 to the Consolidated Financial Statements under the heading “Indemnifications.”

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Off-Balance-Sheet Obligations Information related to the company's off-balance-sheet obligations is included on page 20 in Note 11 to the Consolidated Financial Statements under the heading "Off-Balance-Sheet Obligations."
Environmental Information related to environmental matters is included on page 20 in Note 11 to the Consolidated Financial Statements under the heading "Environmental."
Other Contingencies Information related to the company's other contingencies is included on page 20 in Note 11 to the Consolidated Financial Statements under the heading "Other Contingencies."

New Accounting Standards

Refer to Note 15, on page 24 in the Notes to Consolidated Financial Statements, for information regarding new accounting standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk
Information about market risks for the three months ended June 30, 2013, does not differ materially from that discussed under Item 7A of Chevron's 2012 Annual Report on Form 10-K.

Item 4. Controls and Procedures
(a) Evaluation of disclosure controls and procedures
The company's management has evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures were effective as of June 30, 2013.
(b) Changes in internal control over financial reporting
During the quarter ended June 30, 2013, there were no changes in the company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.
On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published an updated Internal Control - Integrated Framework and related illustrative documents. As of June 30, 2013, the company is utilizing the original framework published in 1992.

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PART II
OTHER INFORMATION

Item 1. Legal Proceedings

Ecuador Information related to Ecuador matters is included in Note 10 to the Consolidated Financial Statements under the heading “Ecuador”, beginning on page 16.

Government Proceedings On March 18, 2013, Chevron Pipe Line Company (CPL) discovered a release of petroleum product from a line located near the North Willard Bay State Park in Utah. On April 11, 2013, the Utah Division of Water Quality issued a Notice of Violation to CPL in connection with this event. Resolution of the alleged violation may result in the payment of a civil penalty exceeding $100,000.

On June 10, 2013, Chevron received correspondence from the California Air Resources Board regarding an alleged violation of California's Regulation for the Mandatory Reporting of Greenhouse Gas Emissions based on alleged delay in the reporting of emissions data for Chevron's San Joaquin Valley Business Unit. Resolution of the alleged violation may result in the payment of a civil penalty exceeding $100,000.

Item 1A. Risk Factors

Chevron is a global energy company with a diversified business portfolio, a strong balance sheet, and a history of generating sufficient cash to fund capital and exploratory expenditures and to pay dividends. Nevertheless, some inherent risks could materially impact the company’s financial results of operations or financial condition. Information about risk factors for the three months ended June 30, 2013, does not differ materially from that set forth in Part I, Item 1A, of Chevron’s 2012 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

CHEVRON CORPORATION
ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number Of Shares Purchased [1][2]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program [2]
Apr. 1 – Apr. 30, 2013	3,845,887	$118.26	3,845,343	
May. 1 – May. 31, 2013	4,627,859	124.58	4,627,396	
Jun. 1 – Jun. 30, 2013	1,829,384	120.01	1,822,823	
Total	10,303,130	$121.41	10,295,562	

(1) Includes common shares repurchased from company employees for required personal income tax withholdings on the exercise of the stock options and shares delivered or attested to in satisfaction of the exercise price by holders of employee stock options. The options were issued to and exercised by management under Chevron long-term incentive plans and Unocal stock option plans.

(2) In July 2010, the Board of Directors approved an ongoing share repurchase program with no set term or monetary limits, under which common shares would be acquired by the company through open market purchases or in negotiated transactions at prevailing prices, as permitted by securities laws and other legal requirements and subject to market conditions and other factors. As of June 30, 2013, 118,774,335 shares had been acquired under this program (some pursuant to a Rule 10b5-1 plan and some pursuant to an accelerated share repurchase plan) for $12.50 billion at an average price of approximately $105 per share.

Item 4. Mine Safety Disclosures

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 C.F.R. §229.104) is included in Exhibit 95 of this Quarterly Report on Form 10-Q.

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Item 6. Exhibits

Exhibit Number	Description
(4)	Pursuant to the Instructions to Exhibits, certain instruments defining the rights of holders of long-term debt securities of the company and its consolidated subsidiaries are not filed because the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of the company and its subsidiaries on a consolidated basis. A copy of such instrument will be furnished to the Commission upon request.
(10)	Long-Term Incentive Plan of Chevron Corporation, filed as Appendix B to Chevron Corporation's Notice of the 2013 Annual Meeting and 2013 Proxy Statement filed April 11, 2013, and incorporated herein by reference.
(12)	Computation of Ratio of Earnings to Fixed Charges
(31.1)	Rule 13a-14(a)/15d-14(a) Certification by the company’s Chief Executive Officer
(31.2)	Rule 13a-14(a)/15d-14(a) Certification by the company’s Chief Financial Officer
(32.1)	Section 1350 Certification by the company’s Chief Executive Officer
(32.2)	Section 1350 Certification by the company’s Chief Financial Officer
(95)	Mine Safety Disclosure
(101.INS)	XBRL Instance Document
(101.SCH)	XBRL Schema Document
(101.CAL)	XBRL Calculation Linkbase Document
(101.DEF)	XBRL Definition Linkbase Document
(101.LAB)	XBRL Label Linkbase Document
(101.PRE)	XBRL Presentation Linkbase Document

Attached as Exhibit 101 to this report are documents formatted in XBRL (Extensible Business Reporting Language). The financial information contained in the XBRL-related documents is “unaudited” or “unreviewed.”

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SIGNATURE

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

CHEVRON CORPORATION
(REGISTRANT)

/S/ MATTHEW J. FOEHR
Matthew J. Foehr, Vice President and Comptroller
(Principal Accounting Officer and
Duly Authorized Officer)

Date: August 7, 2013

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*Filed herewith.

Copies of above exhibits not contained herein are available to any security holder upon written request to the Corporate Governance Department, Chevron Corporation, 6001 Bollinger Canyon Road, San Ramon, California 94583-2324.