Chevron

Human Energy®

2012 Annual Report

Contents

2012 was a year of many milestones. We advanced our major capital projects and remained on track to meet our production goal of 3.3 million barrels per day by 2017. We also continued to add opportunities to our portfolio that we anticipate will position us for growth well into the next decade. The world needs reliable and affordable energy. The long-term investments we are making will help contribute to energy supplies, while creating sustained value for our stockholders, employees, business partners and the communities where we operate.

The online version of this report contains additional information about our company, as well as videos of our various projects. We invite you to visit our website at: **Chevron.com/AnnualReport2012**.

On the cover: The Second Generation Plant at the Tengiz Field in Kazakhstan is the largest single-train sour crude processing facility in the world. The Tengiz Field, which is operated by our 50 percent-owned affiliate Tengizchevroil, is one of the world's deepest developed supergiant oil fields.

This page: We see growth opportunities in natural gas from shale and have built an extensive portfolio in some of the world's most promising areas. Here a well is drilled on our acreage in Pennsylvania's Marcellus Shale.

To Our Stockholders

For Chevron, 2012 was another year of delivering strong results. Even as global economic challenges persisted, we continued building the foundation for sustained growth in our upstream and downstream businesses. And we produced excellent returns for our stockholders.

Our strong financial performance was reflected in net income of $26.2 billion on sales and other operating revenues of $231 billion. We achieved a competitive 18.7 percent return on capital employed. We increased our dividend payout to stockholders for the 25th consecutive year, marking an average dividend increase of 11 percent compounded since 2004 — compared with the average 3 percent of S&P 100 companies over that same period. Our total stockholder returns of 6.5 percent and 16.3 percent over the past five- and 10-year periods, respectively, continue to lead our peer group.

Our major businesses generated strong operating results. In the upstream, we ranked No. 1 in earnings per barrel relative to our peers for the third straight year. In 2012, we advanced four deepwater major capital projects through startup: Usan, Caesar/Tonga, Agbami 2 and Tahiti 2 — with Tahiti setting several industry records for water injection in deepwater production. Over the next five years, we anticipate 16 project startups with a Chevron share of investment greater than $1 billion each. Among them are two of our three new liquefied natural gas projects: Angola and Gorgon, offshore Western Australia; our deepwater projects Jack/St. Malo, Big Foot and Tubular Bells in the U.S. Gulf of Mexico; and the Escravos Gas-to-Liquids Project in Nigeria.

Exploration successes continued in 2012 with discoveries in seven countries. That includes Australia's Carnarvon Basin, bringing total discoveries there to 19 since mid-2009 and positioning our Gorgon and Wheatstone projects for potential future expansions. Exploration success was nearly 74 percent, exceeding our 10-year average of 54 percent. We added 1.1 billion barrels of net oil-equivalent proved reserves, replacing 112 percent of production in 2012.

The global restructuring of our downstream and chemicals business has delivered greater value from a more focused footprint. In 2012, we ranked No. 2 in earnings per barrel relative to our peer group. Construction of a lubricants facility at our Pascagoula, Mississippi, refinery is progressing toward completion by year-end 2013 and is expected to make Chevron the world's largest producer of premium base oil. We are on track to capture $1 billion in annual refinery profit improvements, compared with 2008, through measures including improved product yields and energy efficiency.

Our 2013 capital and exploratory budget of $36.7 billion, combined with our strong financial position, supports our long-term growth strategy. This record level of capital spending reflects our unmatched project queue, as well as confidence in our competitive advantages and organizational capability. It keeps us on target to reach our production goal of 3.3 million barrels of oil-equivalent per day by 2017, an increase of more than 20 percent from 2010 levels.

Our 2013 capital and exploratory budget of $36.7 billion, combined with our strong financial position, supports our long-term growth strategy [and] reflects our unmatched project queue [and] confidence in our competitive advantages.

To continually improve our operations, we develop technologies that advance our business and create new value. These include technologies in areas such as seismic imaging, deepwater operations and hydrocarbons from shale that enable us to access new resources while also ensuring safe and responsible production. At the Marcellus Shale operations in western Pennsylvania, water recycling technology has reduced our fresh water consumption. To further reduce our operating footprint, temporary modular tanks are being tested for onsite water storage. At our St. Malo well, a series of field trials points to the promise of a new system designed to boost well completion efficiency, thus reducing rig time, costs and operational risk.

Fundamental to everything we do is a constant focus on achieving increasingly higher levels of safety, operational and environmental performance. Our efforts are guided by our Operational Excellence Management System, which aligns with international standards for safety and environmental performance. In 2012, we continued to be an industry leader in personal safety, as measured by injuries requiring time away from work. We also delivered our lowest spill volumes in a decade. But we are not incident-free. Our strong safety culture and our focused efforts in improving process safety will help us continually progress toward our goal of incident-free operations.

We apply the same type of commitment to our social performance, contributing to the creation of stronger communities wherever we operate. We work toward building sustainable economies by employing people from our host communities, training workers to world-class standards, building capacity and supporting small business. In 2012, we bought $60 billion in goods and services around the globe, providing a meaningful stimulus for local economies. And in the past seven years, we invested more than $1 billion worldwide in programs focused on economic development, health and education. You can find more detail about our social investments in our companion publication, the *2012 Corporate Responsibility Report*.

Our commitment above all is to safely develop the affordable energy vital to economic growth. In fulfilling that commitment, we are mindful of our unique responsibility as an ambassador for a system of values – The Chevron Way – that promotes responsible and ethical behavior in all we do. We have the right people with the right skills, an unparalleled project portfolio, proven strategies and a culture committed to being the global energy company most admired for its people, partnership and performance. We are strongly positioned to create enduring value for the communities where we operate and for those who place their trust in us – our stockholders.

Thank you for investing in Chevron.

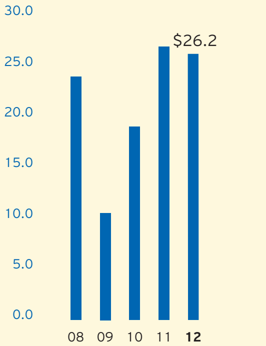
John S. Watson
Chairman of the Board and
Chief Executive Officer
February 22, 2013

Chevron Financial Highlights

Millions of dollars, except per-share amounts	**2012**	2011	% Change
Net income attributable to Chevron Corporation	**$ 26,179**	$ 26,895	(2.7)%
Sales and other operating revenues	**$ 230,590**	$ 244,371	(5.6)%
Noncontrolling interests income	**$ 157**	$ 113	38.9 %
Interest expense (after tax)	**$ –**	$ –	0.0 %
Capital and exploratory expenditures*	**$ 34,229**	$ 29,066	17.8 %
Total assets at year-end	**$ 232,982**	$ 209,474	11.2 %
Total debt and capital lease obligations at year-end	**$ 12,192**	$ 10,152	20.1 %
Noncontrolling interests	**$ 1,308**	$ 799	63.7 %
Chevron Corporation stockholders' equity at year-end	**$ 136,524**	$ 121,382	12.5 %
Cash provided by operating activities	**$ 38,812**	$ 41,098	(5.6)%
Common shares outstanding at year-end (Thousands)	**1,932,530**	1,966,999	(1.8)%
Per-share data			
Net income attributable to Chevron Corporation – diluted	**$ 13.32**	$ 13.44	(0.9)%
Cash dividends	**$ 3.51**	$ 3.09	13.6 %
Chevron Corporation stockholders' equity	**$ 70.65**	$ 61.71	14.5 %
Common stock price at year-end	**$ 108.14**	$ 106.40	1.6 %
Total debt to total debt-plus-equity ratio	**8.2%**	7.7%	
Return on average Chevron Corporation stockholders' equity	**20.3%**	23.8%	
Return on capital employed (ROCE)	**18.7%**	21.6%	

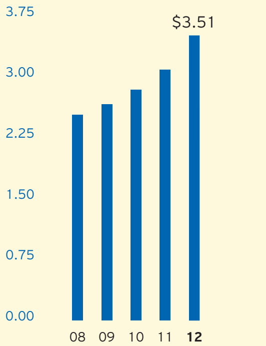
*Includes equity in affiliates

Net Income Attributable to Chevron Corporation
Billions of dollars



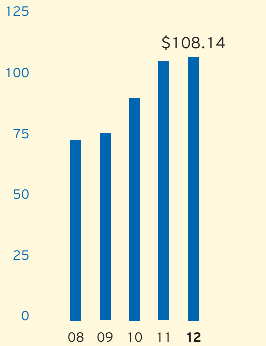
The decrease in 2012 was due to lower earnings in upstream as a result of lower crude oil production volume.

Annual Cash Dividends
Dollars per share



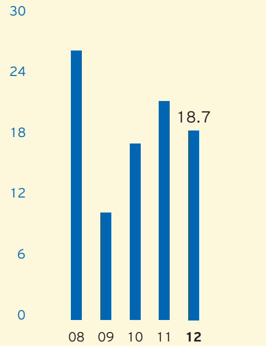
The company's annual dividend increased for the 25th consecutive year.

Chevron Year-End Common Stock Price
Dollars per share



The company's stock price rose 1.6 percent in 2012.

Return on Capital Employed
Percent



Chevron's return on capital employed declined to 18.7 percent on lower earnings and higher capital employed.

Chevron Operating Highlights[1]

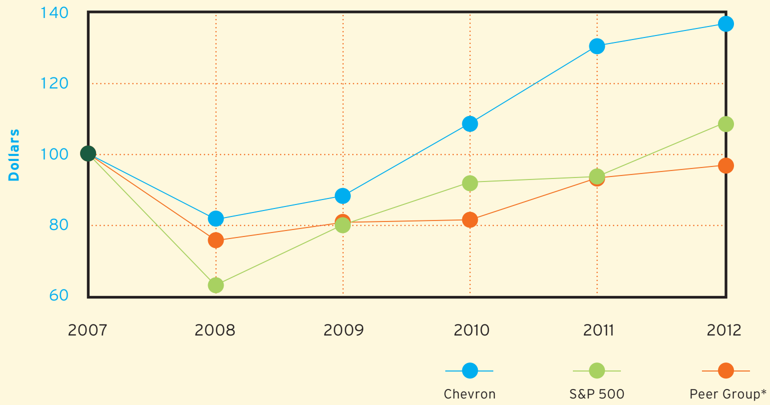
	2012	2011	% Change
Net production of crude oil, condensate and natural gas liquids (Thousands of barrels per day)	**1,764**	1,849	(4.6)%
Net production of natural gas (Millions of cubic feet per day)	**5,074**	4,941	2.7 %
Total net oil-equivalent production (Thousands of oil-equivalent barrels per day)	**2,610**	2,673	(2.4)%
Refinery input (Thousands of barrels per day)	**1,702**	1,787	(4.8)%
Sales of refined products (Thousands of barrels per day)	**2,765**	2,949	(6.2)%
Net proved reserves of crude oil, condensate and natural gas liquids[2] (Millions of barrels)			
– Consolidated companies	**4,353**	4,295	1.4 %
– Affiliated companies	**2,128**	2,160	(1.5)%
Net proved reserves of natural gas[2] (Billions of cubic feet)			
– Consolidated companies	**25,654**	25,229	1.7 %
– Affiliated companies	**3,541**	3,454	2.5 %
Net proved oil-equivalent reserves[2] (Millions of barrels)			
– Consolidated companies	**8,629**	8,500	1.5 %
– Affiliated companies	**2,718**	2,736	(0.7)%
Number of employees at year-end[3]	**58,286**	57,376	1.6 %

[1] Includes equity in affiliates, except number of employees
[2] At the end of the year
[3] Excludes service station personnel

Performance Graph

The stock performance graph at right shows how an initial investment of $100 in Chevron stock would have compared with an equal investment in the S&P 500 Index or the Competitor Peer Group. The comparison covers a five-year period beginning December 31, 2007, and ending December 31, 2012, and for the peer group is weighted by market capitalization as of the beginning of each year. It includes the reinvestment of all dividends that an investor would be entitled to receive and is adjusted for stock splits. The interim measurement points show the value of $100 invested on December 31, 2007, as of the end of each year between 2008 and 2012.

Five-Year Cumulative Total Returns
(Calendar years ended December 31)



	2007	2008	2009	2010	2011	2012
Chevron	**100**	**81.64**	**88.25**	**108.45**	**130.43**	**136.95**
S&P 500	100	63.00	79.66	91.65	93.59	108.56
Peer Group*	100	75.86	80.58	81.46	93.07	96.79

*Peer Group: BP p.l.c.-ADS, ExxonMobil, Royal Dutch Shell p.l.c.-ADS, Total S.A.-ADS

Chevron at a Glance

Chevron is one of the world's leading integrated energy companies. Our success is driven by our people and their commitment to get results the right way — by operating responsibly, executing with excellence, applying innovative technologies and capturing new opportunities for profitable growth. We are involved in virtually every facet of the energy industry. We explore for, produce and transport crude oil and natural gas; refine, market and distribute transportation fuels and lubricants; manufacture and sell petrochemical products; generate power and produce geothermal energy; provide renewable energy and energy efficiency solutions; and develop the energy resources of the future, including conducting advanced biofuels research.

Photo: Operations Adviser Kassi Harrington reviews a plan of the system that provides steam at the correct pressure, volume and quality to injection wells at the Kern River Field steamflood operations in Bakersfield, California.

Upstream and Gas	Exploration and Production **Strategy:** Grow profitably in core areas and build new legacy positions.	Upstream explores for and produces crude oil and natural gas. At the end of 2012, worldwide net oil-equivalent proved reserves for consolidated and affiliated companies were 11.35 billion barrels. In 2012, net oil-equivalent production averaged 2.61 million barrels per day. Major producing areas include Angola, Australia, Azerbaijan, Bangladesh, Brazil, Canada, China, Denmark, Indonesia, Kazakhstan, Nigeria, the Partitioned Zone between Kuwait and Saudi Arabia, the Philippines, Thailand, the United Kingdom, the United States, and Venezuela. Major exploration areas include the U.S. Gulf of Mexico and the offshore areas of Western Australia and western Africa. Additional areas include the Gulf of Thailand, the Kurdistan Region of Iraq, the South China Sea, and the offshore areas of Canada, Liberia, Norway, Sierra Leone, Suriname and the United Kingdom. Shale gas exploration areas include Argentina, Canada, China, Lithuania, Poland, Romania and the United States.
	Gas and Midstream **Strategy:** Commercialize our equity gas resource base while growing a high-impact global gas business.	We are engaged in every aspect of the natural gas business – liquefaction, pipeline and marine transport, marketing and trading, and power generation. Overall, we have approximately 160 trillion cubic feet of natural gas unrisked resources. In North America, Chevron ranks among the top natural gas marketers with sales in 2012 averaging approximately 6 billion cubic feet per day. We own, operate or have an interest in an extensive network of crude oil, refined product, chemical, natural gas liquid and natural gas pipelines. Chevron Shipping Company manages a fleet of four U.S. and 24 international vessels.
Downstream and Chemicals	**Strategy:** Improve returns and grow earnings across the value chain.	Downstream and Chemicals includes refining, fuels and lubricants marketing, petrochemicals manufacturing and marketing, supply and trading, and transportation. In 2012, we processed 1.7 million barrels of crude oil per day and averaged 2.8 million barrels per day of refined product sales worldwide. Our most significant areas of operations are the west coast of North America, the U.S. Gulf Coast, Singapore, Thailand, South Korea, Australia and South Africa. We hold interests in 14 fuel refineries and market transportation fuels and lubricants under the Chevron, Texaco and Caltex brands. Products are sold through a network of 16,769 retail stations, including those of affiliated companies. Our chemicals business includes Chevron Phillips Chemical Company LLC, a 50 percent-owned affiliate that is one of the world's leading manufacturers of commodity petrochemicals, and Chevron Oronite Company LLC, which develops, manufactures and markets quality additives that improve the performance of fuels and lubricants.
Technology	**Strategy:** Differentiate performance through technology.	Our three technology companies – Energy Technology, Technology Ventures and Information Technology – are focused on driving business value in every aspect of our operations. We operate technology centers in Australia, the United Kingdom and the United States. Together they provide strategic research, technology development, and technical and computing infrastructure services to our global businesses.
Renewable Energy and Energy Efficiency	**Strategy:** Invest in profitable renewable energy and energy efficiency solutions.	We are one of the world's leading producers of geothermal energy, with operations in Indonesia and the Philippines. We are involved in developing promising renewable sources of energy, including advanced biofuels from nonfood sources. Our subsidiary Chevron Energy Solutions works with internal and external clients to develop and build sustainable energy projects that increase energy efficiency and reduce costs.
Operational Excellence		The foundation of our business success and world-class performance is operational excellence, which we define as the systematic management of process safety, personal safety and health, environment, reliability, and efficiency. Safety is our highest priority. We are committed to attaining world-class standards in operational excellence. We will not be satisfied until we have zero incidents.

Glossary of Energy and Financial Terms

Energy Terms

Additives Specialty chemicals incorporated into fuels and lubricants that enhance the performance of the finished products.

Barrels of oil-equivalent (BOE) A unit of measure to quantify crude oil, natural gas liquids and natural gas amounts using the same basis. Natural gas volumes are converted to barrels on the basis of energy content. See *oil-equivalent gas* and *production.*

Biofuel Any fuel that is derived from biomass — recently living organisms or their metabolic byproducts — from sources such as farming, forestry, and biodegradable industrial and municipal waste. See *renewables.*

Condensate Hydrocarbons that are in a gaseous state at reservoir conditions but condense into liquid as they travel up the wellbore and reach surface conditions.

Development Drilling, construction and related activities following discovery that are necessary to begin production and transportation of crude oil and natural gas.

Enhanced recovery Techniques used to increase or prolong production from crude oil and natural gas fields.

Exploration Searching for crude oil and/or natural gas by utilizing geologic and topographical studies, geophysical and seismic surveys, and drilling of wells.

Gas-to-liquids (GTL) A process that converts natural gas into high-quality transportation fuels and other products.

Greenhouse gases Gases that trap heat in Earth's atmosphere (e.g., water vapor, ozone, carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride).

Integrated energy company A company engaged in all aspects of the energy industry, including exploring for and producing crude oil and natural gas; refining, marketing and transporting crude oil, natural gas and refined products; manufacturing and distributing petrochemicals; and generating power.

Liquefied natural gas (LNG) Natural gas that is liquefied under extremely cold temperatures to facilitate storage or transportation in specially designed vessels.

Natural gas liquids (NGLs) Separated from natural gas, these include ethane, propane, butane and natural gasoline.

Oil-equivalent gas (OEG) The volume of natural gas needed to generate the equivalent amount of heat as a barrel of crude oil. Approximately 6,000 cubic feet of natural gas is equivalent to one barrel of crude oil.

Oil sands Naturally occurring mixture of bitumen (a heavy, viscous form of crude oil), water, sand and clay. Using hydroprocessing technology, bitumen can be refined to yield *synthetic oil.*

Petrochemicals Compounds derived from petroleum. These include aromatics, which are used to make plastics, adhesives, synthetic fibers and household detergents; and olefins, which are used to make packaging, plastic pipes, tires, batteries, household detergents and synthetic motor oils.

Price effects on entitlement volumes The impact on Chevron's share of net production and net proved reserves due to changes in crude oil and natural gas prices between periods. Under production-sharing and variable-royalty provisions of certain agreements, price variability can increase or decrease royalty burdens and/or volumes attributable to the company. For example, at higher prices, fewer volumes are required for Chevron to recover its costs under certain production-sharing contracts.

Production *Total production* refers to all the crude oil (including *synthetic oil*), natural gas liquids and natural gas produced from a property. *Net production* is the company's share of *total production* after deducting both royalties paid to landowners and a government's agreed-upon share of production under a *production-sharing contract. Liquids* production refers to crude oil, condensate, natural gas liquids and synthetic oil volumes. *Oil-equivalent production* is the sum of the barrels of *liquids* and the oil-equivalent barrels of natural gas produced. See *barrels of oil-equivalent* and *oil-equivalent gas.*

Production-sharing contract (PSC) An agreement between a government and a contractor (generally an oil and gas company) whereby production is shared between the parties in a prearranged manner. The contractor typically incurs all exploration, development and production costs, which are subsequently recoverable out of an agreed-upon share of any future PSC production, referred to as cost recovery oil and/or gas. Any remaining production, referred to as profit oil and/or gas, is shared between the parties on an agreed-upon basis as stipulated in the PSC. The government also may retain a share of PSC production as a royalty payment, and the contractor typically owes income tax on its portion of the profit oil and/or gas. The contractor's share of PSC oil and/or gas production and reserves varies over time as it is dependent on prices, costs and specific PSC terms.

Renewables Energy resources that are not depleted when consumed or converted into other forms of energy (e.g., solar, geothermal, ocean and tide, wind, hydroelectric power, biofuels and hydrogen).

Reserves Crude oil and natural gas contained in underground rock formations called reservoirs and saleable hydrocarbons extracted from oil sands, shale, coalbeds and other nonrenewable natural resources that are intended to be upgraded into synthetic oil or gas. *Net proved reserves* are the estimated quantities that geoscience and engineering data demonstrate with reasonable certainty to be economically producible in the future from known reservoirs under existing economic conditions, operating methods and government regulations, and exclude royalties and interests owned by others. Estimates change as additional information becomes available. *Oil-equivalent reserves* are the sum of the liquids reserves and the oil-equivalent gas reserves. See *barrels of oil-equivalent* and *oil-equivalent gas*. The company discloses only net proved reserves in its filings with the U.S. Securities and Exchange Commission. Investors should refer to proved reserves disclosures in Chevron's Annual Report on Form 10-K for the year ended December 31, 2012.

Resources Estimated quantities of oil and gas resources are recorded under Chevron's 6P system, which is modeled after the Society of Petroleum Engineers' Petroleum Resource Management System, and includes quantities classified as proved, probable and possible reserves, plus those that remain contingent on commerciality. *Unrisked resources, unrisked resource base* and similar terms represent the arithmetic sum of the amounts recorded under each of these classifications. *Recoverable resources, potentially recoverable volumes* and other similar terms represent estimated remaining quantities that are expected to be ultimately recoverable and produced in the future, adjusted to reflect the relative uncertainty represented by the various classifications. These estimates may change significantly as development work provides additional information. At times, *original oil in place* and similar terms are used to describe total hydrocarbons contained in a reservoir without regard to the likelihood of their being produced. All of these measures are considered by management in making capital investment and operating decisions and may provide some indication to stockholders of the resource potential of oil and gas properties in which the company has an interest.

Shale gas Natural gas produced from shale (very fine-grained rock) formations where the gas was sourced from within the shale itself and is trapped in rocks with low porosity and extremely low permeability. Production of shale gas requires the use of hydraulic fracturing (pumping a fluid-sand mixture into the formation under high pressure) to help produce the gas.

Synthetic oil A marketable and transportable hydrocarbon liquid, resembling crude oil, that is produced by upgrading highly viscous or solid hydrocarbons, such as extra-heavy crude oil or *oil sands.*

Financial Terms

Cash flow from operating activities Cash generated from the company's businesses; an indicator of a company's ability to pay dividends and fund capital and common stock repurchase programs. Excludes cash flows related to the company's financing and investing activities.

Earnings Net income attributable to Chevron Corporation as presented on the Consolidated Statement of Income.

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

Return on capital employed (ROCE) Ratio calculated by dividing *earnings* (adjusted for after-tax interest expense and noncontrolling interests) by the average of total debt, noncontrolling interests and Chevron Corporation stockholders' equity for the year.

Return on stockholders' equity Ratio calculated by dividing *earnings* by average Chevron Corporation stockholders' equity. Average Chevron Corporation stockholders' equity is computed by averaging the sum of the beginning-of-year and end-of-year balances.

Total stockholder return (TSR) The return to stockholders as measured by stock price appreciation and reinvested dividends for a period of time.

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Cautionary Statement Relevant to Forward-Looking Information for the Purpose of "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

This *Annual Report* 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 such 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 chemical margins; actions of competitors or regulators; timing of exploration expenses; timing of crude oil liftings; the competitiveness of alternate-energy sources or product substitutes; technological developments; the results of operations and financial condition of equity affiliates; the inability or failure of the company's joint-venture partners to fund their share of operations and development activities; the potential failure to achieve expected net production from existing and future crude oil and natural gas development projects; potential delays in the development, construction or start-up of planned projects; the potential disruption or interruption of the company's 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. 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.

Key Financial Results

Millions of dollars, except per-share amounts	2012	2011	2010
Net Income Attributable to Chevron Corporation	**$ 26,179**	$ 26,895	$ 19,024
Per Share Amounts:			
Net Income Attributable to Chevron Corporation			
– Basic	**$ 13.42**	$ 13.54	$ 9.53
– Diluted	**$ 13.32**	$ 13.44	$ 9.48
Dividends	**$ 3.51**	$ 3.09	$ 2.84
Sales and Other Operating Revenues	**$ 230,590**	$ 244,371	$ 198,198
Return on:			
Capital Employed	**18.7%**	21.6%	17.4%
Stockholders' Equity	**20.3%**	23.8%	19.3%

Earnings by Major Operating Area

Millions of dollars	2012	2011	2010
Upstream			
United States	**$ 5,332**	$ 6,512	$ 4,122
International	**18,456**	18,274	13,555
Total Upstream	**23,788**	24,786	17,677
Downstream			
United States	**2,048**	1,506	1,339
International	**2,251**	2,085	1,139
Total Downstream	**4,299**	3,591	2,478
All Other	**(1,908)**	(1,482)	(1,131)
Net Income Attributable to Chevron Corporation[1,2]	**$ 26,179**	$ 26,895	$ 19,024
[1] Includes foreign currency effects:	**$ (454)**	$ 121	$ (423)

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

Refer to the "Results of Operations" section beginning on page 14 for a discussion of financial results by major operating area for the three years ended December 31, 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.

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. Refer to the "Results of Operations" section beginning on page 14 for discussions of net gains on asset sales during 2012. Asset dispositions and restructurings may also occur in future periods and could result in significant gains or losses.

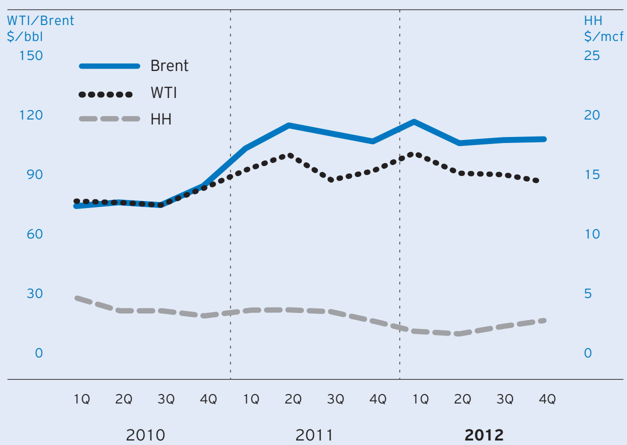
The company closely monitors developments in the financial and credit markets, the level of worldwide economic activity, and the implications for the company of movements in prices for crude oil and natural gas. Management takes these developments into account in the conduct of daily operations and for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

WTI Crude Oil, Brent Crude Oil and Henry Hub Natural Gas Spot Prices — Quarterly Average



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, compared to $111 in 2011. As of mid-February 2013, the Brent price was about $118 per barrel. 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, compared to $95 in 2011. As of mid-February 2013, the WTI price was about $97 per barrel. WTI traded at a discount to Brent throughout 2012 due to high inventories in the U.S. midcontinent market driven by strong growth in domestic production.

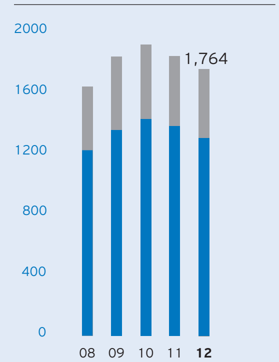
A differential in crude oil prices exists between high-quality (high-gravity, low-sulfur) crudes and those of lower quality (low-gravity, high-sulfur). The amount of the differential in any period is associated with the supply of heavy crude available versus the demand, which is a function of the capacity of refineries that are able to process this lower quality feedstock into light products (motor gasoline, jet fuel, aviation gasoline and diesel fuel). During 2012, the differential between U.S. light and heavy crude oil remained below historical norms as light sweet crude oil production in the midcontinent region increased and outbound capacity at Cushing remained constrained. Outside of the U.S., the differential narrowed modestly during 2012 as additional heavy crude oil conversion capacity came on line.

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 18 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 $2.71 per thousand cubic feet (MCF) during 2012, compared with about $4.00 during 2011. As of mid-February 2013, the Henry Hub spot price was about $3.30 per MCF. Fluctuations in the price of 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 about $6.00 per MCF during 2012, compared with about $5.40 per MCF during 2011. (See page 18 for the company's average natural gas realizations for the U.S. and international regions.)

Net Liquids Production*
Thousands of barrels per day

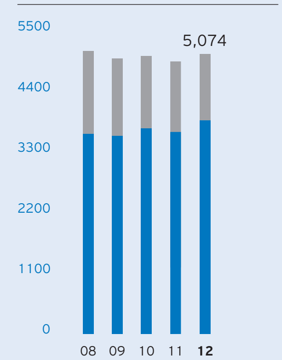


■ United States
■ International

Net liquids production decreased 5 percent in 2012 mainly due to field declines in the United States and international locations, the shut-in of the Frade Field in Brazil, and a major planned turnaround at Tengizchevroil.

*Includes equity in affiliates.

Net Natural Gas Production*
Millions of cubic feet per day



■ United States
■ International

Net natural gas production increased 3 percent in 2012 mainly due to increases in Thailand, Bangladesh and the Marcellus Shale. Partially offsetting the increases were field declines in the United States, Australia and the United Kingdom.

*Includes equity in affiliates.

The company's worldwide net oil-equivalent production in 2012 averaged 2.610 million barrels per day. About one-fifth of the company's net oil-equivalent production in 2012 occurred in the OPEC-member countries of Angola, Nigeria, Venezuela and the Partitioned Zone between Saudi Arabia and Kuwait. OPEC quotas had no effect on the company's net crude oil production in 2012 or 2011. At their December 2012 meeting, members of OPEC supported maintaining the current production quota of 30 million barrels per day, which has been in effect since December 2008.

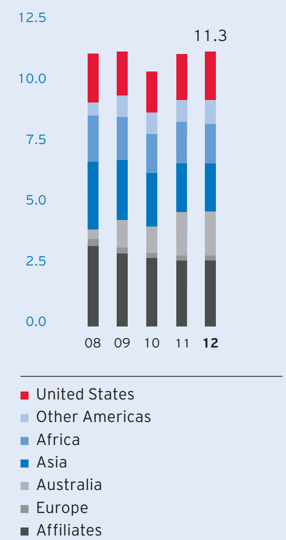
The company estimates that oil-equivalent production in 2013 will average approximately 2.650 million barrels per day based on an average Brent price of $112 per barrel for the full-year 2012. This estimate is subject to many factors and uncertainties, including quotas that may be imposed by OPEC, price 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.

Refer to the "Results of Operations" section on pages 14 through 15 for additional discussion of the company's upstream business.

Refer to Table V beginning on page 76 for a tabulation of the company's proved net oil and gas reserves by geographic area, at the beginning of 2010 and each year-end from 2010 through 2012, and an accompanying discussion of major changes to proved reserves by geographic area for the three-year period ending December 31, 2012.

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. 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. On appeal, on November 27, 2012, the injunction was revoked in its entirety. The federal district prosecutor also filed criminal charges against 11 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 subject to appeal by the prosecutor. Chevron has submitted to ANP a plan for restarting limited

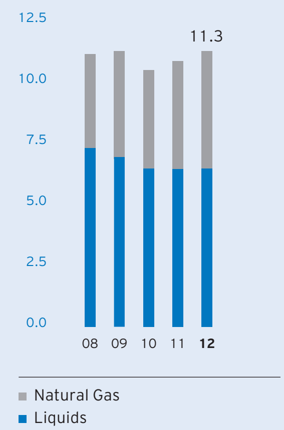
Net Proved Reserves
Billions of BOE*



Net proved reserves for consolidated companies and affiliated companies increased 1 percent in 2012.

*2012, 2011, 2010 and 2009 include barrels of oil-equivalent (BOE) reserves for Canadian synthetic oil.

Net Proved Reserves Liquids vs. Natural Gas
Billions of BOE



Reserve replacement rate in 2012 was 112 percent.

production in the Frade Field. The company's ultimate exposure related to the incident is not currently determinable, but could be significant to net income in any one period.

The company entered into a nonbinding financing term sheet with Petroboscan, a joint stock company owned 39.2 percent by Chevron, which operates the Boscan Field in Venezuela. When finalized, the financing is expected to occur in stages over a limited drawdown period and is intended to 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. Definitive documents are under negotiation.

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.

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. The company completed a multiyear plan in 2012 to streamline the downstream asset portfolio to concentrate resources and capital on strategic assets. In third quarter 2012, the company completed the sale of its Perth Amboy, New Jersey, refinery, which had been operated as a products terminal in recent years. In 2012, the company completed the sale of its fuels marketing and aviation businesses in eight countries in the Caribbean.

Refer to the "Results of Operations" section on pages 15 through 16 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

Key operating developments and other events during 2012 and early 2013 included the following:

Upstream

Australia In October 2012, the company acquired additional interests in the Clio and Acme fields in the Carnarvon Basin in exchange for Chevron's interests in the Browse development. Consolidating interests in the Carnarvon Basin fits strategically with long-term plans to grow the Wheatstone area resource base and creates expansion opportunities for the Wheatstone Project.

In September 2012, the company completed the sale of an equity interest in the Wheatstone Project to Tokyo Electric.

During 2012 and early 2013, the company announced natural gas discoveries at the 47.3 percent-owned and operated Pontus prospect in Block WA-37-L, the 50 percent-owned and operated Satyr prospect in Block WA-374-P, the 50 percent-owned and operated Pinhoe prospect in Block WA-383-P, the 50 percent-owned and operated Arnhem prospect in Block WA-364-P, and the 50 percent-owned and operated Kentish Knock South prospect in Block WA-365-P. These discoveries are expected to contribute to potential expansion opportunities at company-operated LNG facilities.

During 2012, Chevron signed nonbinding Heads of Agreement with Tohoku Electric and Chubu Electric and additional binding agreements with Tokyo Electric for LNG offtake from the Wheatstone Project. To date, more than 80 percent of Chevron's equity LNG from Wheatstone is covered under long-term agreements with customers in Asia.

Angola In early 2013, the company announced it plans to proceed with the development of the Mafumeira Sul Project located in Block 0.

Angola-Republic of the Congo Joint Development Area In third quarter 2012, the company reached a final investment decision on the cross-border development of the deepwater Lianzi Field.

Bangladesh In July 2012, the company reached a final investment decision on the Bibiyana Expansion Project.

Canada In February 2013, Chevron acquired a 50 percent-owned and operated interest in the Kitimat LNG project and proposed Pacific Trail Pipeline, and a 50 percent nonoperated interest in approximately 644,000 acres in the Horn River and Liard Basins.

China In 2012, Chevron entered into an agreement to acquire two exploration blocks in the South China Sea's Pearl River Mouth Basin. Government approval is expected in 2013.

Kurdistan Region of Iraq In third quarter 2012, Chevron acquired an 80 percent interest and operatorship in the Rovi and Sarta blocks.

Lithuania In October 2012, Chevron acquired a 50 percent interest in a company with exploration interests in a shale gas block.

Morocco In January 2013, the company announced that it had signed agreements to explore three offshore areas.

Nigeria In February 2012, production commenced at the deepwater Usan project.

Sierra Leone In September 2012, the company was awarded a 55 percent interest and operatorship in two deepwater exploration blocks.

Suriname In November 2012, the company acquired a 50 percent interest in two offshore exploration blocks.

Ukraine In second quarter 2012, the company bid successfully for the right to exclusively negotiate a 50 percent interest and operatorship in a shale gas block.

United Kingdom In July 2012, the company initiated front-end engineering and design (FEED) for the deepwater Rosebank project west of the Shetland Islands.

United States In October 2012, the company acquired additional acreage in New Mexico. A major portion of the acreage is located in the Delaware Basin, where the company is already one of the largest leaseholders.

In second quarter 2012, the company successfully bid for additional shelf and deepwater exploration acreage in the central Gulf of Mexico. In fourth quarter 2012, the company submitted high bids for additional deepwater acreage in the western Gulf of Mexico.

In first quarter 2012, production commenced at the Caesar/Tonga project in the deepwater Gulf of Mexico.

Downstream

Caribbean During 2012, the company completed the sale of its fuels marketing and aviation businesses in eight countries in the Caribbean.

Europe During first quarter 2012, the company completed the sale of its fuels marketing, finished lubricants and aviation businesses in Spain.

Saudi Arabia In October 2012, the company's 50 percent-owned Chevron Phillips Chemical Company LLC announced that its 35 percent-owned Saudi Polymers Company began commercial production at its new petrochemical facility in Al-Jubail.

South Korea During 2012, the company's 50 percent-owned GS Caltex affiliate completed the sale of certain power and other assets.

United States In third quarter 2012, the company completed the sale of its idled Perth Amboy, New Jersey, refinery, which had been operating as a terminal.

In April 2012, the company's 50 percent-owned Chevron Phillips Chemical Company LLC announced the execution of FEED contracts for an ethane cracker at its Cedar Bayou facility in Baytown, Texas, and two polyethylene facilities near its Sweeny facility in Old Ocean, Texas.

Other

Common Stock Dividends The quarterly common stock dividend was increased by 11.1 percent in April 2012 to $0.90 per common share, making 2012 the 25th consecutive year that the company increased its annual dividend payment.

Common Stock Repurchase Program The company purchased $5.0 billion of its common stock in 2012 under its share repurchase program. The program began in 2010 and has no set term or monetary limits.

Results of Operations

Major Operating Areas The following section presents the results of operations for the company's business segments – Upstream and Downstream – as well as for "All Other." Earnings are also presented for the U.S. and international geographic areas of the Upstream and Downstream business segments. Refer to Note 10, beginning on page 44, for a discussion of the company's "reportable segments," as defined in accounting standards for segment reporting (Accounting Standards Codification (ASC) 280). This section should also be read in conjunction with the discussion in "Business Environment and Outlook" on pages 10 through 13.

U.S. Upstream

Millions of dollars	**2012**	2011	2010
Earnings	**$ 5,332**	$ 6,512	$ 4,122

U.S. upstream earnings of $5.3 billion in 2012 decreased $1.2 billion from 2011, primarily due to lower natural gas and crude oil realizations of $340 million and $200 million, respectively, lower crude oil production of $240 million, and lower gains on asset sales of $180 million.

U.S. upstream earnings of $6.5 billion in 2011 increased $2.4 billion from 2010. The benefit of higher crude oil realizations increased earnings by $2.8 billion between periods. Partly offsetting this effect were lower net oil-equivalent production, which decreased earnings by about $400 million, and higher operating expenses of $200 million.

The company's average realization for U.S. crude oil and natural gas liquids in 2012 was $95.21 per barrel, compared with $97.51 in 2011 and $71.59 in 2010. The average natural gas realization was $2.64 per thousand cubic feet in 2012, compared with $4.04 and $4.26 in 2011 and 2010, respectively.

Net oil-equivalent production in 2012 averaged 655,000 barrels per day, down 3 percent from 2011 and 7 percent from 2010. Between 2012 and 2011, the decrease in production was associated with normal field declines and an absence of volumes associated with Cook Inlet, Alaska, assets sold in 2011. Partially offsetting this decrease was a ramp-up of projects in the Gulf of Mexico and Marcellus Shale and improved operational performance in the Gulf of Mexico. The net liquids component of oil-equivalent production for 2012 averaged 455,000 barrels per day, down 2 percent from 2011 and 7 percent from 2010. Net natural gas production averaged about 1.2 billion cubic feet per day in 2012, down approximately 6 percent from 2011 and about 8 percent from 2010. Refer to the "Selected Operating Data" table on page 18 for a three-year comparative of production volumes in the United States.

International Upstream

Millions of dollars	**2012**	2011	2010
Earnings*	**$ 18,456**	$ 18,274	$ 13,555
*Includes foreign currency effects:	**$ (275)**	$ 211	$ (293)

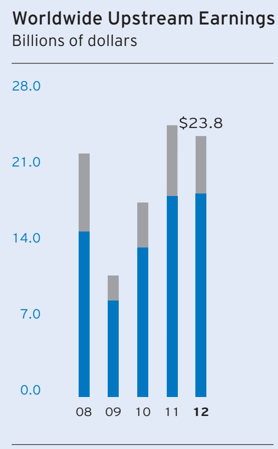
International upstream earnings were $18.5 billion in 2012 compared with $18.3 billion in 2011. The increase was mainly due to a gain of approximately $1.4 billion on an asset exchange in Australia, higher natural gas realizations of about $610 million and a nearly $600 million gain on sale of an equity interest in the Wheatstone Project. Mostly offsetting these effects were lower crude oil volumes of about $1.3 billion and higher exploration expenses of about $430 million. Foreign currency effects decreased earnings by $275 million in 2012, compared with an increase of $211 million a year earlier.

International upstream earnings of $18.3 billion in 2011 increased $4.7 billion from 2010. Higher prices for crude oil increased earnings by $7.1 billion. This benefit was partly offset by higher tax items of about $1.7 billion and higher operating expenses, including fuel, of about $1.0 billion. Foreign currency effects increased earnings by $211 million in 2011, compared with a decrease of $293 million in 2012.

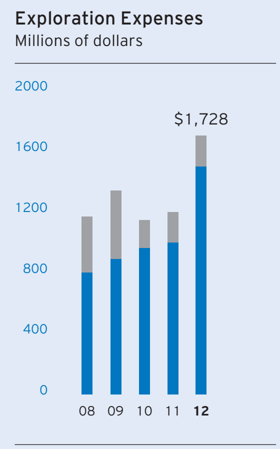
The company's average realization for international crude oil and natural gas liquids in 2012 was $101.88 per barrel, compared with $101.53 in 2011 and $72.68 in 2010. The average natural gas realization was $5.99 per thousand cubic feet in 2012, compared with $5.39 and $4.64 in 2011 and 2010, respectively.

International net oil-equivalent production of 1.96 million barrels per day in 2012 decreased 2 percent from 2011 and decreased about 5 percent from 2010. New production in Thailand and Nigeria in 2012 was more than offset by normal field declines, the shut-in of the Frade field in Brazil and a major planned turnaround at Tengizchevroil. The decline between 2011 and 2010 was primarily due to price effects on entitlement volumes.

The net liquids component of international oil-equivalent production was about 1.3 million barrels per day in 2012, a decrease of approximately 5 percent from 2011 and a



Earnings decreased in 2012 on lower crude oil volumes.



Exploration expenses increased 42 percent from 2011 mainly due to higher dry hole expense and geologic and geophysical expense in the international segment.

decrease of approximately 9 percent from 2010. International net natural gas production of 3.9 billion cubic feet per day in 2012 was up 6 percent from 2011 and up 4 percent from 2010.

Refer to the "Selected Operating Data" table, on page 18, for a three-year comparative of international production volumes.

U.S. Downstream

Millions of dollars	**2012**	2011	2010
Earnings	**$ 2,048**	$ 1,506	$1,339

U.S. downstream operations earned $2.0 billion in 2012, compared with $1.5 billion in 2011. The increase was mainly due to higher margins on refined product sales of $520 million and higher earnings of $140 million from the 50 percent-owned Chevron Phillips Chemical Company LLC (CPChem). These benefits were partly offset by higher operating expenses of $130 million.

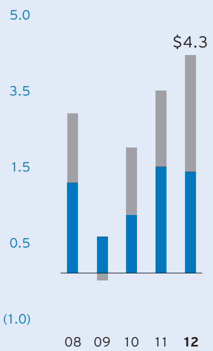
Earnings of $1.5 billion in 2011 increased $167 million from 2010. Earnings benefited by $300 million from improved margins on refined products, $200 million from higher earnings from CPChem and $50 million from the absence of 2010 charges related to employee reductions. These benefits were partly offset by the absence of a $400 million gain on the sale of the company's ownership interest in the Colonial Pipeline Company recognized in 2010.

Refined product sales of 1.21 million barrels per day in 2012 declined 4 percent, mainly reflecting lower gasoline and fuel oil sales. Sales volumes of refined products were 1.26 million barrels per day in 2011, a decrease of 7 percent from 2010. The decline was mainly in gasoline, gas oil and kerosene sales. U.S. branded gasoline sales of 516,000 barrels per day in 2012 were essentially flat from 2011 and declined approximately 10 percent from 2010. The decline in 2012 and

2011 from 2010 was primarily due to weaker demand and previously completed exits from selected eastern U.S. retail markets.

Refer to the "Selected Operating Data" table on page 18 for a three-year comparison of sales volumes of gasoline and other refined products and refinery input volumes.

Worldwide Downstream Earnings*
Billions of dollars

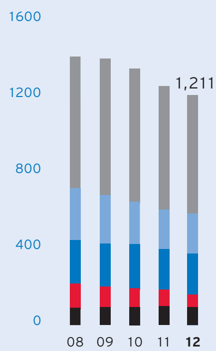


■ United States
■ International

Downstream earnings increased 20 percent from 2011 due to higher margins on the sale of refined products and higher earnings from CPChem.

*Includes equity in affiliates.

U.S. Gasoline & Other Refined Product Sales
Thousands of barrels per day



■ Gasoline
■ Jet Fuel
■ Gas Oils & Kerosene
■ Residual Fuel Oil
■ Other

Refined product sales volumes decreased 4 percent from 2011 on lower sales of gasoline and lower sales of residual fuel oil.

International Downstream

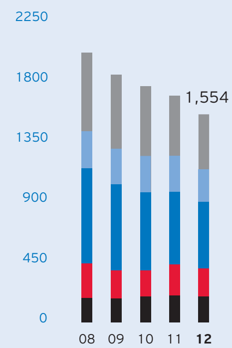
Millions of dollars	**2012**	2011	2010
Earnings*	**$ 2,251**	$ 2,085	$1,139
*Includes foreign currency effects:	**$ (173)**	$ (65)	$ (135)

International downstream earned $2.3 billion in 2012, compared with $2.1 billion in 2011. Earnings increased due to a favorable change in effects on derivative instruments of $190 million and higher margins on refined product sales of $100 million. Foreign currency effects decreased earnings by $173 million in 2012, compared with a decrease of $65 million a year earlier.

Earnings of $2.1 billion in 2011 increased $946 million from 2010. Gains on asset sales benefited earnings by $700 million, primarily from the sale of the Pembroke Refinery and related marketing assets in the United Kingdom and Ireland. Also contributing to earnings were improved margins of $200 million and the absence of 2010 charges of $90 million related to employee reductions. These benefits were partly offset by an unfavorable change in effects on derivative instruments of about $180 million. Foreign currency effects decreased earnings by $65 million in 2011, compared with a decrease of $135 million in 2010.

Total refined product sales of 1.55 million barrels per day in 2012 declined 8 percent, primarily related to the third quarter 2011 sale of the company's refining and marketing assets in the United Kingdom and Ireland. Excluding the impact of 2011 asset sales, sales volumes were flat between the comparative periods. International refined product sales volumes of 1.69 million barrels per day in 2011 were 4 percent lower than in 2010, primarily due to the sale of the company's refining and marketing assets in the United Kingdom and Ireland. Excluding the impact of 2011 asset sales, sales volumes were up 3 percent between the comparative periods.

International Gasoline & Other Refined Product Sales*
Thousands of barrels per day



■ Gasoline
■ Jet Fuel
■ Gas Oils & Kerosene
■ Residual Fuel Oil
■ Other

Sales volumes of refined products were down 8 percent from 2011 mainly due to the full year impact of asset sales in the United Kingdom and Ireland in August 2011.

*Includes equity in affiliates.

Refer to the "Selected Operating Data" table, on page 18, for a three-year comparison of sales volumes of gasoline and other refined products and refinery input volumes.

All Other

Millions of dollars	**2012**	2011	2010
Net charges*	**$ (1,908)**	$ (1,482)	$(1,131)
*Includes foreign currency effects:	**$ (6)**	$ (25)	$ 5

All Other includes 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 2012 increased $426 million from 2011, mainly due to higher environmental reserve additions, corporate tax items and other corporate charges, partially offset by lower employee compensation and benefits expenses.

Net charges in 2011 increased $351 million from 2010, mainly due to higher expenses for employee compensation and benefits and higher net corporate tax expenses.

Consolidated Statement of Income

Comparative amounts for certain income statement categories are shown below:

Millions of dollars	2012	2011	2010
Sales and other operating revenues	**$ 230,590**	$ 244,371	$ 198,198

Sales and other operating revenues decreased in 2012 mainly due to the 2011 sale of the company's refining and marketing assets in the United Kingdom and Ireland, and lower crude oil volumes. Higher 2011 prices for crude oil and refined products resulted in increased sales and other operating revenues compared with 2010.

Millions of dollars	2012	2011	2010
Income from equity affiliates	**$ 6,889**	$ 7,363	$ 5,637

Income from equity affiliates decreased in 2012 from 2011 mainly due to lower upstream-related earnings from Tengizchevroil in Kazakhstan as a result of lower crude oil production, and higher operating expenses at Angola LNG Limited and Petropiar in Venezuela. Downstream-related earnings were higher between comparative periods, primarily due to higher margins at CPChem.

Income from equity affiliates increased in 2011 from 2010 mainly due to higher upstream-related earnings from Tengizchevroil as a result of higher prices for crude oil. Downstream-related earnings were also higher between the comparative periods, primarily due to higher earnings from CPChem as a result of higher margins on sales of commodity chemicals.

Refer to Note 11, beginning on page 46, for a discussion of Chevron's investments in affiliated companies.

Millions of dollars	2012	2011	2010
Other income	**$ 4,430**	$ 1,972	$1,093

Other income of $4.4 billion in 2012 included net gains from asset sales of approximately $4.2 billion. Other income in 2011 and 2010 included net gains from asset sales of $1.5 billion and $1.1 billion, respectively. Interest income was approximately $166 million in 2012, $145 million in 2011 and $120 million in 2010. Foreign currency effects decreased other income by $207 million in 2012, while increasing other income by $103 million in 2011 and decreasing other income by $251 million in 2010.

Millions of dollars	2012	2011	2010
Purchased crude oil and products	**$ 140,766**	$ 149,923	$116,467

Crude oil and product purchases of $140.8 billion were down in 2012 mainly due to the 2011 sale of the company's refining and marketing assets in the United Kingdom and Ireland and lower natural gas prices. Crude oil and product purchases in 2011 increased by $33.5 billion from the prior year due to higher prices for crude oil, natural gas and refined products.

Millions of dollars	2012	2011	2010
Operating, selling, general and administrative expenses	**$ 27,294**	$ 26,394	$ 23,955

Operating, selling, general and administrative expenses increased $900 million between 2012 and 2011 mainly due to higher contract labor and professional services of $590 million, and higher employee compensation and benefits of $280 million.

Operating, selling, general and administrative expenses increased $2.4 billion between 2011 and 2010. This increase was primarily related to higher fuel expenses of $1.5 billion and higher employee compensation and benefits of $700 million. In part, increased fuel purchases in 2011 reflected a new commercial arrangement that replaced a prior product exchange agreement for upstream operations in Indonesia.

Millions of dollars	2012	2011	2010
Exploration expense	**$ 1,728**	$ 1,216	$ 1,147

Exploration expenses in 2012 increased from 2011 mainly due to higher geological and geophysical costs and well write-offs.

Exploration expenses in 2011 increased from 2010 mainly due to higher geological and geophysical costs, partly offset by lower well write-offs.

Millions of dollars	2012	2011	2010
Depreciation, depletion and amortization	**$ 13,413**	$ 12,911	$ 13,063

The increase in 2012 from 2011 was mainly due to higher depreciation rates for certain oil and gas producing fields, partially offset by lower production levels. The decrease in 2011 from 2010 mainly reflected lower production levels and the 2011 sale of the Pembroke Refinery, partially offset by higher depreciation rates for certain oil and gas producing fields.

Millions of dollars	2012	2011	2010
Taxes other than on income	**$ 12,376**	$ 15,628	$ 18,191

Taxes other than on income decreased in 2012 from 2011 primarily due to lower import duties in the United Kingdom reflecting the sale of the company's refining and marketing assets in the United Kingdom and Ireland in 2011. Partially offsetting the decrease were excise taxes associated with consolidation of Star Petroleum Refining Company beginning June 2012. Taxes other than on income decreased in 2011 from 2010 primarily due to lower import duties in the United Kingdom reflecting the 2011 sale of the Pembroke Refinery and other downstream assets, partly offset by higher excise taxes in the company's South Africa downstream operations.

Millions of dollars	2012	2011	2010
Interest and debt expense	**$ —**	$ —	$ 50

Total interest and debt expenses were fully capitalized in 2012 and 2011.

Millions of dollars	2012	2011	2010
Income tax expense	**$ 19,996**	$ 20,626	$ 12,919

Effective income tax rates were 43 percent in 2012, 43 percent in 2011 and 40 percent in 2010. The rate was unchanged between 2012 and 2011. The impact of lower effective tax rates in international upstream operations were offset by foreign currency remeasurement impacts between periods. For international upstream, the lower effective tax rates in the current period were driven primarily by the effects of asset sales, one-time tax benefits and reduced withholding taxes, which were partially offset by a lower utilization of tax credits during the year. The rate was higher in 2011 than in 2010 primarily due to higher effective tax rates in certain international upstream jurisdictions. The higher international upstream effective tax rates were driven primarily by lower utilization of non-U.S. tax credits in 2011 and the effect of changes in income tax rates between periods, which were partially offset by foreign currency remeasurement impacts.

Selected Operating Data[1,2]

	2012	2011	2010
U.S. Upstream			
Net Crude Oil and Natural Gas			
Liquids Production (MBPD)	**455**	465	489
Net Natural Gas Production (MMCFPD)[3]	**1,203**	1,279	1,314
Net Oil-Equivalent Production (MBOEPD)	**655**	678	708
Sales of Natural Gas (MMCFPD)	**5,470**	5,836	5,932
Sales of Natural Gas Liquids (MBPD)	**16**	15	22
Revenues From Net Production			
Liquids ($/Bbl)	**$ 95.21**	$ 97.51	$ 71.59
Natural Gas ($/MCF)	**$ 2.64**	$ 4.04	$ 4.26
International Upstream			
Net Crude Oil and Natural Gas			
Liquids Production (MBPD)[4]	**1,309**	1,384	1,434
Net Natural Gas Production (MMCFPD)[3]	**3,871**	3,662	3,726
Net Oil-Equivalent Production			
(MBOEPD)[4]	**1,955**	1,995	2,055
Sales of Natural Gas (MMCFPD)	**4,315**	4,361	4,493
Sales of Natural Gas Liquids (MBPD)	**24**	24	27
Revenues From Liftings			
Liquids ($/Bbl)	**$101.88**	$101.53	$ 72.68
Natural Gas ($/MCF)	**$ 5.99**	$ 5.39	$ 4.64
Worldwide Upstream			
Net Oil-Equivalent Production			
(MBOEPD)[4]			
United States	**655**	678	708
International	**1,955**	1,995	2,055
Total	**2,610**	2,673	2,763
U.S. Downstream			
Gasoline Sales (MBPD)[5]	**624**	649	700
Other Refined Product Sales (MBPD)	**587**	608	649
Total Refined Product Sales (MBPD)	**1,211**	1,257	1,349
Sales of Natural Gas Liquids (MBPD)	**141**	146	139
Refinery Input (MBPD)	**833**	854	890
International Downstream			
Gasoline Sales (MBPD)[5]	**412**	447	521
Other Refined Product Sales (MBPD)	**1,142**	1,245	1,243
Total Refined Product Sales (MBPD)[6]	**1,554**	1,692	1,764
Sales of Natural Gas Liquids (MBPD)	**64**	63	78
Refinery Input (MBPD)[7]	**869**	933	1,004

[1] Includes company share of equity affiliates.
[2] MBPD – thousands of barrels per day; MMCFPD – millions of cubic feet per day; MBOEPD – thousands of barrels of oil-equivalents per day; Bbl – Barrel; MCF = Thousands of cubic feet. Oil-equivalent gas (OEG) conversion ratio is 6,000 cubic feet of natural gas = 1 barrel of oil.
[3] Includes natural gas consumed in operations (MMCFPD):

	2012	2011	2010
United States	**63**	69	62
International	**523**	513	475

[4] Includes:

	2012	2011	2010
Canada – synthetic oil	**43**	40	24
Venezuela affiliate – synthetic oil	**17**	32	28

[5] Includes branded and unbranded gasoline.
[6] Includes sales of affiliates (MBPD): **522** 556 562
[7] 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.

Liquidity and Capital Resources

Cash, cash equivalents, time deposits and marketable securities Total balances were $21.9 billion and $20.1 billion at December 31, 2012 and 2011, respectively. Cash provided by operating activities in 2012 was $38.8 billion, compared with $41.1 billion in 2011 and $31.4 billion in 2010. Cash provided by operating activities was net of contributions to employee pension plans of approximately $1.2 billion, $1.5 billion and $1.4 billion in 2012, 2011 and 2010, respectively. Cash provided by investing activities included proceeds and deposits related to asset sales of $2.7 billion in 2012, $3.5 billion in 2011, and $2.0 billion in 2010.

Restricted cash of $1.5 billion and $1.2 billion associated with tax payments, upstream abandonment activities, funds held in escrow for an asset acquisition and capital investment projects at December 31, 2012 and 2011, respectively, was invested in short-term marketable securities and recorded as "Deferred charges and other assets" on the Consolidated Balance Sheet.

Dividends Dividends paid to common stockholders were $6.8 billion in 2012, $6.1 billion in 2011 and $5.7 billion in 2010. In April 2012, the company increased its quarterly dividend by 11.1 percent to 90 cents per common share.

Debt and capital lease obligations Total debt and capital lease obligations were $12.2 billion at December 31, 2012, up from $10.2 billion at year-end 2011.

The $2.0 billion increase in total debt and capital lease obligations during 2012 included the net effect of a $4 billion bond issuance and the early redemption of a $2 billion bond due in March 2014. 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 $6.0 billion at December 31, 2012, compared with $5.9 billion at year-end 2011. Of these amounts, $5.9 billion and $5.6 billion were reclassified to long-term at the end of each period, respectively. At year-end 2012, settlement of these obligations was not expected to require the use of working capital in 2013, as the company had the intent and the ability, as evidenced by committed credit facilities, to refinance them on a long-term basis.

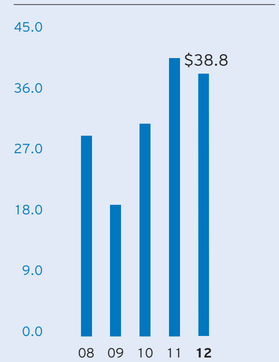
At December 31, 2012, the company had $6.0 billion in committed credit facilities with various major banks, expiring in December 2016, which enable the refinancing of short-term obligations on a long-term basis. These facilities support commercial paper borrowing and can also be used for general corporate 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 December 31, 2012. In addition, in November 2012, the company filed with the Securities and Exchange Commission a new registration statement that expires in November 2015. This registration statement is 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 & Poor's Corporation and Aa1 by Moody's Investors Service. The company's U.S. commercial paper is rated A-1+ by Standard & Poor's and P-l by Moody's. All of these ratings denote high-quality, investment-grade securities.

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. 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.

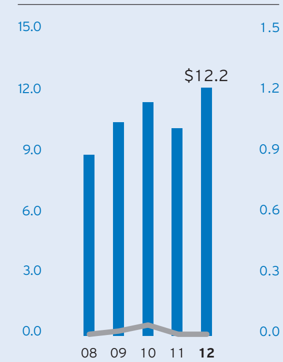
Common stock repurchase program In July 2010, the Board of Directors approved an ongoing share repurchase program with no set term or monetary limits. The company expects to repurchase between $500 million and $2 billion of its common shares per quarter, at prevailing prices, as permitted by securities laws and other legal requirements and subject to market conditions and other factors. During 2012, the company purchased 46.6 million common shares for $5.0 billion. From the inception of the program through

Cash Provided by Operating Activities
Billions of dollars



Operating cash flows were $2.2 billion lower than 2011, primarily due to lower benefits from working capital and lower equity affiliate distributions.

Total Interest Expense & Total Debt at Year-End
Billions of dollars



■ Total Interest Expense (right scale)
■ Total Debt (left scale)

Total debt increased $2.0 billion during 2012 to $12.2 billion. All interest expense was capitalized as part of the cost of major projects in 2012 and 2011.

Capital and Exploratory Expenditures

Millions of dollars	**2012** U.S.	**2012** Int'l.	**2012** Total	2011 U.S.	2011 Int'l.	2011 Total	2010 U.S.	2010 Int'l.	2010 Total
Upstream[1]	**$ 8,531**	**$ 21,913**	**$ 30,444**	$ 8,318	$17,554	$ 25,872	$ 3,450	$ 15,454	$ 18,904
Downstream	**1,913**	**1,259**	**3,172**	1,461	1,150	2,611	1,456	1,096	2,552
All Other	**602**	**11**	**613**	575	8	583	286	13	299
Total	**$ 11,046**	**$ 23,183**	**$ 34,229**	$10,354	$18,712	$ 29,066	$ 5,192	$ 16,563	$ 21,755
Total, Excluding Equity in Affiliates	**$ 10,738**	**$ 21,374**	**$ 32,112**	$10,077	$17,294	$ 27,371	$ 4,934	$ 15,433	$ 20,367

[1] Excludes the acquisition of Atlas Energy, Inc., in 2011.

2012, the company had purchased 97.7 million shares for $10.0 billion.

Capital and exploratory expenditures Total expenditures for 2012 were $34.2 billion, including $2.1 billion for the company's share of equity-affiliate expenditures. In 2011 and 2010, expenditures were $29.1 billion and $21.8 billion, respectively, including the company's share of affiliates' expenditures of $1.7 billion and $1.4 billion, respectively.

Of the $34.2 billion of expenditures in 2012, 89 percent, or $30.4 billion, was related to upstream activities. Approximately 89 percent and 87 percent were expended for upstream operations in 2011 and 2010. International upstream accounted for about 72 percent of the worldwide upstream investment in 2012, about 68 percent in 2011 and about 82 percent in 2010. These amounts exclude the acquisition of Atlas Energy, Inc., in 2011.

The company estimates that 2013 capital and exploratory expenditures will be $36.7 billion, including $3.3 billion of spending by affiliates. Approximately 90 percent of the total, or $33 billion, is budgeted for exploration and production activities. Approximately $25.5 billion, or 77 percent, of this amount is for projects outside the United States. Spending in 2013 is primarily focused on major development projects in Angola, Australia, Brazil, Canada, China, Kazakhstan, Nigeria, Republic of Congo, Russia, the United Kingdom and the U.S. Gulf of Mexico. Also included is funding for enhancing recovery and mitigating natural field declines for currently-producing assets, and for focused exploration and appraisal activities.

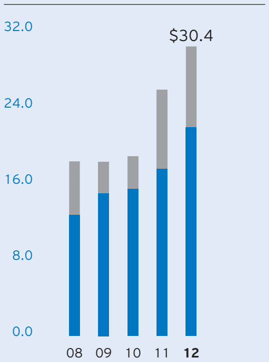
Worldwide downstream spending in 2013 is estimated at $2.7 billion, with about $1.4 billion for projects in the United States. Major capital outlays include projects under construction at refineries in the United States, expansion of additives production capacity in Singapore and chemicals projects in the United States.

Investments in technology companies, power generation and other corporate businesses in 2013 are budgeted at $1 billion.

Noncontrolling interests The company had noncontrolling interests of $1,308 million and $799 million at December 31, 2012 and 2011, respectively. Distributions to noncontrolling interests totaled $41 million and $71 million in 2012 and 2011, respectively.

Pension Obligations Information related to pension plan contributions is included on page 62 in Note 20 to the Consolidated Financial Statements under the heading "Cash Contributions and Benefit Payments." Refer also to the discussion of pension accounting in "Critical Accounting Estimates and Assumptions," beginning on page 24.

Upstream — Capital & Exploratory Expenditures*
Billions of dollars

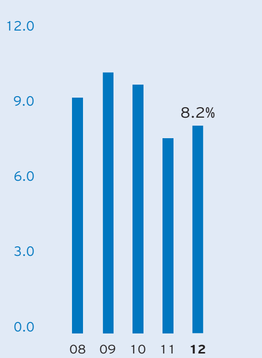


■ United States
■ International

Exploration and production expenditures were 18 percent higher than 2011.

*Includes equity in affiliates. Excludes the acquisition of Atlas Energy, Inc., in 2011.

Ratio of Total Debt to Total Debt-Plus-Chevron Corporation Stockholders' Equity
Percent



The ratio increased to 8.2 percent at the end of 2012 due to higher debt, partially offset by an increase in Stockholders' Equity.

Financial Ratios

Financial Ratios

	At December 31		
	2012	2011	2010
Current Ratio	**1.6**	1.6	1.7
Interest Coverage Ratio	**191.3**	165.4	101.7
Debt Ratio	**8.2%**	7.7%	9.8%

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 in all periods was adversely affected by the fact that Chevron's inventories are valued on a last-in, first-out basis. At year-end 2012, the book value of inventory was lower than replacement costs, based on average acquisition costs during the year, by approximately $9.3 billion.

Interest Coverage Ratio – income before income tax expense, plus interest and debt expense and amortization of capitalized interest, less net income attributable to noncontrolling interests, divided by before-tax interest costs. This ratio indicates the company's ability to pay interest on outstanding debt. The company's interest coverage ratio in 2012 was higher than 2011 and 2010 due to lower before-tax interest costs.

Debt Ratio – total debt as a percentage of total debt plus Chevron Corporation Stockholders' Equity, which indicates the company's leverage. The increase between 2012 and 2011 was due to higher debt, partially offset by a higher Chevron Corporation stockholders' equity balance. The decrease between 2011 and 2010 was due to a higher Chevron Corporation stockholders' equity balance.

Guarantees, Off-Balance-Sheet Arrangements and Contractual Obligations, and Other Contingencies

Direct Guarantees

Millions of dollars	Commitment Expiration by Period				
	Total	2013	2014–2015	2016–2017	After 2017
Guarantee of non-consolidated affiliate or joint-venture obligations	$ 562	$ 38	$ 76	$ 76	$ 372

The company's guarantee of $562 million is associated with certain payments under a terminal use agreement entered into by an equity affiliate. Over the approximate 15-year remaining term of the guarantee, the maximum guarantee amount will be reduced as certain fees are paid by the affiliate. There are numerous cross-indemnity agreements with the affiliate and the other partners to permit recovery of amounts paid under the guarantee. Chevron has recorded no liability for its obligation under this guarantee.

Indemnifications Information related to indemnifications is included on page 64 in Note 22 to the Consolidated Financial Statements under the heading "Indemnifications."

Long-Term Unconditional Purchase Obligations and Commitments, Including Throughput and Take-or-Pay Agreements 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. The aggregate approximate amounts of required payments under these various commitments are: 2013 – $3.7 billion; 2014 – $3.9 billion; 2015 – $4.1 billion; 2016 – $2.4 billion; 2017 – $1.8 billion; 2018 and after – $6.5 billion. A portion of these commitments may ultimately be shared with project partners. Total payments under the agreements were approximately $3.6 billion in 2012, $6.6 billion in 2011 and $6.5 billion in 2010.

The following table summarizes the company's significant contractual obligations:

Contractual Obligations[1]

Millions of dollars	Payments Due by Period				
	Total	2013	2014–2015	2016–2017	After 2017
On Balance Sheet:[2]					
Short-Term Debt[3]	$ 127	$ 127	$ —	$ —	$ —
Long-Term Debt[3]	11,966	—	5,923	2,000	4,043
Noncancelable Capital Lease Obligations	189	45	60	25	59
Interest	1,983	210	408	402	963
Off Balance Sheet:					
Noncancelable Operating Lease Obligations	3,548	727	1,276	929	616
Throughput and Take-or-Pay Agreements[4]	17,164	2,705	5,480	2,904	6,075
Other Unconditional Purchase Obligations[4]	5,285	1,003	2,470	1,342	470

[1] Excludes contributions for pensions and other postretirement benefit plans. Information on employee benefit plans is contained in Note 20 beginning on page 57.

[2] Does not include amounts related to the company's income tax liabilities associated with uncertain tax positions. The company is unable to make reasonable estimates of the periods in which these liabilities may become payable. The company does not expect settlement of such liabilities will have a material effect on its consolidated financial position or liquidity in any single period.

[3] $5.9 billion of short-term debt that the company expects to refinance is included in long-term debt. The repayment schedule above reflects the projected repayment of the entire amounts in the 2014–2015 period.

[4] Does not include commodity purchase obligations that are not fixed or determinable. These obligations are generally monetized in a relatively short period of time through sales transactions or similar agreements with third parties. Examples include obligations to purchase LNG, regasified natural gas and refinery products at indexed prices.

Financial and Derivative Instruments

The market risk associated with the company's portfolio of financial and derivative instruments is discussed below. The estimates of financial exposure to market risk do not represent the company's projection of future market changes. The actual impact of future market changes could differ materially due to factors discussed elsewhere in this report, including those set forth under the heading "Risk Factors" in Part I, Item 1A, of the company's 2012 Annual Report on Form 10-K.

Derivative Commodity Instruments Chevron is exposed to market risks related to the price volatility of crude oil, refined products, natural gas, natural gas liquids, liquefied natural gas and refinery feedstocks.

The company uses derivative commodity instruments to manage these exposures on a portion of its activity, including firm commitments and anticipated transactions for the purchase, sale and storage of crude oil, refined products, natural gas, natural gas liquids and feedstock for company refineries. The company also uses derivative commodity instruments for limited trading purposes. The results of these activities were not material to the company's financial position, results of operations or cash flows in 2012.

The company's market exposure positions are monitored and managed on a daily basis by an internal Risk Control group in accordance with the company's risk management policies, which have been approved by the Audit Committee of the company's Board of Directors.

The derivative commodity instruments used in the company's risk management and trading activities consist mainly of futures, options and swap contracts traded on the New York Mercantile Exchange and on electronic platforms of the Inter-Continental Exchange and Chicago Mercantile Exchange. In addition, crude oil, natural gas and refined product swap contracts and option contracts are entered into principally with major financial institutions and other oil and gas companies in the "over-the-counter" markets.

Derivatives beyond those designated as normal purchase and normal sale contracts are recorded at fair value on the Consolidated Balance Sheet in accordance with accounting standards for derivatives (ASC 815), with resulting gains and losses reflected in income. Fair values are derived principally from published market quotes and other independent third-party quotes. The change in fair value of Chevron's derivative commodity instruments in 2012 was a quarterly average decrease of $31 million in total assets and a quarterly average increase of $12 million in total liabilities.

The company uses a Value-at-Risk (VaR) model to estimate the potential loss in fair value on a single day from the effect of adverse changes in market conditions on derivative commodity instruments held or issued. VaR is the maximum projected loss not to be exceeded within a given probability or confidence level over a given period of time. The company's VaR model uses the Monte Carlo simulation method that involves generating hypothetical scenarios from the specified probability distributions and constructing a full distribution of a portfolio's potential values.

The VaR model utilizes an exponentially weighted moving average for computing historical volatilities and correlations, a 95 percent confidence level, and a one-day holding period. That is, the company's 95 percent, one-day VaR corresponds to the unrealized loss in portfolio value that would not be exceeded on average more than one in every 20 trading days, if the portfolio were held constant for one day.

The one-day holding period is based on the assumption that market-risk positions can be liquidated or hedged within one day. For hedging and risk management, the company uses conventional exchange-traded instruments such as futures and options as well as non-exchange-traded swaps, most of which can be liquidated or hedged effectively within one day. The following table presents the 95 percent/one-day VaR for each of the company's primary risk exposures in the area of derivative commodity instruments at December 31, 2012 and 2011.

Millions of dollars	**2012**	2011
Crude Oil	**$ 3**	$ 22
Natural Gas	**3**	4
Refined Products	**12**	11

Foreign Currency The company may enter into foreign currency derivative contracts to manage some of its foreign currency exposures. These exposures include revenue and anticipated purchase transactions, including foreign currency capital expenditures and lease commitments. The foreign currency derivative contracts, if any, are recorded at fair value on the balance sheet with resulting gains and losses reflected in income. There were no open foreign currency derivative contracts at December 31, 2012.

Interest Rates The company may enter into interest rate swaps from time to time as part of its overall strategy to manage the interest rate risk on its debt. Interest rate swaps, if any, are recorded at fair value on the balance sheet with resulting gains and losses reflected in income. At year-end 2012, the company had no interest rate swaps.

Transactions With Related Parties

Chevron enters into a number of business arrangements with related parties, principally its equity affiliates. These arrangements include long-term supply or offtake agreements and long-term purchase agreements. Refer to "Other Information" in Note 11 of the Consolidated Financial Statements, page 47, for further discussion. Management believes these agreements have been negotiated on terms consistent with those that would have been negotiated with an unrelated party.

Litigation and Other Contingencies

MTBE Information related to methyl tertiary butyl ether (MTBE) matters is included on page 48 in Note 13 to the Consolidated Financial Statements under the heading "MTBE."

Ecuador Information related to Ecuador matters is included in Note 13 to the Consolidated Financial Statements under the heading "Ecuador," beginning on page 48.

Environmental The following table displays the annual changes to the company's before-tax environmental remediation reserves, including those for federal Superfund sites and analogous sites under state laws.

Millions of dollars	**2012**	2011	2010
Balance at January 1	**$ 1,404**	$ 1,507	$ 1,700
Net Additions	**428**	343	220
Expenditures	**(429)**	(446)	(413)
Balance at December 31	**$ 1,403**	$ 1,404	$ 1,507

The company records asset retirement obligations when there is a legal obligation associated with the retirement of long-lived assets and the liability can be reasonably estimated. These asset retirement obligations include costs related to environmental issues. The liability balance of approximately $13.3 billion for asset retirement obligations at year-end 2012 related primarily to upstream properties.

For the company's other ongoing operating assets, such as refineries and chemicals facilities, no provisions are made for exit or cleanup costs that may be required when such assets reach the end of their useful lives unless a decision to sell or otherwise abandon the facility has been made, as the indeterminate settlement dates for the asset retirements prevent estimation of the fair value of the asset retirement obligation.

Refer to the discussion below for additional information on environmental matters and their impact on Chevron, and on the company's 2012 environmental expenditures. Refer to Note 22 on pages 64 through 65 for additional discussion of environmental remediation provisions and year-end reserves. Refer also to Note 23 on page 66 for additional discussion of the company's asset retirement obligations.

Suspended Wells Information related to suspended wells is included in Note 18 to the Consolidated Financial Statements, Accounting for Suspended Wells, beginning on page 55.

Income Taxes Information related to income tax contingencies is included on pages 51 through 53 in Note 14 and pages 63 through 64 in Note 22 to the Consolidated Financial Statements under the heading "Income Taxes."

The American Taxpayer Relief Act of 2012 (the Act) was signed into U.S. law on January 2, 2013. Several tax provisions that expired at the end of 2011 were extended retroactive to January 1, 2012, including the research and development credit and certain rules for controlled foreign corporations. There were no impacts from the Act included in Chevron's 2012 financial statements and the company does not expect the impacts of the Act to have a material effect on its results of operations, consolidated financial position or liquidity in any future reporting period.

Other Contingencies Information related to other contingencies is included on page 65 in Note 22 to the Consolidated Financial Statements under the heading "Other Contingencies."

Environmental Matters

Virtually all aspects of the businesses in which the company engages are subject to various international, federal, state and local environmental, health and safety laws, regulations and market-based programs. These regulatory requirements continue to increase in both number and complexity over time and govern not only the manner in which the company conducts its operations, but also the products it sells. Regulations intended to address concerns about greenhouse gas emissions and global climate change also continue to evolve and include those at the international or multinational (such as the mechanisms under the Kyoto Protocol and the European Union's Emissions Trading System), national (such as the U.S. Environmental Protection Agency's emission standards and renewable transportation fuel content requirements or domestic market-based programs such as those in effect in Australia and New Zealand), and state or regional (such as California's Global Warming Solutions Act) levels.

Most of the costs of complying with laws and regulations pertaining to company operations and products are embedded in the normal costs of doing business. It is not possible to predict with certainty the amount of additional investments in new or existing facilities or amounts of incremental operating costs to be incurred in the future to: prevent, control, reduce or eliminate releases of hazardous materials into the environment; comply with existing and new environmental laws or regulations; or remediate and restore areas damaged by prior releases of hazardous materials. Although these costs may be significant to the results of operations in any single period, the company does not expect them to have a material effect on the company's liquidity or financial position.

Accidental leaks and spills requiring cleanup may occur in the ordinary course of business. In addition to the costs for environmental protection associated with its ongoing operations and products, the company may incur expenses for corrective actions at various owned and previously owned facilities and at third-party-owned waste disposal sites used by the company. An obligation may arise when operations are closed or sold or at non-Chevron sites where company products have been handled or disposed of. Most of the expenditures to fulfill these obligations relate to facilities and sites where past operations followed practices and procedures that were considered acceptable at the time but now require investigative or remedial work or both to meet current standards.

Using definitions and guidelines established by the American Petroleum Institute, Chevron estimated its worldwide environmental spending in 2012 at approximately $2.8 billion for its consolidated companies. Included in these expenditures were approximately $1.1 billion of environmental capital expenditures and $1.7 billion of costs associated with the prevention, control, abatement or elimination of hazardous substances and pollutants from operating, closed or divested sites, and the abandonment and restoration of sites.

For 2013, total worldwide environmental capital expenditures are estimated at $1.2 billion. These capital costs are in addition to the ongoing costs of complying with environmental regulations and the costs to remediate previously contaminated sites.

Critical Accounting Estimates and Assumptions

Management makes many estimates and assumptions in the application of generally accepted accounting principles (GAAP) that may have a material impact on the company's consolidated financial statements and related disclosures and on the comparability of such information over different reporting periods. All such estimates and assumptions affect reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingent assets and liabilities. Estimates and assumptions are based on management's experience and other information available prior to the issuance of the financial statements. Materially different results can occur as circumstances change and additional information becomes known.

The discussion in this section of "critical" accounting estimates and assumptions is according to the disclosure guidelines of the Securities and Exchange Commission (SEC), wherein:

1. the nature of the estimates and assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and
2. the impact of the estimates and assumptions on the company's financial condition or operating performance is material.

The development and selection of accounting estimates and assumptions, including those deemed "critical," and the associated disclosures in this discussion have been discussed by management with the Audit Committee of the Board of Directors. The areas of accounting and the associated "critical" estimates and assumptions made by the company are as follows:

Pension and Other Postretirement Benefit Plans

The determination of pension plan obligations and expense is based on a number of actuarial assumptions. Two critical assumptions are the expected long-term rate of return on plan assets and the discount rate applied to pension plan obligations. For other postretirement benefit (OPEB) plans, which provide for certain health care and life insurance benefits for qualifying retired employees and which are not funded, critical assumptions in determining OPEB obligations and expense are the discount rate and the assumed health care cost-trend rates.

Note 20, beginning on page 57, includes information on the funded status of the company's pension and OPEB plans at the end of 2012 and 2011; the components of pension and OPEB expense for the three years ended December 31, 2012; and the underlying assumptions for those periods.

Pension and OPEB expense is reported on the Consolidated Statement of Income as "Operating expenses" or "Selling, general and administrative expenses" and applies to all business segments. The year-end 2012 and 2011 funded status, measured as the difference between plan assets and obligations, of each of the company's pension and OPEB plans is recognized on the Consolidated Balance Sheet. The differences related to overfunded pension plans are reported as a long-term asset in "Deferred charges and other assets." The differences associated with underfunded or unfunded pension and OPEB plans are reported as "Accrued liabilities" or "Reserves for employee benefit plans." Amounts yet to be recognized as components of pension or OPEB expense are reported in "Accumulated other comprehensive loss."

To estimate the long-term rate of return on pension assets, the company uses a process that incorporates actual historical asset-class returns and an assessment of expected future performance and takes into consideration external actuarial advice and asset-class factors. Asset allocations are periodically updated using pension plan asset/liability studies, and the determination of the company's estimates of long-term rates of return are consistent with these studies. For 2012 the company used an expected long-term rate of return of 7.5 percent for U.S. pension plan assets, which account for 70 percent of the company's pension plan assets. In 2011 and 2010, the company used a long-term rate of return of 7.8 percent for this plan. For the 10 years ending December 31, 2012, actual asset returns averaged 7.1 percent for this plan. The actual return for 2012 was more than 7.5 percent and was associated with a broad recovery in the financial markets during the year. Additionally, with the exception of two other years within this 10-year period, actual asset returns for this plan equaled or exceeded 7.5 percent.

The year-end market-related value of assets of the major U.S. pension plan used in the determination of pension expense was based on the market value in the preceding three months. Management considers the three-month period long enough to minimize the effects of distortions from day-to-day market volatility and still be contemporaneous to the end of the year. For other plans, market value of assets as of year-end is used in calculating the pension expense.

The discount rate assumptions used to determine the U.S. and international pension and postretirement benefit plan obligations and expense reflect the rate at which benefits could be effectively settled and is equal to the equivalent single rate resulting from yield curve analysis. This analysis considered the projected benefit payments specific to the company's plans and the yields on high-quality bonds. At December 31, 2012, the company used a 3.6 percent discount rate for the U.S. pension plans and 3.9 percent for the main U.S. OPEB plan. The discount rates at the end of 2011 and 2010 were 3.8 and 4.0 percent and 4.8 and 5.0 percent for the U.S. pension plans and the main U.S. OPEB plans, respectively.

An increase in the expected long-term return on plan assets or the discount rate would reduce pension plan expense, and vice versa. Total pension expense for 2012 was $1.3 billion. As an indication of the sensitivity of pension expense to the long-term rate of return assumption, a 1 percent increase in the expected rate of return on assets of the company's primary U.S. pension plan would have reduced total pension plan expense for 2012 by approximately $80 million. A 1 percent increase in the discount rate for this same plan, which accounted for about 62 percent of the companywide pension obligation, would have reduced total pension plan expense for 2012 by approximately $165 million.

An increase in the discount rate would decrease the pension obligation, thus changing the funded status of a plan reported on the Consolidated Balance Sheet. The aggregate funded status recognized on the Consolidated Balance Sheet at December 31, 2012, was a net liability of approximately $5.9 billion. As an indication of the sensitivity of pension liabilities to the discount rate assumption, a 0.25 percent increase in the discount rate applied to the company's primary U.S. pension plan would have reduced the plan obligation by approximately $335 million, which would have decreased the plan's underfunded status from approximately $2.6 billion to $2.2 billion. Other plans would be less underfunded as discount rates increase. The actual rates of return on plan assets and discount rates may vary significantly from estimates because of unanticipated changes in the world's financial markets.

In 2012, the company's pension plan contributions were $1.2 billion (including $844 million to the U.S. plans). In 2013, the company estimates contributions will be approximately $1.0 billion. Actual contribution amounts are dependent upon investment results, changes in pension obligations, regulatory requirements and other economic factors. Additional funding may be required if investment returns are insufficient to offset increases in plan obligations.

For the company's OPEB plans, expense for 2012 was $172 million, and the total liability, which reflected the unfunded status of the plans at the end of 2012, was $3.8 billion.

As an indication of discount rate sensitivity to the determination of OPEB expense in 2012, a 1 percent increase in the discount rate for the company's primary U.S. OPEB plan, which accounted for about 82 percent of the companywide OPEB expense, would have decreased OPEB expense by approximately $17 million. A 0.25 percent increase in the discount rate for the same plan, which accounted for about 83 percent of the companywide OPEB liabilities, would have decreased total OPEB liabilities at the end of 2012 by approximately $80 million.

For the main U.S. postretirement medical plan, the annual increase to company contributions is limited to 4 percent per year. For active employees and retirees under age 65 whose claims experiences are combined for rating purposes, the assumed health care cost-trend rates start with 7.5 percent in 2013 and gradually drop to 4.5 percent for 2025 and beyond. As an indication of the health care cost-trend rate sensitivity to the determination of OPEB expense in 2012, a 1 percent increase in the rates for the main U.S. OPEB plan, would have increased OPEB expense by $15 million.

Differences between the various assumptions used to determine expense and the funded status of each plan and actual experience are not included in benefit plan costs in the year the difference occurs. Instead, the differences are included in actuarial gain/loss and unamortized amounts have been reflected in "Accumulated other comprehensive loss" on the Consolidated Balance Sheet. Refer to Note 20, beginning on page 57, for information on the $9.7 billion of before-tax actuarial losses recorded by the company as of December 31, 2012; a description of the method used to amortize those costs; and an estimate of the costs to be recognized in expense during 2013.

Oil and Gas Reserves Crude oil and natural gas reserves are estimates of future production that impact certain asset and expense accounts included in the Consolidated Financial Statements. Proved reserves are the estimated quantities of oil and gas that geoscience and engineering data demonstrate with reasonable certainty to be economically producible in the future under existing economic conditions, operating methods and government regulations. Proved reserves include both developed and undeveloped volumes. Proved developed reserves represent volumes expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are volumes expected to be recovered from new wells on undrilled proved acreage, or from existing wells where a relatively major expenditure is required for recompletion. Variables impacting Chevron's estimated volumes of crude oil and natural gas reserves include field performance, available technology and economic conditions.

The estimates of crude oil and natural gas reserves are important to the timing of expense recognition for costs incurred and to the valuation of certain oil and gas producing assets. Impacts of oil and gas reserves on Chevron's

Consolidated Financial Statements, using the successful efforts method of accounting, include the following:

1. Amortization - Proved reserves are used in amortizing capitalized costs related to oil and gas producing activities on the unit-of-production (UOP) method. Capitalized exploratory drilling and development costs are depreciated on a UOP basis using proved developed reserves. Acquisition costs of proved properties are amortized on a UOP basis using total proved reserves. During 2012, Chevron's UOP Depreciation, Depletion and Amortization (DD&A) for oil and gas properties was $10.7 billion, and proved developed reserves at the beginning of 2012 were 4.8 billion barrels. If the estimates of proved reserves used in the UOP calculations for consolidated operations had been lower by 5 percent across all oil and gas properties, UOP DD&A in 2012 would have increased by approximately $540 million.
2. Impairment - Oil and gas reserves are used in assessing oil and gas producing properties for impairment. A significant reduction in the estimated reserves of a property would trigger an impairment review. In assessing whether the property is impaired, the fair value of the property must be determined. Frequently, a discounted cash flow methodology is the best estimate of fair value. Proved reserves (and, in some cases, a portion of unproved resources) are used to estimate future production volumes in the cash flow model. For a further discussion of estimates and assumptions used in impairment assessments, see *Impairment of Properties, Plant and Equipment and Investments in Affiliates* below.

Refer to Table V, "Reserve Quantity Information," beginning on page 76, for the changes in proved reserve estimates for the three years ending December 31, 2012, and to Table VII, "Changes in the Standardized Measure of Discounted Future Net Cash Flows From Proved Reserves" on page 84 for estimates of proved reserve values for each of the three years ended December 31, 2012.

This Oil and Gas Reserves commentary should be read in conjunction with the Properties, Plant and Equipment section of Note 1 to the Consolidated Financial Statements, beginning on page 36, which includes a description of the "successful efforts" method of accounting for oil and gas exploration and production activities.

Impairment of Properties, Plant and Equipment and Investments in Affiliates The company assesses its properties, plant and equipment (PP&E) for possible impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Such indicators include changes in the company's business plans, changes in commodity prices and, for crude oil and natural gas properties, significant downward revisions of estimated proved reserve quantities. If the carrying value of an asset exceeds the future undiscounted cash flows expected from the asset, an impairment charge is recorded for the excess of carrying value of the asset over its estimated fair value.

Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters, such as future commodity prices, the effects of inflation and technology improvements on operating expenses, production profiles, and the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas, commodity chemicals and refined products. However, the impairment reviews and calculations are based on assumptions that are consistent with the company's business plans and long-term investment decisions. Refer also to the discussion of impairments of properties, plant and equipment in Note 8 beginning on page 41 and to the section on Properties, Plant and Equipment in Note 1, Summary of Significant Accounting Policies, beginning on page 36.

No material individual impairments of PP&E or Investments were recorded for the three years ending December 31, 2012. A sensitivity analysis of the impact on earnings for these periods if other assumptions had been used in impairment reviews and impairment calculations is not practicable, given the broad range of the company's PP&E and the number of assumptions involved in the estimates. That is, favorable changes to some assumptions might have avoided the need to impair any assets in these periods, whereas unfavorable changes might have caused an additional unknown number of other assets to become impaired.

Investments in common stock of affiliates that are accounted for under the equity method, as well as investments in other securities of these equity investees, are reviewed for impairment when the fair value of the investment falls below the company's carrying value. When such a decline is deemed to be other than temporary, an impairment charge is recorded to the income statement for the difference between the investment's carrying value and its estimated fair value at the time.

In making the determination as to whether a decline is other than temporary, the company considers such factors as the duration and extent of the decline, the investee's financial performance, and the company's ability and intention to retain its investment for a period that will be sufficient to allow for any anticipated recovery in the investment's market value. Differing assumptions could affect whether an investment is impaired in any period or the amount of the impairment, and are not subject to sensitivity analysis.

From time to time, the company performs impairment reviews and determines whether any write-down in the carrying value of an asset or asset group is required. For example, when significant downward revisions to crude oil and natural gas reserves are made for any single field or concession, an impairment review is performed to determine if the carrying value of the asset remains recoverable. Also, if the expectation of sale of a particular asset or asset group in any period has been deemed more likely than not, an impairment review is performed, and if the estimated net proceeds exceed the carrying value of the asset or asset group, no impairment charge is required. Such calculations are reviewed each period until the asset or asset group is disposed of. Assets that are not impaired on a held-and-used basis could possibly become impaired if a decision is made to sell such assets. That is, the assets would be impaired if they are classified as held-for-sale and the estimated proceeds from the sale, less costs to sell, are less than the assets' associated carrying values.

Asset Retirement Obligations In the determination of fair value for an asset retirement obligation (ARO), the company uses various assumptions and judgments, including such factors as the existence of a legal obligation, estimated amounts and timing of settlements, discount and inflation rates, and the expected impact of advances in technology and process improvements. A sensitivity analysis of the ARO impact on earnings for 2012 is not practicable, given the broad range of the company's long-lived assets and the number of assumptions involved in the estimates. That is, favorable changes to some assumptions would have reduced estimated future obligations, thereby lowering accretion expense and amortization costs, whereas unfavorable changes would have the opposite effect. Refer to Note 23 on page 66 for additional discussions on asset retirement obligations.

Contingent Losses Management also makes judgments and estimates in recording liabilities for claims, litigation, tax matters and environmental remediation. Actual costs can frequently vary from estimates for a variety of reasons. For example, the costs for settlement of claims and litigation can vary from estimates based on differing interpretations of laws, opinions on culpability and assessments on the amount of damages. Similarly, liabilities for environmental remediation are subject to change because of changes in laws, regulations and their interpretation, the determination of additional information on the extent and nature of site contamination, and improvements in technology.

Under the accounting rules, a liability is generally recorded for these types of contingencies if management determines the loss to be both probable and estimable. The company generally reports these losses as "Operating expenses" or "Selling, general and administrative expenses" on the Consolidated Statement of Income. An exception to this handling is for income tax matters, for which benefits are recognized only if management determines the tax position is "more likely than not" (i.e., likelihood greater than 50 percent) to be allowed by the tax jurisdiction. For additional discussion of income tax uncertainties, refer to Note 14 beginning on page 51. Refer also to the business segment discussions elsewhere in this section for the effect on earnings from losses associated with certain litigation, environmental remediation and tax matters for the three years ended December 31, 2012.

An estimate as to the sensitivity to earnings for these periods if other assumptions had been used in recording these liabilities is not practicable because of the number of contingencies that must be assessed, the number of underlying assumptions and the wide range of reasonably possible outcomes, both in terms of the probability of loss and the estimates of such loss.

New Accounting Standards

Refer to Note 17, on page 55 in the Notes to Consolidated Financial Statements, for information regarding new accounting standards.

Quarterly Results and Stock Market Data

Unaudited

Millions of dollars, except per-share amounts	**4th Q**	**3rd Q**	**2nd Q**	**1st Q 2012**	4th Q	3rd Q	2nd Q	1st Q 2011
Revenues and Other Income								
Sales and other operating revenues[1]	**$ 56,254**	**$ 55,660**	**$ 59,780**	**$ 58,896**	$ 58,027	$ 61,261	$ 66,671	$ 58,412
Income from equity affiliates	**1,815**	**1,274**	**2,091**	**1,709**	1,567	2,227	1,882	1,687
Other income	**2,483**	**1,110**	**737**	**100**	391	944	395	242
Total Revenues and Other Income	**60,552**	**58,044**	**62,608**	**60,705**	59,985	64,432	68,948	60,341
Costs and Other Deductions								
Purchased crude oil and products	**33,959**	**33,982**	**36,772**	**36,053**	36,363	37,600	40,759	35,201
Operating expenses	**6,273**	**5,694**	**5,420**	**5,183**	5,948	5,378	5,260	5,063
Selling, general and administrative expenses	**1,182**	**1,352**	**1,250**	**940**	1,330	1,115	1,200	1,100
Exploration expenses	**357**	**475**	**493**	**403**	386	240	422	168
Depreciation, depletion and amortization	**3,554**	**3,370**	**3,284**	**3,205**	3,313	3,215	3,257	3,126
Taxes other than on income[1]	**3,251**	**3,239**	**3,034**	**2,852**	2,680	3,544	4,843	4,561
Interest and debt expense	**–**	**–**	**–**	**–**	–	–	–	–
Total Costs and Other Deductions	**48,576**	**48,112**	**50,253**	**48,636**	50,020	51,092	55,741	49,219
Income Before Income Tax Expense	**11,976**	**9,932**	**12,355**	**12,069**	9,965	13,340	13,207	11,122
Income Tax Expense	**4,679**	**4,624**	**5,123**	**5,570**	4,813	5,483	5,447	4,883
Net Income	**$ 7,297**	**$ 5,308**	**$ 7,232**	**$ 6,499**	$ 5,152	$ 7,857	$ 7,760	$ 6,239
Less: Net income attributable to noncontrolling interests	**52**	**55**	**22**	**28**	29	28	28	28
Net Income Attributable to Chevron Corporation	**$ 7,245**	**$ 5,253**	**$ 7,210**	**$ 6,471**	$ 5,123	$ 7,829	$ 7,732	$ 6,211
Per Share of Common Stock								
Net Income Attributable to Chevron Corporation								
– Basic	**$ 3.73**	**$ 2.71**	**$ 3.68**	**$ 3.30**	$ 2.61	$ 3.94	$ 3.88	$ 3.11
– Diluted	**$ 3.70**	**$ 2.69**	**$ 3.66**	**$ 3.27**	$ 2.58	$ 3.92	$ 3.85	$ 3.09
Dividends	**$ 0.90**	**$ 0.90**	**$ 0.90**	**$ 0.81**	$ 0.81	$ 0.78	$ 0.78	$ 0.72
Common Stock Price Range – High[2]	**$ 118.38**	**$ 118.53**	**$ 108.79**	**$ 112.28**	$ 110.01	$ 109.75	$ 109.94	$ 109.65
– Low[2]	**$ 100.66**	**$ 103.29**	**$ 95.73**	**$ 102.08**	$ 86.68	$ 87.30	$ 97.00	$ 90.12
[1] Includes excise, value-added and similar taxes:	**$ 2,131**	**$ 2,163**	**$ 1,929**	**$ 1,787**	$ 1,713	$ 1,974	$ 2,264	$ 2,134

[2] Intraday price.

The company's common stock is listed on the New York Stock Exchange (trading symbol: CVX). As of February 11, 2013, stockholders of record numbered approximately 168,000. There are no restrictions on the company's ability to pay dividends.

Management's Responsibility for Financial Statements

To the Stockholders of Chevron Corporation

Management of Chevron is responsible for preparing the accompanying consolidated financial statements and the related information appearing in this report. The statements were prepared in accordance with accounting principles generally accepted in the United States of America and fairly represent the transactions and financial position of the company. The financial statements include amounts that are based on management's best estimates and judgment.

As stated in its report included herein, the independent registered public accounting firm of PricewaterhouseCoopers LLP has audited the company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Board of Directors of Chevron has an Audit Committee composed of directors who are not officers or employees of the company. The Audit Committee meets regularly with members of management, the internal auditors and the independent registered public accounting firm to review accounting, internal control, auditing and financial reporting matters. Both the internal auditors and the independent registered public accounting firm have free and direct access to the Audit Committee without the presence of management.

Management's Report on Internal Control Over Financial Reporting

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the company's internal control over financial reporting based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, the company's management concluded that internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of the company's internal control over financial reporting as of December 31, 2012, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report included herein.

John S. Watson
Chairman of the Board
and Chief Executive Officer

Patricia E. Yarrington
Vice President
and Chief Financial Officer

Matthew J. Foehr
Vice President
and Comptroller

February 22, 2013

To the Stockholders and the Board of Directors of Chevron Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, comprehensive income, equity and of cash flows present fairly, in all material respects, the financial position of Chevron Corporation and its subsidiaries at December 31, 2012, and December 31, 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

San Francisco, California
February 22, 2013

Consolidated Statement of Income

Millions of dollars, except per-share amounts

	Year ended December 31		
	2012	2011	2010
Revenues and Other Income			
Sales and other operating revenues*	**$ 230,590**	$ 244,371	$ 198,198
Income from equity affiliates	**6,889**	7,363	5,637
Other income	**4,430**	1,972	1,093
Total Revenues and Other Income	**241,909**	253,706	204,928
Costs and Other Deductions			
Purchased crude oil and products	**140,766**	149,923	116,467
Operating expenses	**22,570**	21,649	19,188
Selling, general and administrative expenses	**4,724**	4,745	4,767
Exploration expenses	**1,728**	1,216	1,147
Depreciation, depletion and amortization	**13,413**	12,911	13,063
Taxes other than on income*	**12,376**	15,628	18,191
Interest and debt expense	**–**	–	50
Total Costs and Other Deductions	**195,577**	206,072	172,873
Income Before Income Tax Expense	**46,332**	47,634	32,055
Income Tax Expense	**19,996**	20,626	12,919
Net Income	**26,336**	27,008	19,136
Less: Net income attributable to noncontrolling interests	**157**	113	112
Net Income Attributable to Chevron Corporation	**$ 26,179**	$ 26,895	$ 19,024
Per Share of Common Stock			
Net Income Attributable to Chevron Corporation			
– Basic	**$ 13.42**	$ 13.54	$ 9.53
– Diluted	**$ 13.32**	$ 13.44	$ 9.48
*Includes excise, value-added and similar taxes.	**$ 8,010**	$ 8,085	$ 8,591

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Millions of dollars

	Year ended December 31		
	2012	2011	2010
Net Income	**$ 26,336**	$ 27,008	$ 19,136
Currency translation adjustment			
Unrealized net change arising during period	**23**	17	6
Unrealized holding gain (loss) on securities			
Net gain (loss) arising during period	**1**	(11)	(4)
Derivatives			
Net derivatives gain on hedge transactions	**20**	20	25
Reclassification to net income of net realized (gain) loss	**(14)**	9	5
Income taxes on derivatives transactions	**(3)**	(10)	(10)
Total	**3**	19	20
Defined benefit plans			
Actuarial loss			
Amortization to net income of net actuarial loss	**920**	773	635
Actuarial loss arising during period	**(1,180)**	(3,250)	(857)
Prior service cost			
Amortization to net income of net prior service credits	**(61)**	(26)	(61)
Prior service cost arising during period	**(142)**	(27)	(12)
Defined benefit plans sponsored by equity affiliates	**(54)**	(81)	(12)
Income taxes on defined benefit plans	**143**	1,030	140
Total	**(374)**	(1,581)	(167)
Other Comprehensive Loss, Net of Tax	**(347)**	(1,556)	(145)
Comprehensive Income	**25,989**	25,452	18,991
Comprehensive income attributable to noncontrolling interests	**(157)**	(113)	(112)
Comprehensive Income Attributable to Chevron Corporation	**$ 25,832**	$ 25,339	$ 18,879

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

Millions of dollars, except per-share amounts

	At December 31	
	2012	2011
Assets		
Cash and cash equivalents	**$ 20,939**	$ 15,864
Time deposits	**708**	3,958
Marketable securities	**266**	249
Accounts and notes receivable (less allowance: 2012 – $80; 2011 – $98)	**20,997**	21,793
Inventories:		
Crude oil and petroleum products	**3,923**	3,420
Chemicals	**475**	502
Materials, supplies and other	**1,746**	1,621
Total inventories	**6,144**	5,543
Prepaid expenses and other current assets	**6,666**	5,827
Total Current Assets	**55,720**	53,234
Long-term receivables, net	**3,053**	2,233
Investments and advances	**23,718**	22,868
Properties, plant and equipment, at cost	**263,481**	233,432
Less: Accumulated depreciation, depletion and amortization	**122,133**	110,824
Properties, plant and equipment, net	**141,348**	122,608
Deferred charges and other assets	**4,503**	3,889
Goodwill	**4,640**	4,642
Total Assets	**$ 232,982**	$ 209,474
Liabilities and Equity		
Short-term debt	**$ 127**	$ 340
Accounts payable	**22,776**	22,147
Accrued liabilities	**5,738**	5,287
Federal and other taxes on income	**4,341**	4,584
Other taxes payable	**1,230**	1,242
Total Current Liabilities	**34,212**	33,600
Long-term debt	**11,966**	9,684
Capital lease obligations	**99**	128
Deferred credits and other noncurrent obligations	**21,502**	19,181
Noncurrent deferred income taxes	**17,672**	15,544
Reserves for employee benefit plans	**9,699**	9,156
Total Liabilities	**95,150**	87,293
Preferred stock (authorized 100,000,000 shares; $1.00 par value; none issued)	**–**	–
Common stock (authorized 6,000,000,000 shares; $0.75 par value; 2,442,676,580 shares issued at December 31, 2012 and 2011)	**1,832**	1,832
Capital in excess of par value	**15,497**	15,156
Retained earnings	**159,730**	140,399
Accumulated other comprehensive loss	**(6,369)**	(6,022)
Deferred compensation and benefit plan trust	**(282)**	(298)
Treasury stock, at cost (2012 – 495,978,691 shares; 2011 – 461,509,656 shares)	**(33,884)**	(29,685)
Total Chevron Corporation Stockholders' Equity	**136,524**	121,382
Noncontrolling interests	**1,308**	799
Total Equity	**137,832**	122,181
Total Liabilities and Equity	**$ 232,982**	$ 209,474

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Millions of dollars

	Year ended December 31		
	2012	2011	2010
Operating Activities			
Net Income	**$ 26,336**	$ 27,008	$ 19,136
Adjustments			
Depreciation, depletion and amortization	**13,413**	12,911	13,063
Dry hole expense	**555**	377	496
Distributions less than income from equity affiliates	**(1,351)**	(570)	(501)
Net before-tax gains on asset retirements and sales	**(4,089)**	(1,495)	(1,004)
Net foreign currency effects	**207**	(103)	251
Deferred income tax provision	**2,015**	1,589	559
Net decrease in operating working capital	**363**	2,318	76
Increase in long-term receivables	**(169)**	(150)	(12)
Decrease in other deferred charges	**1,047**	341	48
Cash contributions to employee pension plans	**(1,228)**	(1,467)	(1,450)
Other	**1,713**	336	692
Net Cash Provided by Operating Activities	**38,812**	41,095	31,354
Investing Activities			
Acquisition of Atlas Energy	**–**	(3,009)	–
Advance to Atlas Energy	**–**	(403)	–
Capital expenditures	**(30,938)**	(26,500)	(19,612)
Proceeds and deposits related to asset sales	**2,777**	3,517	1,995
Net sales (purchases) of time deposits	**3,250**	(1,104)	(2,855)
Net purchases of marketable securities	**(3)**	(74)	(49)
Repayment of loans by equity affiliates	**328**	339	338
Net purchases of other short-term investments	**(210)**	(255)	(732)
Net Cash Used for Investing Activities	**(24,796)**	(27,489)	(20,915)
Financing Activities			
Net borrowings (payments) of short-term obligations	**264**	23	(212)
Proceeds from issuances of long-term debt	**4,007**	377	1,250
Repayments of long-term debt and other financing obligations	**(2,224)**	(2,769)	(156)
Cash dividends – common stock	**(6,844)**	(6,136)	(5,669)
Distributions to noncontrolling interests	**(41)**	(71)	(72)
Net purchases of treasury shares	**(4,142)**	(3,193)	(306)
Net Cash Used for Financing Activities	**(8,980)**	(11,769)	(5,165)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**39**	(33)	70
Net Change in Cash and Cash Equivalents	**5,075**	1,804	5,344
Cash and Cash Equivalents at January 1	**15,864**	14,060	8,716
Cash and Cash Equivalents at December 31	**$ 20,939**	$ 15,864	$ 14,060

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Equity

Shares in thousands; amounts in millions of dollars

	2012		2011		2010	
	Shares	Amount	Shares	Amount	Shares	Amount
Preferred Stock	**–**	**$ –**	–	$ –	–	$ –
Common Stock	**2,442,677**	**$ 1,832**	2,442,677	$ 1,832	2,442,677	$ 1,832
Capital in Excess of Par						
Balance at January 1		**$ 15,156**		$ 14,796		$ 14,631
Treasury stock transactions		**341**		360		165
Balance at December 31		**$ 15,497**		$ 15,156		$ 14,796
Retained Earnings						
Balance at January 1		**$ 140,399**		$ 119,641		$ 106,289
Net income attributable to Chevron Corporation		**26,179**		26,895		19,024
Cash dividends on common stock		**(6,844)**		(6,136)		(5,669)
Stock dividends		**(3)**		(3)		(5)
Tax (charge) benefit from dividends paid on unallocated ESOP shares and other		**(1)**		2		2
Balance at December 31		**$ 159,730**		$ 140,399		$ 119,641
Accumulated Other Comprehensive Loss						
Currency translation adjustment						
Balance at January 1		**$ (88)**		$ (105)		$ (111)
Change during year		**23**		17		6
Balance at December 31		**$ (65)**		$ (88)		$ (105)
Pension and other postretirement benefit plans						
Balance at January 1		**$ (6,056)**		$ (4,475)		$ (4,308)
Change during year		**(374)**		(1,581)		(167)
Balance at December 31		**$ (6,430)**		$ (6,056)		$ (4,475)
Unrealized net holding gain on securities						
Balance at January 1		**$ –**		$ 11		$ 15
Change during year		**1**		(11)		(4)
Balance at December 31		**$ 1**		$ –		$ 11
Net derivatives gain (loss) on hedge transactions						
Balance at January 1		**$ 122**		$ 103		$ 83
Change during year		**3**		19		20
Balance at December 31		**$ 125**		$ 122		$ 103
Balance at December 31		**$ (6,369)**		$ (6,022)		$ (4,466)
Deferred Compensation and Benefit Plan Trust						
Deferred Compensation						
Balance at January 1		**$ (58)**		$ (71)		$ (109)
Net reduction of ESOP debt and other		**16**		13		38
Balance at December 31		**(42)**		(58)		(71)
Benefit Plan Trust (Common Stock)	**14,168**	**(240)**	14,168	(240)	14,168	(240)
Balance at December 31	**14,168**	**$ (282)**	14,168	$ (298)	14,168	$ (311)
Treasury Stock at Cost						
Balance at January 1	**461,510**	**$ (29,685)**	435,196	$ (26,411)	434,955	$ (26,168)
Purchases	**46,669**	**(5,004)**	42,424	(4,262)	9,091	(775)
Issuances – mainly employee benefit plans	**(12,200)**	**805**	(16,110)	988	(8,850)	532
Balance at December 31	**495,979**	**$ (33,884)**	461,510	$ (29,685)	435,196	$ (26,411)
Total Chevron Corporation Stockholders' Equity at December 31		**$ 136,524**		$ 121,382		$ 105,081
Noncontrolling Interests		**$ 1,308**		$ 799		$ 730
Total Equity		**$ 137,832**		$ 122,181		$ 105,811

See accompanying Notes to the Consolidated Financial Statements.

Note 1

Summary of Significant Accounting Policies

General 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 relate primarily to refining crude oil into petroleum products; marketing of crude oil and refined products; transporting 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 additives for fuels and lubricant oils.

The company's Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America. These require the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Although the company uses its best estimates and judgments, actual results could differ from these estimates as future confirming events occur.

Subsidiary and Affiliated Companies The Consolidated Financial Statements include the accounts of controlled subsidiary companies more than 50 percent-owned and any variable-interest entities in which the company is the primary beneficiary. Undivided interests in oil and gas joint ventures and certain other assets are consolidated on a proportionate basis. Investments in and advances to affiliates in which the company has a substantial ownership interest of approximately 20 percent to 50 percent, or for which the company exercises significant influence but not control over policy decisions, are accounted for by the equity method. As part of that accounting, the company recognizes gains and losses that arise from the issuance of stock by an affiliate that results in changes in the company's proportionate share of the dollar amount of the affiliate's equity currently in income.

Investments are assessed for possible impairment when events indicate that the fair value of the investment may be below the company's carrying value. When such a condition is deemed to be other than temporary, the carrying value of the investment is written down to its fair value, and the amount of the write-down is included in net income. In making the determination as to whether a decline is other than temporary, the company considers such factors as the duration and extent of the decline, the investee's financial performance, and the company's ability and intention to retain its investment for a period that will be sufficient to allow for any anticipated recovery in the investment's market value. The new cost basis of investments in these equity investees is not changed for subsequent recoveries in fair value.

Differences between the company's carrying value of an equity investment and its underlying equity in the net assets of the affiliate are assigned to the extent practicable to specific assets and liabilities based on the company's analysis of the various factors giving rise to the difference. When appropriate, the company's share of the affiliate's reported earnings is adjusted quarterly to reflect the difference between these allocated values and the affiliate's historical book values.

Derivatives The majority of the company's activity in derivative commodity instruments is intended to manage the financial risk posed by physical transactions. For some of this derivative activity, generally limited to large, discrete or infrequently occurring transactions, the company may elect to apply fair value or cash flow hedge accounting. For other similar derivative instruments, generally because of the short-term nature of the contracts or their limited use, the company does not apply hedge accounting, and changes in the fair value of those contracts are reflected in current income. For the company's commodity trading activity, gains and losses from derivative instruments are reported in current income. The company may enter into interest rate swaps from time to time as part of its overall strategy to manage the interest rate risk on its debt. Interest rate swaps related to a portion of the company's fixed-rate debt, if any, may be accounted for as fair value hedges. Interest rate swaps related to floating-rate debt, if any, are recorded at fair value on the balance sheet with resulting gains and losses reflected in income. Where Chevron is a party to master netting arrangements, fair value receivable and payable amounts recognized for derivative instruments executed with the same counterparty are generally offset on the balance sheet.

Short-Term Investments All short-term investments are classified as available for sale and are in highly liquid debt securities. Those investments that are part of the company's cash management portfolio and have original maturities of three months or less are reported as "Cash equivalents." Bank time deposits with maturities greater than 90 days are reported as "Time deposits." The balance of short-term investments is reported as "Marketable securities" and is marked-to-market, with any unrealized gains or losses included in "Other comprehensive income."

Inventories Crude oil, petroleum products and chemicals inventories are generally stated at cost, using a last-in, first-out method. In the aggregate, these costs are below market. "Materials, supplies and other" inventories generally are stated at average cost.

Properties, Plant and Equipment The successful efforts method is used for crude oil and natural gas exploration and production activities. All costs for development wells, related plant and equipment, proved mineral interests in crude oil and natural gas properties, and related asset retirement obligation (ARO) assets are capitalized. Costs of exploratory wells are capitalized pending determination of whether the wells found proved reserves. Costs of wells that are assigned proved reserves remain capitalized. Costs also are capitalized for exploratory wells that have found crude oil and natural gas reserves even if the reserves cannot be classified as proved when the drilling is completed, provided the exploratory well has found a sufficient quantity of reserves to justify its completion as a producing well and the company is making sufficient progress assessing the reserves and the economic and operating viability of the project. All other exploratory wells and costs are expensed. Refer to Note 18, beginning on page 55, for additional discussion of accounting for suspended exploratory well costs.

Long-lived assets to be held and used, including proved crude oil and natural gas properties, are assessed for possible impairment by comparing their carrying values with their associated undiscounted, future net before-tax cash flows. Events that can trigger assessments for possible impairments include write-downs of proved reserves based on field performance, significant decreases in the market value of an asset, significant change in the extent or manner of use of or a physical change in an asset, and a more-likely-than-not expectation that a long-lived asset or asset group will be sold or otherwise disposed of significantly sooner than the end of its previously estimated useful life. Impaired assets are written down to their estimated fair values, generally their discounted, future net before-tax cash flows. For proved crude oil and natural gas properties in the United States, the company generally performs an impairment review on an individual field basis. Outside the United States, reviews are performed on a country, concession, development area or field basis, as appropriate. In Downstream, impairment reviews are performed on the basis of a refinery, a plant, a marketing/lubricants area or distribution area, as appropriate. Impairment amounts are recorded as incremental "Depreciation, depletion and amortization" expense.

Long-lived assets that are held for sale are evaluated for possible impairment by comparing the carrying value of the asset with its fair value less the cost to sell. If the net book value exceeds the fair value less cost to sell, the asset is considered impaired and adjusted to the lower value. Refer to Note 8, beginning on page 41, relating to fair value measurements.

The fair value of a liability for an ARO is recorded as an asset and a liability when there is a legal obligation associated with the retirement of a long-lived asset and the amount can be reasonably estimated. Refer also to Note 23, on page 66, relating to AROs.

Depreciation and depletion of all capitalized costs of proved crude oil and natural gas producing properties, except mineral interests, are expensed using the unit-of-production method, generally by individual field, as the proved developed reserves are produced. Depletion expenses for capitalized costs of proved mineral interests are recognized using the unit-of-production method by individual field as the related proved reserves are produced. Periodic valuation provisions for impairment of capitalized costs of unproved mineral interests are expensed.

The capitalized costs of all other plant and equipment are depreciated or amortized over their estimated useful lives. In general, the declining-balance method is used to depreciate plant and equipment in the United States; the straight-line method is generally used to depreciate international plant and equipment and to amortize all capitalized leased assets.

Gains or losses are not recognized for normal retirements of properties, plant and equipment subject to composite group amortization or depreciation. Gains or losses from abnormal retirements are recorded as expenses, and from sales as "Other income."

Expenditures for maintenance (including those for planned major maintenance projects), repairs and minor renewals to maintain facilities in operating condition are generally expensed as incurred. Major replacements and renewals are capitalized.

Goodwill Goodwill resulting from a business combination is not subject to amortization. As required by accounting standards for goodwill (ASC 350), the company tests such goodwill at the reporting unit level for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

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

Liabilities related to future remediation costs are recorded when environmental assessments or cleanups or both are probable and the costs can be reasonably estimated. For the company's U.S. and Canadian marketing facilities, the accrual is based in part on the probability that a future remediation commitment will be required. For crude oil, natural gas and mineral-producing properties, a liability for an ARO is made in accordance with accounting standards for asset retirement and environmental obligations. Refer to Note 23, on page 66, for a discussion of the company's AROs.

For federal Superfund sites and analogous sites under state laws, the company records a liability for its designated share of the probable and estimable costs, and probable amounts for other potentially responsible parties when mandated by the regulatory agencies because the other parties are not able to pay their respective shares.

The gross amount of environmental liabilities is based on the company's best estimate of future costs using currently available technology and applying current regulations and the company's own internal environmental policies. Future amounts are not discounted. Recoveries or reimbursements are recorded as assets when receipt is reasonably assured.

Currency Translation The U.S. dollar is the functional currency for substantially all of the company's consolidated operations and those of its equity affiliates. For those operations, all gains and losses from currency remeasurement are included in current period income. The cumulative translation effects for those few entities, both consolidated and affiliated, using functional currencies other than the U.S. dollar are included in "Currency translation adjustment" on the Consolidated Statement of Equity.

Revenue Recognition Revenues associated with sales of crude oil, natural gas, petroleum and chemicals products, and all other sources are recorded when title passes to the customer, net of royalties, discounts and allowances, as applicable. Revenues from natural gas production from properties in which Chevron has an interest with other producers are generally recognized using the entitlement method. Excise, value-added and similar taxes assessed by a governmental authority on a revenue-producing transaction between a seller and a customer are presented on a gross basis. The associated amounts are shown as a footnote to the Consolidated Statement of Income, on page 31. Purchases and sales of inventory with the same counterparty that are entered into in contemplation of one another (including buy/sell arrangements) are combined and recorded on a net basis and reported in "Purchased crude oil and products" on the Consolidated Statement of Income.

Stock Options and Other Share-Based Compensation The company issues stock options and other share-based compensation to its employees and accounts for these transactions under the accounting standards for share-based compensation (ASC 718). For equity awards, such as stock options, total compensation cost is based on the grant date fair value, and for liability awards, such as stock appreciation rights, total compensation cost is based on the settlement value. The company recognizes stock-based compensation expense for all awards over the service period required to earn the award, which is the shorter of the vesting period or the time period an employee becomes eligible to retain the award at retirement. Stock options and stock appreciation rights granted under the company's Long-Term Incentive Plan have graded vesting provisions by which one-third of each award vests on the first, second and third anniversaries of the date of grant. The company amortizes these graded awards on a straight-line basis.

Note 2

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. The term "earnings" is defined as "Net Income Attributable to Chevron Corporation."

Activity for the equity attributable to noncontrolling interests for 2012, 2011 and 2010 is as follows:

	2012	2011	2010
Balance at January 1	**$ 799**	$ 730	$ 647
Net income	**157**	113	112
Distributions to noncontrolling interests	**(41)**	(71)	(72)
Other changes, net*	**393**	27	43
Balance at December 31	**$1,308**	$ 799	$ 730

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

Note 3

Information Relating to the Consolidated Statement of Cash Flows

	Year ended December 31		
	2012	2011	2010
Net decrease (increase) in operating working capital was composed of the following:			
Decrease (increase) in accounts and notes receivable	**$ 1,153**	$ (2,156)	$ (2,767)
(Increase) decrease in inventories	**(233)**	(404)	15
Increase in prepaid expenses and other current assets	**(471)**	(853)	(542)
Increase in accounts payable and accrued liabilities	**544**	3,839	3,049
(Decrease) increase in income and other taxes payable	**(630)**	1,892	321
Net decrease in operating working capital	**$ 363**	$ 2,318	$ 76
Net cash provided by operating activities includes the following cash payments for interest and income taxes:			
Interest paid on debt (net of capitalized interest)	**$ –**	$ –	$ 34
Income taxes	**$ 17,334**	$ 17,374	$ 11,749
Net sales of marketable securities consisted of the following gross amounts:			
Marketable securities purchased	**$ (35)**	$ (112)	$ (90)
Marketable securities sold	**32**	38	41
Net purchases of marketable securities	**$ (3)**	$ (74)	$ (49)
Net sales (purchases) of time deposits consisted of the following gross amounts:			
Time deposits purchased	**$ (717)**	$ (6,439)	$ (5,060)
Time deposits matured	**3,967**	5,335	2,205
Net sales (purchases) of time deposits	**$ 3,250**	$ (1,104)	$ (2,855)

In accordance with accounting standards for cash-flow classifications for stock options (ASC 718), the "Net decrease in operating working capital" includes reductions of $98, $121 and $67 for excess income tax benefits associated with stock options exercised during 2012, 2011 and 2010, respectively. These amounts are offset by an equal amount in "Net purchases of treasury shares." "Other" includes changes in postretirement benefits obligations and other long-term liabilities.

The "Acquisition of Atlas Energy" reflects the $3,009 of cash paid for all the common shares of Atlas in February 2011. An "Advance to Atlas Energy" of $403 was made to facilitate the purchase of a 49 percent interest in Laurel Mountain Midstream LLC on the day of closing. The "Net decrease (increase) in operating working capital" includes $184 for payments made in connection with Atlas equity awards subsequent to the acquisition. Refer to Note 26, beginning on page 68 for additional discussion of the Atlas acquisition.

The "Repayments of long-term debt and other financing obligations" in 2011 includes $761 for repayment of Atlas debt and $271 for payoff of the Atlas revolving credit facility.

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 $5,004, $4,262 and $775 in 2012, 2011 and 2010, respectively. In 2012 and 2011, the company purchased 46.6 million and 42.3 million common shares for $5,000 and $4,250 under its ongoing share repurchase program, respectively.

In 2012 and 2011, "Net purchases of other short-term investments" consist of restricted cash associated with tax payments, upstream abandonment activities, funds held in escrow for an asset acquisition and capital investment projects that was invested in short-term securities and reclassified from "Cash and cash equivalents" to "Deferred charges and other assets" on the Consolidated Balance Sheet. The company issued $374 and $1,250 in 2011 and 2010, respectively, of tax exempt bonds as a source of funds for U.S. refinery projects, which is included in "Proceeds from issuance of long-term debt."

The Consolidated Statement of Cash Flows excludes changes to the Consolidated Balance Sheet that did not affect cash. The 2012 period excludes the effects of $800 of proceeds to be received in future periods for the sale of an equity interest in the Wheatstone Project. "Capital expenditures" in the 2012 period excludes a $1,850 increase in "Properties, plant and equipment" related to an upstream asset exchange in Australia. Refer also to Note 23, on page 66, for a discussion of revisions to the company's AROs that also did not involve cash receipts or payments for the three years ending December 31, 2012.

The major components of "Capital expenditures" and the reconciliation of this amount to the reported capital and exploratory expenditures, including equity affiliates, are presented in the following table:

	Year ended December 31		
	2012	2011	2010
Additions to properties, plant and equipment*	**$ 29,526**	$ 25,440	$ 18,474
Additions to investments	**1,042**	900	861
Current-year dry hole expenditures	**475**	332	414
Payments for other liabilities and assets, net	**(105)**	(172)	(137)
Capital expenditures	**30,938**	26,500	19,612
Expensed exploration expenditures	**1,173**	839	651
Assets acquired through capital lease obligations and other financing obligations	**1**	32	104
Capital and exploratory expenditures, excluding equity affiliates	**32,112**	27,371	20,367
Company's share of expenditures by equity affiliates	**2,117**	1,695	1,388
Capital and exploratory expenditures, including equity affiliates	**$ 34,229**	$ 29,066	$ 21,755

*Excludes noncash additions of $4,569 in 2012, $945 in 2011 and $2,753 in 2010.

Note 4

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 the refining, marketing, 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.

During 2012, Chevron implemented legal reorganizations in which certain Chevron subsidiaries transferred assets to or under CUSA. The summarized financial information for CUSA and its consolidated subsidiaries presented in the table below gives retroactive effect to the reorganizations as if they had occurred on January 1, 2010. 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.

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

	Year ended December 31		
	2012	2011	2010
Sales and other operating revenues	**$ 183,215**	$ 187,929	$ 143,352
Total costs and other deductions	**175,009**	178,510	137,964
Net income attributable to CUSA	**6,216**	6,898	4,154

	At December 31	
	2012	2011
Current assets	**$ 18,983**	$ 34,490
Other assets	**52,082**	47,556
Current liabilities	**18,161**	19,081
Other liabilities	**26,472**	26,160
Total CUSA net equity	**$ 26,432**	$ 36,805
Memo: Total debt	**$ 14,482**	$ 14,763

Note 5

Summarized Financial Data – Chevron Transport Corporation Ltd.

Chevron Transport Corporation Ltd. (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 issued by a third party. Summarized financial information for CTC and its consolidated subsidiaries is as follows:

	Year ended December 31		
	2012	2011	2010
Sales and other operating revenues	**$ 606**	$ 793	$ 885
Total costs and other deductions	**745**	974	1,008
Net loss attributable to CTC	**(135)**	(177)	(116)

	At December 31	
	2012	2011
Current assets	**$ 199**	$ 290
Other assets	**313**	228
Current liabilities	**154**	114
Other liabilities	**415**	346
Total CTC net (deficit) equity	**$ (57)**	$ 58

There were no restrictions on CTC's ability to pay dividends or make loans or advances at December 31, 2012.

Note 6

Summarized Financial Data – Tengizchevroil LLP

Chevron has a 50 percent equity ownership interest in Tengizchevroil LLP (TCO). Refer to Note 11, on page 46, for a discussion of TCO operations.

Summarized financial information for 100 percent of TCO is presented in the following table:

	Year ended December 31		
	2012	2011	2010
Sales and other operating revenues	**$ 23,089**	$ 25,278	$ 17,812
Costs and other deductions	**10,064**	10,941	8,394
Net income attributable to TCO	**9,119**	10,039	6,593

	At December 31	
	2012	2011
Current assets	**$ 3,251**	$ 3,477
Other assets	**12,020**	11,619
Current liabilities	**2,597**	2,995
Other liabilities	**3,390**	3,759
Total TCO net equity	**$ 9,284**	$ 8,342

Note 7

Lease Commitments

Certain noncancelable leases are classified as capital leases, and the leased assets are included as part of "Properties, plant and equipment, at cost" on the Consolidated Balance Sheet. Such leasing arrangements involve crude oil production and processing equipment, service stations, bareboat charters, office buildings, and other facilities. Other leases are classified as operating leases and are not capitalized. The payments on operating leases are recorded as expense. Details of the capitalized leased assets are as follows:

	At December 31	
	2012	2011
Upstream	**$ 433**	$ 585
Downstream	**316**	316
All Other	**–**	–
Total	**749**	901
Less: Accumulated amortization	**479**	568
Net capitalized leased assets	**$ 270**	$ 333

Rental expenses incurred for operating leases during 2012, 2011 and 2010 were as follows:

	Year ended December 31		
	2012	2011	2010
Minimum rentals	**$ 973**	$ 892	$ 931
Contingent rentals	**7**	11	10
Total	**980**	903	941
Less: Sublease rental income	**32**	39	41
Net rental expense	**$ 948**	$ 864	$ 900

Contingent rentals are based on factors other than the passage of time, principally sales volumes at leased service stations. Certain leases include escalation clauses for adjusting rentals to reflect changes in price indices, renewal options ranging up to 25 years, and options to purchase the leased property during or at the end of the initial or renewal lease period for the fair market value or other specified amount at that time.

At December 31, 2012, the estimated future minimum lease payments (net of noncancelable sublease rentals) under operating and capital leases, which at inception had a noncancelable term of more than one year, were as follows:

	At December 31	
	Operating Leases	Capital Leases
Year: 2013	$ 727	$ 45
2014	657	37
2015	618	23
2016	528	13
2017	401	12
Thereafter	617	59
Total	$ 3,548	$ 189
Less: Amounts representing interest and executory costs		$ (40)
Net present values		149
Less: Capital lease obligations included in short-term debt		(50)
Long-term capital lease obligations		$ 99

Note 8

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.

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 table below shows the fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at December 31, 2012, and December 31, 2011.

Marketable Securities The company calculates fair value for its marketable securities based on quoted market prices for identical assets and liabilities. The fair values reflect the cash that would have been received if the instruments were sold at December 31, 2012.

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.

Properties, plant and equipment The company did not have any material long-lived assets measured at fair value on a nonrecurring basis to report in 2012 or 2011.

Investments and advances The company did not have any material investments and advances measured at fair value on a nonrecurring basis to report in 2012 or 2011.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	At December 31, 2012				At December 31, 2011			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Marketable securities	**$ 266**	**$ 266**	**$ –**	**$ –**	$ 249	$ 249	$ –	$ –
Derivatives	**86**	**21**	**65**	**–**	208	104	104	–
Total Assets at Fair Value	**$ 352**	**$ 287**	**$ 65**	**$ –**	$ 457	$ 353	$ 104	$ –
Derivatives	**149**	**148**	**1**	**–**	102	101	1	–
Total Liabilities at Fair Value	**$ 149**	**$ 148**	**$ 1**	**$ –**	$ 102	$ 101	$ 1	$ –

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

	At December 31					At December 31				
	Total	Level 1	Level 2	Level 3	Before-Tax Loss Year 2012	Total	Level 1	Level 2	Level 3	Before-Tax Loss Year 2011
Properties, plant and equipment, net (held and used)	**$ 84**	**$ –**	**$ –**	**$ 84**	**$ 213**	$ 67	$ –	$ –	$ 67	$ 81
Properties, plant and equipment, net (held for sale)	**16**	**–**	**–**	**16**	**17**	167	–	167	–	54
Investments and advances	**–**	**–**	**–**	**–**	**15**	–	–	–	–	108
Total Nonrecurring Assets at Fair Value	**$ 100**	**$ –**	**$ –**	**$ 100**	**$ 245**	$ 234	$ –	$ 167	$ 67	$ 243

Assets and Liabilities Not Required to Be Measured at Fair Value 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 $20,939 and $15,864 at December 31, 2012, and December 31, 2011, respectively. The instruments held in "Time deposits" are bank time deposits with maturities greater than 90 days, and had carrying/fair values of $708 and $3,958 at December 31, 2012, and December 31, 2011, 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 December 31, 2012.

"Cash and cash equivalents" do not include investments with a carrying/fair value of $1,454 and $1,240 at December 31, 2012, and December 31, 2011, respectively. At December 31, 2012, these investments are classified as Level 1 and include restricted funds related to tax payments, upstream abandonment activities, funds held in escrow for an asset acquisition and capital investment projects, all of which are reported in "Deferred charges and other assets" on the Consolidated Balance Sheet. Long-term debt of $6,086 and $4,101 at December 31, 2012, and December 31, 2011, had estimated fair values of $6,770 and $4,928, respectively. Long-term debt primarily includes corporate issued bonds. The fair value of corporate bonds is $5,853 and classified as Level 1. The fair value of the other bonds is $917 and classified as Level 2.

The carrying values of short-term financial assets and liabilities on the Consolidated Balance Sheet approximate their fair values. Fair value remeasurements of other financial instruments at December 31, 2012 and 2011, were not material.

The table on the previous page shows the fair value hierarchy for assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2012 and 2011.

Note 9

Financial and Derivative Instruments

Derivative Commodity Instruments Chevron is exposed to market risks related to price volatility of crude oil, refined products, natural gas, natural gas liquids, liquefied natural gas and refinery feedstocks.

The company uses derivative commodity instruments to manage these exposures on a portion of its activity, including firm commitments and anticipated transactions for the purchase, sale and storage of crude oil, refined products, natural gas, natural gas liquids and feedstock for company refineries. From time to time, the company also uses derivative commodity instruments for limited trading purposes.

The company's derivative commodity 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 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 commodity derivative activities.

The company uses International Swaps and Derivatives Association agreements to govern derivative contracts with certain counterparties to mitigate credit risk. Depending on the nature of the derivative transactions, bilateral collateral arrangements may also be required. When the company is engaged in more than one outstanding derivative transaction with the same counterparty and also has a legally enforceable netting agreement with that counterparty, the net mark-to-market exposure represents the netting of the positive and negative exposures with that counterparty and is a reasonable measure of the company's credit risk exposure. The company also uses other netting agreements with certain counterparties with which it conducts significant transactions to mitigate credit risk.

Derivative instruments measured at fair value at December 31, 2012, December 31, 2011, and December 31, 2010, 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

Type of Contract	Balance Sheet Classification	At December 31 **2012**	At December 31 2011
Commodity	Accounts and notes receivable, net	**$ 57**	$ 133
Commodity	Long-term receivables, net	**29**	75
Total Assets at Fair Value		**$ 86**	$ 208
Commodity	Accounts payable	**$ 112**	$ 36
Commodity	Deferred credits and other noncurrent obligations	**37**	66
Total Liabilities at Fair Value		**$ 149**	$ 102

Consolidated Statement of Income: The Effect of Derivatives Not Designated as Hedging Instruments

Type of Derivative Contract	Statement of Income Classification	Gain/(Loss) Year ended December 31 **2012**	2011	2010
Commodity	Sales and other operating revenues	**$ (49)**	$ (255)	$ (98)
Commodity	Purchased crude oil and products	**(24)**	15	(36)
Commodity	Other income	**6**	(2)	(1)
		$ (67)	$ (242)	$ (135)

Concentrations of Credit Risk The company's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash equivalents, time deposits, marketable securities, derivative financial instruments and trade receivables. The company's short-term investments are placed with a wide array of financial institutions with high credit ratings. Company investment policies limit the company's exposure both to credit risk and to concentrations of credit risk. Similar policies on diversification and creditworthiness are applied to the company's counterparties in derivative instruments.

The trade receivable balances, reflecting the company's diversified sources of revenue, are dispersed among the company's broad customer base worldwide. As a result, the company believes concentrations of credit risk are limited. The company routinely assesses the financial strength of its customers. When the financial strength of a customer is not considered sufficient, alternative risk mitigation measures may be deployed including requiring pre-payments, letters of credit or other acceptable collateral instruments to support sales to customers.

Note 10

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).

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 are presented in the following table:

	Year ended December 31		
	2012	2011	2010
Segment Earnings			
Upstream			
United States	**$ 5,332**	$ 6,512	$ 4,122
International	**18,456**	18,274	13,555
Total Upstream	**23,788**	24,786	17,677
Downstream			
United States	**2,048**	1,506	1,339
International	**2,251**	2,085	1,139
Total Downstream	**4,299**	3,591	2,478
Total Segment Earnings	**28,087**	28,377	20,155
All Other			
Interest expense	**–**	–	(41)
Interest income	**83**	78	70
Other	**(1,991)**	(1,560)	(1,160)
Net Income Attributable to Chevron Corporation	**$ 26,179**	$ 26,895	$ 19,024

Segment Assets Segment assets do not include intercompany investments or intercompany receivables. Segment assets at year-end 2012 and 2011 are as follows:

	At December 31	
	2012	2011
Upstream		
United States	**$ 41,891**	$ 37,108
International	**115,806**	98,540
Goodwill	**4,640**	4,642
Total Upstream	**162,337**	140,290
Downstream		
United States	**23,023**	22,182
International	**20,024**	20,517
Total Downstream	**43,047**	42,699
Total Segment Assets	**205,384**	182,989
All Other*		
United States	**7,727**	8,824
International	**19,871**	17,661
Total All Other	**27,598**	26,485
Total Assets – United States	**72,641**	68,114
Total Assets – International	**155,701**	136,718
Goodwill	**4,640**	4,642
Total Assets	**$ 232,982**	$ 209,474

*"All Other" assets consist primarily of worldwide cash, cash equivalents, time deposits and marketable securities, real estate, energy services, information systems, mining operations, power generation businesses, alternative fuels, technology companies, and assets of the corporate administrative functions.

Segment Sales and Other Operating Revenues Operating segment sales and other operating revenues, including internal transfers, for the years 2012, 2011 and 2010, are presented in the table that follows. 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 additives for fuels and lubricant oils and the transportation and trading of refined products, crude oil and natural gas liquids. "All Other" activities include revenues from mining operations, power generation businesses, insurance operations, real estate activities, energy services, alternative fuels, and technology companies.

	Year ended December 31		
	2012	2011	2010
Upstream			
United States	**$ 6,416**	$ 9,623	$ 10,316
Intersegment	**17,229**	18,115	13,839
Total United States	**23,645**	27,738	24,155
International	**19,459**	20,086	17,300
Intersegment	**34,094**	35,012	23,834
Total International	**53,553**	55,098	41,134
Total Upstream	**77,198**	82,836	65,289
Downstream			
United States	**83,043**	86,793	70,436
Excise and similar taxes	**4,665**	4,199	4,484
Intersegment	**49**	86	115
Total United States	**87,757**	91,078	75,035
International	**113,279**	119,254	90,922
Excise and similar taxes	**3,346**	3,886	4,107
Intersegment	**80**	81	93
Total International	**116,705**	123,221	95,122
Total Downstream	**204,462**	214,299	170,157
All Other			
United States	**378**	526	610
Intersegment	**1,300**	1,072	947
Total United States	**1,678**	1,598	1,557
International	**4**	4	23
Intersegment	**48**	42	39
Total International	**52**	46	62
Total All Other	**1,730**	1,644	1,619
Segment Sales and Other Operating Revenues			
United States	**113,080**	120,414	100,747
International	**170,310**	178,365	136,318
Total Segment Sales and Other Operating Revenues	**283,390**	298,779	237,065
Elimination of intersegment sales	**(52,800)**	(54,408)	(38,867)
Total Sales and Other Operating Revenues	**$ 230,590**	$ 244,371	$ 198,198

Segment Income Taxes Segment income tax expense for the years 2012, 2011 and 2010 is as follows:

	Year ended December 31		
	2012	2011	2010
Upstream			
United States	**$ 2,820**	$ 3,701	$ 2,285
International	**16,554**	16,743	10,480
Total Upstream	**19,374**	20,444	12,765
Downstream			
United States	**1,051**	785	680
International	**587**	416	462
Total Downstream	**1,638**	1,201	1,142
All Other	**(1,016)**	(1,019)	(988)
Total Income Tax Expense	**$ 19,996**	$ 20,626	$12,919

Other Segment Information Additional information for the segmentation of major equity affiliates is contained in Note 11 below. Information related to properties, plant and equipment by segment is contained in Note 12, on page 48.

Note 11

Investments and Advances

Equity in earnings, together with investments in and advances to companies accounted for using the equity method and other investments accounted for at or below cost, is shown in the following table. For certain equity affiliates, Chevron pays its share of some income taxes directly. For such affiliates, the equity in earnings does not include these taxes, which are reported on the Consolidated Statement of Income as "Income tax expense."

	Investments and Advances At December 31		Equity in Earnings Year ended December 31		
	2012	2011	**2012**	2011	2010
Upstream					
Tengizchevroil	**$ 5,451**	$ 5,306	**$ 4,614**	$5,097	$3,398
Petropiar	**952**	909	**55**	116	262
Caspian Pipeline Consortium	**1,187**	1,094	**96**	122	124
Petroboscan	**1,261**	1,032	**229**	247	222
Angola LNG Limited	**3,186**	2,921	**(106)**	(42)	(21)
Other	**2,658**	2,420	**266**	166	319
Total Upstream	**14,695**	13,682	**5,154**	5,706	4,304
Downstream					
GS Caltex Corporation	**2,610**	2,572	**249**	248	158
Chevron Phillips Chemical Company LLC	**3,451**	2,909	**1,206**	985	704
Star Petroleum Refining Company Ltd.	**–**	1,022	**22**	75	122
Caltex Australia Ltd.	**835**	819	**77**	117	101
Colonial Pipeline Company	**–**	–	**–**	–	43
Other	**837**	630	**196**	183	151
Total Downstream	**7,733**	7,952	**1,750**	1,608	1,279
All Other					
Other	**640**	516	**(15)**	49	54
Total equity method	**$ 23,068**	$ 22,150	**$ 6,889**	$7,363	$5,637
Other at or below cost	**650**	718			
Total investments and advances	**$ 23,718**	$ 22,868			
Total United States	**$ 5,788**	$ 4,847	**$ 1,268**	$1,119	$ 846
Total International	**$ 17,930**	$18,021	**$ 5,621**	$6,244	$4,791

Descriptions of major affiliates, including significant differences between the company's carrying value of its investments and its underlying equity in the net assets of the affiliates, are as follows:

Tengizchevroil Chevron has a 50 percent equity ownership interest in Tengizchevroil (TCO), which was formed in 1993 to develop the Tengiz and Korolev crude oil fields in Kazakhstan over a 40-year period. At December 31, 2012, the company's carrying value of its investment in TCO was about $170 higher than the amount of underlying equity in TCO's net assets. This difference results from Chevron acquiring a portion of its interest in TCO at a value greater than the underlying book value for that portion of TCO's net assets. See Note 6, on page 41, for summarized financial information for 100 percent of TCO.

Petropiar Chevron has a 30 percent interest in Petropiar, a joint stock company formed in 2008 to operate the Hamaca heavy-oil production and upgrading project. The project, located in Venezuela's Orinoco Belt, has a 25-year contract term. Prior to the formation of Petropiar, Chevron had a 30 percent interest in the Hamaca project. At December 31, 2012, the company's carrying value of its investment in Petropiar was approximately $180 less than the amount of underlying equity in Petropiar's net assets. The difference represents the excess of Chevron's underlying equity in Petropiar's net assets over the net book value of the assets contributed to the venture.

Caspian Pipeline Consortium Chevron has a 15 percent interest in the Caspian Pipeline Consortium, a variable interest entity, which provides the critical export route for crude oil from both TCO and Karachaganak. The company joined the consortium in 1997 and has investments and advances totaling $1,187 which includes long-term loans of $1,179 at year-end 2012. The loans were provided to fund 30 percent of the initial pipeline construction. The company is not the primary beneficiary of the consortium because it does not direct activities of the consortium and only receives its proportionate share of the financial returns.

Petroboscan Chevron has a 39 percent interest in Petroboscan, a joint stock company formed in 2006 to operate the Boscan Field in Venezuela until 2026. Chevron previously operated the field under an operating service agreement. At December 31, 2012, the company's carrying value of its investment in Petroboscan was approximately $200 higher than the amount of underlying equity in Petroboscan's net assets. The difference reflects the excess of the net book value of the assets contributed by Chevron over its underlying equity in Petroboscan's net assets.

Angola LNG Ltd. Chevron has a 36 percent interest in Angola LNG Ltd., which will process and liquefy natural gas produced in Angola for delivery to international markets.

GS Caltex Corporation Chevron owns 50 percent of GS Caltex Corporation, a joint venture with GS Holdings. The joint venture imports, refines and markets petroleum products and petrochemicals, predominantly in South Korea.

Chevron Phillips Chemical Company LLC Chevron owns 50 percent of Chevron Phillips Chemical Company LLC. The other half is owned by Phillips 66.

Star Petroleum Refining Company Ltd. Chevron has a 64 percent ownership interest in Star Petroleum Refining Company Ltd. (SPRC), which owns the Star Refinery in Thailand. PTT Public Company Limited owns the remaining 36 percent of SPRC. Due to a change in control effective June 2012, SPRC is consolidated in Chevron's Consolidated Financial Statements.

Caltex Australia Ltd. Chevron has a 50 percent equity ownership interest in Caltex Australia Ltd. (CAL). The remaining 50 percent of CAL is publicly owned. At December 31, 2012, the fair value of Chevron's share of CAL common stock was $2,690.

Other Information "Sales and other operating revenues" on the Consolidated Statement of Income includes $17,356, $20,164 and $13,672 with affiliated companies for 2012, 2011 and 2010, respectively. "Purchased crude oil and products" includes $6,634, $7,489 and $5,559 with affiliated companies for 2012, 2011 and 2010, respectively.

"Accounts and notes receivable" on the Consolidated Balance Sheet includes $1,207 and $1,968 due from affiliated companies at December 31, 2012 and 2011, respectively. "Accounts payable" includes $407 and $519 due to affiliated companies at December 31, 2012 and 2011, respectively.

The following table provides summarized financial information on a 100 percent basis for all equity affiliates as well as Chevron's total share, which includes Chevron loans to affiliates of $1,494, $957 and $1,543 at December 31, 2012, 2011 and 2010, respectively.

	Affiliates			Chevron Share		
Year ended December 31	**2012**	2011	2010	**2012**	2011	2010
Total revenues	**$ 136,065**	$140,107	$ 107,505	**$ 65,196**	$ 68,632	$ 52,088
Income before income tax expense	**23,016**	23,054	18,468	**9,856**	10,555	7,966
Net income attributable to affiliates	**16,786**	16,663	12,831	**6,938**	7,413	5,683
At December 31						
Current assets	**$ 37,541**	$ 35,573	$ 30,335	**$ 14,732**	$ 14,695	$ 12,845
Noncurrent assets	**66,065**	61,855	57,491	**23,523**	22,422	21,401
Current liabilities	**27,878**	24,671	20,428	**11,093**	11,040	9,363
Noncurrent liabilities	**19,366**	19,267	19,749	**4,879**	4,491	4,459
Total affiliates' net equity	**$ 56,362**	$ 53,490	$ 47,649	**$ 22,283**	$ 21,586	$ 20,424

Note 12

Properties, Plant and Equipment[1]

	At December 31						Year ended December 31					
	Gross Investment at Cost			Net Investment			Additions at Cost[2,3]			Depreciation Expense[4]		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Upstream												
United States	**$ 81,908**	$ 74,369	$ 62,523	**$ 37,909**	$ 33,461	$ 23,277	**$ 8,211**	$ 14,404	$ 4,934	**$ 3,902**	$ 3,870	$ 4,078
International	**145,799**	125,795	110,578	**85,318**	72,543	64,388	**21,343**	15,722	14,381	**8,015**	7,590	7,448
Total Upstream	**227,707**	200,164	173,101	**123,227**	106,004	87,665	**29,554**	30,126	19,315	**11,917**	11,460	11,526
Downstream												
United States	**21,792**	20,699	19,820	**11,333**	10,723	10,379	**1,498**	1,226	1,199	**799**	776	741
International	**8,990**	7,422	9,697	**3,930**	2,995	3,948	**2,544**	443	361	**308**	332	451
Total Downstream	**30,782**	28,121	29,517	**15,263**	13,718	14,327	**4,042**	1,669	1,560	**1,107**	1,108	1,192
All Other[5]												
United States	**4,959**	5,117	4,722	**2,845**	2,872	2,496	**415**	591	259	**384**	338	341
International	**33**	30	27	**13**	14	16	**4**	5	11	**5**	5	4
Total All Other	**4,992**	5,147	4,749	**2,858**	2,886	2,512	**419**	596	270	**389**	343	345
Total United States	**108,659**	100,185	87,065	**52,087**	47,056	36,152	**10,124**	16,221	6,392	**5,085**	4,984	5,160
Total International	**154,822**	133,247	120,302	**89,261**	75,552	68,352	**23,891**	16,170	14,753	**8,328**	7,927	7,903
Total	**$ 263,481**	$ 233,432	$ 207,367	**$ 141,348**	$ 122,608	$ 104,504	**$ 34,015**	$ 32,391	$ 21,145	**$ 13,413**	$ 12,911	$ 13,063

[1] Other than the United States, Nigeria and Australia, no other country accounted for 10 percent or more of the company's net properties, plant and equipment (PP&E) in 2012. Nigeria had PP&E of $17,485, $15,601 and $13,896 for 2012, 2011 and 2010, respectively. Australia had $21,770 and $12,423 in 2012 and 2011 respectively.
[2] Net of dry hole expense related to prior years' expenditures of $80, $45 and $82 in 2012, 2011 and 2010, respectively.
[3] Includes properties acquired with the acquisition of Atlas Energy, Inc., in 2011.
[4] Depreciation expense includes accretion expense of $629, $628 and $513 in 2012, 2011 and 2010, respectively.
[5] Primarily mining operations, power generation businesses, real estate assets and management information systems.

Note 13

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 six 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 before the Superior Court of Nueva Loja in Lago Agrio, Ecuador, brought 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. 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 $18,900, 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 $8,400 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 damages are between approximately $16,000 and $76,000 and that unjust enrichment should be assessed in an amount between approximately $5,000 and $38,000. 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 $8,600 in damages and approximately $900 as an award for the plaintiffs' representatives. It also assessed an additional amount of approximately $8,600 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 $8,600 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 a 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 $19,100.

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 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 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% of any payments due to Chevron Argentina S.R.L. and ordering banks to withhold 40% 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. 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 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.

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 14

Taxes

Income Taxes

	Year ended December 31		
	2012	2011	2010
Taxes on income			
U.S. federal			
Current	**$ 1,703**	$ 1,893	$ 1,501
Deferred	**673**	877	162
State and local			
Current	**652**	596	376
Deferred	**(145)**	41	20
Total United States	**2,883**	3,407	2,059
International			
Current	**15,626**	16,548	10,483
Deferred	**1,487**	671	377
Total International	**17,113**	17,219	10,860
Total taxes on income	**$ 19,996**	$ 20,626	$12,919

In 2012, before-tax income for U.S. operations, including related corporate and other charges, was $8,456, compared with before-tax income of $10,222 and $6,528 in 2011 and 2010, respectively. For international operations, before-tax income was $37,876, $37,412 and $25,527 in 2012, 2011 and 2010, respectively. U.S. federal income tax expense was reduced by $165, $191 and $162 in 2012, 2011 and 2010, respectively, for business tax credits.

The reconciliation between the U.S. statutory federal income tax rate and the company's effective income tax rate is detailed in the following table:

	Year ended December 31		
	2012	2011	2010
U.S. statutory federal income tax rate	**35.0%**	35.0%	35.0%
Effect of income taxes from international operations at rates different from the U.S. statutory rate	**7.8**	7.5	5.2
State and local taxes on income, net of U.S. federal income tax benefit	**0.6**	0.9	0.8
Prior-year tax adjustments	**(0.2)**	(0.1)	(0.6)
Tax credits	**(0.4)**	(0.4)	(0.5)
Effects of changes in tax rates	**0.3**	0.5	–
Other	**0.1**	(0.1)	0.4
Effective tax rate	**43.2%**	43.3%	40.3%

The company's effective tax rate decreased slightly from 43.3 percent in 2011 to 43.2 percent in 2012. The impact of lower effective tax rates in international upstream operations was essentially offset by foreign currency remeasurement impacts between periods. For international upstream, the lower effective tax rates in the current period were driven primarily by the effects of asset sales, one-time tax benefits and reduced withholding taxes, which were partially offset by a lower utilization of tax credits during the current year.

The company records its deferred taxes on a tax-jurisdiction basis and classifies those net amounts as current or noncurrent based on the balance sheet classification of the related assets or liabilities. The reported deferred tax balances are composed of the following:

	At December 31	
	2012	2011
Deferred tax liabilities		
Properties, plant and equipment	**$ 24,295**	$ 23,597
Investments and other	**2,276**	2,271
Total deferred tax liabilities	**26,571**	25,868
Deferred tax assets		
Foreign tax credits	**(10,817)**	(8,476)
Abandonment/environmental reserves	**(5,728)**	(5,387)
Employee benefits	**(5,100)**	(4,773)
Deferred credits	**(2,891)**	(1,548)
Tax loss carryforwards	**(738)**	(828)
Other accrued liabilities	**(381)**	(531)
Inventory	**(281)**	(360)
Miscellaneous	**(1,835)**	(1,595)
Total deferred tax assets	**(27,771)**	(23,498)
Deferred tax assets valuation allowance	**15,443**	11,096
Total deferred taxes, net	**$ 14,243**	$ 13,466

Deferred tax liabilities at the end of 2012 increased by approximately $700 from year-end 2011. The increase was related to increased temporary differences for property, plant and equipment.

Deferred tax assets increased by approximately $4,300 in 2012. Increases primarily related to additional U.S. foreign tax credits arising from earnings in high-tax-rate international jurisdictions (which were substantially offset by a valuation allowance) and to future international tax benefits earned.

The overall valuation allowance relates to deferred tax assets for U.S. foreign tax credit carryforwards, tax loss carryforwards and temporary differences. It reduces the deferred tax assets to amounts that are, in management's assessment, more likely than not to be realized. At the end of 2012, the company had tax loss carryforwards of approximately $2,009 and tax credit carryforwards of approximately $1,146 primarily related to various international tax jurisdictions. Whereas some of these tax loss carryforwards do not have an expiration date, others expire at various times from 2013 through 2029. U.S. foreign tax credit carryforwards of $10,817 will expire between 2013 and 2022.

At December 31, 2012 and 2011, deferred taxes were classified on the Consolidated Balance Sheet as follows:

	At December 31	
	2012	2011
Prepaid expenses and other current assets	**$ (1,365)**	$ (1,149)
Deferred charges and other assets	**(2,662)**	(1,224)
Federal and other taxes on income	**598**	295
Noncurrent deferred income taxes	**17,672**	15,544
Total deferred income taxes, net	**$ 14,243**	$ 13,466

Income taxes are not accrued for unremitted earnings of international operations that have been or are intended to be reinvested indefinitely. Undistributed earnings of international consolidated subsidiaries and affiliates for which no deferred income tax provision has been made for possible future remittances totaled $26,527 at December 31, 2012. This amount represents earnings reinvested as part of the company's ongoing international business. It is not practicable to estimate the amount of taxes that might be payable on the possible remittance of earnings that are intended to be reinvested indefinitely. At the end of 2012, deferred income taxes were recorded for the undistributed earnings of certain international operations where indefinite reinvestment of the earnings is not planned. The company does not anticipate incurring significant additional taxes on remittances of earnings that are not indefinitely reinvested.

Uncertain Income Tax Positions Under accounting standards for uncertainty in income taxes (ASC 740-10), a company recognizes a tax benefit in the financial statements for an uncertain tax position only if management's assessment is that the position is "more likely than not" (i.e., a likelihood greater than 50 percent) to be allowed by the tax jurisdiction based solely on the technical merits of the position. The term "tax position" in the accounting standards for income taxes refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods.

The following table indicates the changes to the company's unrecognized tax benefits for the years ended December 31, 2012, 2011 and 2010. The term "unrecognized tax benefits" in the accounting standards for income taxes refers to the differences between a tax position taken or expected to be taken in a tax return and the benefit measured and recognized in the financial statements. Interest and penalties are not included.

	2012	2011	2010
Balance at January 1	**$ 3,481**	$ 3,507	$ 3,195
Foreign currency effects	**4**	(2)	17
Additions based on tax positions taken in current year	**543**	469	334
Additions/reductions resulting from current-year asset acquisitions/sales	**–**	(41)	–
Additions for tax positions taken in prior years	**152**	236	270
Reductions for tax positions taken in prior years	**(899)**	(366)	(165)
Settlements with taxing authorities in current year	**(138)**	(318)	(136)
Reductions as a result of a lapse of the applicable statute of limitations	**(72)**	(4)	(8)
Balance at December 31	**$ 3,071**	$ 3,481	$ 3,507

The decrease in unrecognized tax benefits between December 31, 2011, and December 31, 2012 was primarily due to new information received during the fourth quarter 2012 regarding the sustainability of certain U.S. foreign tax credits. The reduction in unrecognized tax benefits related to these foreign tax credits had no impact on the effective tax rate since the deferred tax asset recognized for these foreign tax credits has been offset with a full valuation allowance.

Approximately 67 percent of the $3,071 of unrecognized tax benefits at December 31, 2012, would have an impact on the effective tax rate if subsequently recognized. Certain of these unrecognized tax benefits relate to tax carryforwards that may require a full valuation allowance at the time of any such recognition.

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 December 31, 2012. 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 – 2006.

The company engages in ongoing discussions with tax authorities regarding the resolution of tax matters in the various jurisdictions. Both the outcome of 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 on 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.

On the Consolidated Statement of Income, the company reports interest and penalties related to liabilities for uncertain tax positions as "Income tax expense." As of December 31, 2012, accruals of $293 for anticipated interest and penalty obligations were included on the Consolidated Balance Sheet, compared with accruals of $118 as of year-end 2011. Income tax expense (benefit) associated with interest and penalties was $145, $(64) and $40 in 2012, 2011 and 2010, respectively.

Taxes Other Than on Income

	Year ended December 31		
	2012	2011	2010
United States			
Excise and similar taxes on products and merchandise	**$ 4,665**	$ 4,199	$ 4,484
Import duties and other levies	**1**	4	–
Property and other miscellaneous taxes	**782**	726	567
Payroll taxes	**240**	236	219
Taxes on production	**328**	308	271
Total United States	**6,016**	5,473	5,541
International			
Excise and similar taxes on products and merchandise	**3,345**	3,886	4,107
Import duties and other levies	**106**	3,511	6,183
Property and other miscellaneous taxes	**2,501**	2,354	2,000
Payroll taxes	**160**	148	133
Taxes on production	**248**	256	227
Total International	**6,360**	10,155	12,650
Total taxes other than on income	**$ 12,376**	$ 15,628	$ 18,191

Note 15
Short-Term Debt

	At December 31	
	2012	2011
Commercial paper*	**$ 2,783**	$ 2,498
Notes payable to banks and others with originating terms of one year or less	**23**	40
Current maturities of long-term debt	**20**	17
Current maturities of long-term capital leases	**38**	54
Redeemable long-term obligations		
Long-term debt	**3,151**	3,317
Capital leases	**12**	14
Subtotal	**6,027**	5,940
Reclassified to long-term debt	**(5,900)**	(5,600)
Total short-term debt	**$ 127**	$ 340

*Weighted-average interest rates at December 31, 2012 and 2011, were 0.13 percent and 0.04 percent, respectively.

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

The company may periodically enter into interest rate swaps on a portion of its short-term debt. At December 31, 2012, the company had no interest rate swaps on short-term debt.

At December 31, 2012, the company had $6,000 in committed credit facilities with various major banks, expiring in December 2016, that 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 December 31, 2012.

At December 31, 2012 and 2011, the company classified $5,900 and $5,600, respectively, of short-term debt as long-term. Settlement of these obligations is not expected to require the use of working capital within one year, as the company has both the intent and the ability, as evidenced by committed credit facilities, to refinance them on a long-term basis.

Note 16
Long-Term Debt

Total long-term debt, excluding capital leases, at December 31, 2012, was $11,966. The company's long-term debt outstanding at year-end 2012 and 2011 was as follows:

	At December 31	
	2012	2011
3.95% notes due 2014	**$ –**	$ 1,998
1.104% notes due 2017	**2,000**	–
2.355% notes due 2022	**2,000**	–
4.95% notes due 2019	**1,500**	1,500
8.625% debentures due 2032	**147**	147
8.625% debentures due 2031	**107**	107
7.5% debentures due 2043	**83**	83
8% debentures due 2032	**74**	74
9.75% debentures due 2020	**54**	54
7.327% amortizing notes due 2014[1]	**43**	59
8.875% debentures due 2021	**40**	40
Medium-term notes, maturing from 2021 to 2038 (5.92%)[2]	**38**	38
Other long-term debt (8.07%)[2]	**–**	1
Total including debt due within one year	**6,086**	4,101
Debt due within one year	**(20)**	(17)
Reclassified from short-term debt	**5,900**	5,600
Total long-term debt	**$ 11,966**	$ 9,684

[1] Guarantee of ESOP debt.
[2] Weighted-average interest rate at December 31, 2012 and 2011.

In November 2012, the company filed with the SEC an automatic registration statement that expires in 2015. This registration statement is for an unspecified amount of nonconvertible debt securities issued or guaranteed by the company.

Long-term debt of $6,086 matures as follows: 2013 – $20; 2014– $23; 2015 – $0; 2016 – $0; 2017 – $2,000; and after 2017 – $4,043.

In December 2012, $4,000 of Chevron Corporation bonds were issued and $2,000 of Chevron Corporation 3.95% bonds due 2014 were redeemed early.

See Note 8, beginning on page 41, for information concerning the fair value of the company's long-term debt.

Note 17

New Accounting Standards

Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities (ASU 2011-11) In December 2011, the FASB issued ASU 2011-11, which became effective for the company on January 1, 2013. The standard amends and expands disclosure requirements about offsetting and related arrangements. The company does not anticipate any impacts to its results of operations, financial position or liquidity when the guidance becomes effective.

Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02) The FASB issued ASU 2013-02 in February 2013. This standard became effective for the company on January 1, 2013. ASU 2013-02 changes the presentation requirements of significant reclassifications out of accumulated other comprehensive income in their entirety and their corresponding effect on net income. For other significant amounts that are not required to be reclassified in their entirety, the standard requires the company to cross-reference to related footnote disclosures. Adoption of the standard is not expected to have a significant impact on the company's financial statement presentation.

Note 18

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 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 enterprise 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 accounting standards provide a number of indicators that can assist an entity in demonstrating that sufficient progress is being made in assessing the reserves and economic viability of the project.

The following table indicates the changes to the company's suspended exploratory well costs for the three years ended December 31, 2012:

	2012	2011	2010
Beginning balance at January 1	**$ 2,434**	$ 2,718	$ 2,435
Additions to capitalized exploratory well costs pending the determination of proved reserves	**595**	652	482
Reclassifications to wells, facilities and equipment based on the determination of proved reserves	**(244)**	(828)	(129)
Capitalized exploratory well costs charged to expense	**(49)**	(45)	(70)
Other reductions*	**(55)**	(63)	–
Ending balance at December 31	**$ 2,681**	$ 2,434	$ 2,718

*Represents property sales.

The following table provides an aging of capitalized well costs and the number of projects for which exploratory well costs have been capitalized for a period greater than one year since the completion of drilling.

	At December 31		
	2012	2011	2010
Exploratory well costs capitalized for a period of one year or less	**$ 501**	$ 557	$ 419
Exploratory well costs capitalized for a period greater than one year	**2,180**	1,877	2,299
Balance at December 31	**$ 2,681**	$ 2,434	$ 2,718
Number of projects with exploratory well costs that have been capitalized for a period greater than one year*	**46**	47	53

*Certain projects have multiple wells or fields or both.

Of the $2,180 of exploratory well costs capitalized for more than one year at December 31, 2012, $1,359 (23 projects) is related to projects that had drilling activities under way or firmly planned for the near future. The $821 balance is related to 23 projects in areas requiring a major capital expenditure before production could begin and for which additional drilling efforts were not under way or firmly planned for the near future. Additional drilling was not deemed necessary because the presence of hydrocarbons had already been established, and other activities were in process to enable a future decision on project development.

The projects for the $821 referenced above had the following activities associated with assessing the reserves and the projects' economic viability: (a) $359 (six projects) – undergoing front-end engineering and design with final investment decision expected within three years; (b) $218 (four projects) – development concept under review by government; (c) $202 (five projects) – development alternatives under review; (d) $42 (eight projects) – miscellaneous activities for projects with smaller amounts suspended. While progress was being made on all 46 projects, the decision on the recognition of proved reserves under SEC rules in some cases may not occur for several years because of the complexity, scale and negotiations connected with the projects. However, the majority of these decisions are expected to occur in the next three years.

The $2,180 of suspended well costs capitalized for a period greater than one year as of December 31, 2012, represents 166 exploratory wells in 46 projects. The tables below contain the aging of these costs on a well and project basis:

Aging based on drilling completion date of individual wells:	Amount	Number of wells
1997–2001	$ 65	23
2002–2006	416	41
2007–2011	1,699	102
Total	$ 2,180	166

Aging based on drilling completion date of last suspended well in project:	Amount	Number of projects
1999	$ 8	1
2003–2007	322	8
2008–2012	1,850	37
Total	$ 2,180	46

Note 19

Stock Options and Other Share-Based Compensation

Compensation expense for stock options for 2012, 2011 and 2010 was $283 ($184 after tax), $265 ($172 after tax) and $229 ($149 after tax), respectively. In addition, compensation expense for stock appreciation rights, restricted stock, performance units and restricted stock units was $177 ($115 after tax), $214 ($139 after tax) and $194 ($126 after tax) for 2012, 2011 and 2010, respectively. No significant stock-based compensation cost was capitalized at December 31, 2012, or December 31, 2011.

Cash received in payment for option exercises under all share-based payment arrangements for 2012, 2011 and 2010 was $753, $948 and $385, respectively. Actual tax benefits realized for the tax deductions from option exercises were $101, $121 and $66 for 2012, 2011 and 2010, respectively.

Cash paid to settle performance units and stock appreciation rights was $123, $151 and $140 for 2012, 2011 and 2010, respectively.

Chevron Long-Term Incentive Plan (LTIP) Awards under the LTIP may take the form of, but are not limited to, stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and nonstock grants. From April 2004 through January 2014, no more than 160 million shares may be issued under the LTIP, and no more than 64 million of those shares may be in a form other than a stock option, stock appreciation right or award requiring full payment for shares by the award recipient. For the major types of awards outstanding as of December 31, 2012, the contractual terms vary between three years for the performance units and 10 years for the stock options and stock appreciation rights.

Unocal Share-Based Plans (Unocal Plans) When Chevron acquired Unocal in August 2005, outstanding stock options and stock appreciation rights granted under various Unocal Plans were exchanged for fully vested Chevron options and appreciation rights. These awards retained the same provisions as the original Unocal Plans. Unexercised awards began expiring in early 2010 and will continue to expire through early 2015.

The fair market values of stock options and stock appreciation rights granted in 2012, 2011 and 2010 were measured on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions:

	Year ended December 31		
	2012	2011	2010
Stock Options			
Expected term in years[1]	**6.0**	6.2	6.1
Volatility[2]	**31.7%**	31.0%	30.8%
Risk-free interest rate based on zero coupon U.S. treasury note	**1.1%**	2.6%	2.9%
Dividend yield	**3.2%**	3.6%	3.9%
Weighted-average fair value per option granted	**$ 23.35**	$ 21.24	$ 16.28

[1] Expected term is based on historical exercise and postvesting cancellation data.
[2] Volatility rate is based on historical stock prices over an appropriate period, generally equal to the expected term.

A summary of option activity during 2012 is presented below:

	Shares (Thousands)	Weighted-Average Exercise Price	Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2012	72,348	$ 73.71		
Granted	12,455	$107.73		
Exercised	(12,024)	$ 62.13		
Forfeited	(884)	$ 96.78		
Outstanding at December 31, 2012	71,895	$ 81.26	6.3	$ 1,933
Exercisable at December 31, 2012	47,060	$ 72.82	5.2	$ 1,662

The total intrinsic value (i.e., the difference between the exercise price and the market price) of options exercised during 2012, 2011 and 2010 was $580, $668 and $259, respectively. During this period, the company continued its practice of issuing treasury shares upon exercise of these awards.

As of December 31, 2012, there was $255 of total unrecognized before-tax compensation cost related to nonvested share-based compensation arrangements granted under the plans. That cost is expected to be recognized over a weighted-average period of 1.7 years.

At January 1, 2012, the number of LTIP performance units outstanding was equivalent to 2,881,836 shares. During 2012, 888,350 units were granted, 882,003 units vested with cash proceeds distributed to recipients and 60,426 units were forfeited. At December 31, 2012, units outstanding were 2,827,757, and the fair value of the liability recorded for these instruments was $320. In addition, outstanding stock appreciation rights and other awards that were granted under various LTIP and former Unocal programs totaled approximately 2.4 million equivalent shares as of December 31, 2012. A liability of $71 was recorded for these awards.

Note 20

Employee Benefit Plans

The company 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.

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 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.

Under accounting standards for postretirement benefits (ASC 715), the company recognizes the overfunded or underfunded status of each of its defined benefit pension and OPEB plans as an asset or liability on the Consolidated Balance Sheet.

The funded status of the company's pension and other postretirement benefit plans for 2012 and 2011 follows:

	Pension Benefits				Other Benefits	
	2012		2011			
	U.S.	Int'l.	U.S.	Int'l.	**2012**	2011
Change in Benefit Obligation						
Benefit obligation at January 1	**$12,165**	**$ 5,519**	$10,271	$ 5,070	**$ 3,765**	$ 3,605
Service cost	**452**	**181**	374	174	**61**	58
Interest cost	**435**	**320**	463	325	**153**	180
Plan participants' contributions	**–**	**7**	–	6	**151**	148
Plan amendments	**94**	**37**	–	27	**11**	–
Actuarial loss (gain)	**1,322**	**417**	1,920	318	**44**	149
Foreign currency exchange rate changes	**–**	**114**	–	(98)	**1**	(19)
Benefits paid	**(763)**	**(308)**	(863)	(303)	**(350)**	(346)
Divestitures	**(51)**	**–**	–	–	**(49)**	–
Curtailment	**–**	**–**	–	–	**–**	(10)
Benefit obligation at December 31	**13,654**	**6,287**	12,165	5,519	**3,787**	3,765
Change in Plan Assets						
Fair value of plan assets at January 1	**8,720**	**3,577**	8,579	3,503	**–**	–
Actual return on plan assets	**1,149**	**375**	(143)	118	**–**	–
Foreign currency exchange rate changes	**–**	**90**	–	(66)	**–**	–
Employer contributions	**844**	**384**	1,147	319	**199**	198
Plan participants' contributions	**–**	**7**	–	6	**151**	148
Benefits paid	**(763)**	**(308)**	(863)	(303)	**(350)**	(346)
Divestitures	**(41)**	**–**	–	–	**–**	–
Fair value of plan assets at December 31	**9,909**	**4,125**	8,720	3,577	**–**	–
Funded Status at December 31	**$ (3,745)**	**$ (2,162)**	$ (3,445)	$ (1,942)	**$ (3,787)**	$ (3,765)

Amounts recognized on the Consolidated Balance Sheet for the company's pension and other postretirement benefit plans at December 31, 2012 and 2011, include:

	Pension Benefits				Other Benefits	
	2012		2011			
	U.S.	Int'l.	U.S.	Int'l.	**2012**	2011
Deferred charges and other assets	**$ 7**	**$ 55**	$ 5	$ 116	**$ –**	$ –
Accrued liabilities	**(61)**	**(76)**	(72)	(84)	**(225)**	(222)
Reserves for employee benefit plans	**(3,691)**	**(2,141)**	(3,378)	(1,974)	**(3,562)**	(3,543)
Net amount recognized at December 31	**$ (3,745)**	**$ (2,162)**	$ (3,445)	$ (1,942)	**$ (3,787)**	$ (3,765)

Amounts recognized on a before-tax basis in "Accumulated other comprehensive loss" for the company's pension and OPEB plans were $9,742 and $9,279 at the end of 2012 and 2011, respectively. These amounts consisted of:

	Pension Benefits				Other Benefits	
	2012		2011			
	U.S.	Int'l.	U.S.	Int'l.	**2012**	2011
Net actuarial loss	**$ 6,087**	**$ 2,439**	$ 5,982	$ 2,250	**$ 968**	$ 1,002
Prior service (credit) costs	**58**	**170**	(44)	152	**20**	(63)
Total recognized at December 31	**$ 6,145**	**$ 2,609**	$ 5,938	$ 2,402	**$ 988**	$ 939

The accumulated benefit obligations for all U.S. and international pension plans were $12,108 and $5,167, respectively, at December 31, 2012, and $11,198 and $4,518, respectively, at December 31, 2011.

Information for U.S. and international pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2012 and 2011, was:

	Pension Benefits			
	2012		2011	
	U.S.	Int'l.	U.S.	Int'l.
Projected benefit obligations	**$ 13,647**	**$ 4,812**	$ 12,157	$ 4,207
Accumulated benefit obligations	**12,101**	**4,063**	11,191	3,586
Fair value of plan assets	**9,895**	**2,756**	8,707	2,357

The components of net periodic benefit cost and amounts recognized in other comprehensive income for 2012, 2011 and 2010 are shown in the table below:

	Pension Benefits						Other Benefits		
	2012		2011		2010				
	U.S.	Int'l.	U.S.	Int'l.	U.S.	Int'l.	**2012**	2011	2010
Net Periodic Benefit Cost									
Service cost	**$ 452**	**$ 181**	$ 374	$ 174	$ 337	$ 153	**$ 61**	$ 58	$ 39
Interest cost	**435**	**320**	463	325	486	307	**153**	180	175
Expected return on plan assets	**(634)**	**(269)**	(613)	(283)	(538)	(241)	**–**	–	–
Amortization of prior service (credits) costs	**(7)**	**18**	(8)	19	(8)	22	**(72)**	(72)	(75)
Recognized actuarial losses	**470**	**136**	310	101	318	98	**56**	64	27
Settlement losses	**220**	**5**	298	–	186	6	**(26)**	–	–
Curtailment losses (gains)	**–**	**–**	–	35	–	–	**–**	(10)	–
Total net periodic benefit cost	**936**	**391**	824	371	781	345	**172**	220	166
Changes Recognized in Other Comprehensive Income									
Net actuarial loss during period	**805**	**330**	2,671	448	242	118	**45**	131	497
Amortization of actuarial loss	**(700)**	**(141)**	(608)	(101)	(504)	(104)	**(79)**	(64)	(27)
Prior service cost during period	**94**	**37**	–	27	–	–	**11**	–	12
Amortization of prior service credits (costs)	**7**	**(18)**	8	(54)	8	(22)	**72**	72	75
Total changes recognized in other comprehensive income	**206**	**208**	2,071	320	(254)	(8)	**49**	139	557
Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	**$1,142**	**$ 599**	$2,895	$ 691	$ 527	$ 337	**$ 221**	$ 359	$ 723

Net actuarial losses recorded in "Accumulated other comprehensive loss" at December 31, 2012, for the company's U.S. pension, international pension and OPEB plans are being amortized on a straight-line basis over approximately 10, 13 and 10 years, respectively. These amortization periods represent the estimated average remaining service of employees expected to receive benefits under the plans. These losses are amortized to the extent they exceed 10 percent of the higher of the projected benefit obligation or market-related value of plan assets. The amount subject to amortization is determined on a plan-by-plan basis. During 2013, the company estimates actuarial losses of $472, $143 and $54 will be amortized from "Accumulated other comprehensive loss" for U.S. pension, international pension and OPEB plans, respectively. In addition, the company estimates an additional $230 will be recognized from "Accumulated other comprehensive loss" during 2013 related to lump-sum settlement costs from U.S. pension plans.

The weighted average amortization period for recognizing prior service costs (credits) recorded in "Accumulated other comprehensive loss" at December 31, 2012, was approximately 10 and 13 years for U.S. and international pension plans, respectively, and 11 years for other postretirement benefit plans. During 2013, the company estimates prior service (credits) costs of $1, $22 and $(50) will be amortized from "Accumulated other comprehensive loss" for U.S. pension, international pension and OPEB plans, respectively.

Assumptions The following weighted-average assumptions were used to determine benefit obligations and net periodic benefit costs for years ended December 31:

	Pension Benefits						Other Benefits		
	2012		2011		2010				
	U.S.	Int'l.	U.S.	Int'l.	U.S.	Int'l.	**2012**	2011	2010
Assumptions used to determine benefit obligations:									
Discount rate	**3.6%**	**5.2%**	3.8%	5.9%	4.8%	6.5%	**4.1%**	4.2%	5.2%
Rate of compensation increase	**4.5%**	**5.5%**	4.5%	5.7%	4.5%	6.7%	**N/A**	N/A	N/A
Assumptions used to determine net periodic benefit cost:									
Discount rate	**3.8%**	**5.9%**	4.8%	6.5%	5.3%	6.8%	**4.2%**	5.2%	5.9%
Expected return on plan assets	**7.5%**	**7.5%**	7.8%	7.8%	7.8%	7.8%	**N/A**	N/A	N/A
Rate of compensation increase	**4.5%**	**5.7%**	4.5%	6.7%	4.5%	6.3%	**N/A**	N/A	N/A

Expected Return on Plan Assets The company's estimated long-term rates of return on pension assets are driven primarily by actual historical asset-class returns, an assessment of expected future performance, advice from external actuarial firms and the incorporation of specific asset-class risk factors. Asset allocations are periodically updated using pension plan asset/liability studies, and the company's estimated long-term rates of return are consistent with these studies.

For 2012, the company used an expected long-term rate of return of 7.5 percent for U.S. pension plan assets, which account for 70 percent of the company's pension plan assets. In 2011 and 2010, the company used a long-term rate of return of 7.8 percent for this plan.

The market-related value of assets of the major U.S. pension plan used in the determination of pension expense was based on the market values in the three months preceding the year-end measurement date. Management considers the three-month time period long enough to minimize the effects of distortions from day-to-day market volatility and still be contemporaneous to the end of the year. For other plans, market value of assets as of year-end is used in calculating the pension expense.

Discount Rate The discount rate assumptions used to determine the U.S. and international pension and postretirement benefit plan obligations and expense reflect the rate at which benefits could be effectively settled and is equal to the equivalent single rate resulting from yield curve analysis. This analysis considered the projected benefit payments specific to the company's plans and the yields on high-quality bonds. At December 31, 2012, the company used a 3.6 percent discount rate for the U.S. pension plans and 3.9 percent for the main U.S. OPEB plan. The discount rates at the end of 2011 and 2010 were 3.8 and 4.0 percent and 4.8 and 5.0 percent for the U.S. pension plans and the main U.S. OPEB plans, respectively.

Other Benefit Assumptions For the measurement of accumulated postretirement benefit obligation at December 31, 2012, for the main U.S. postretirement medical plan, the assumed health care cost-trend rates start with 7.5 percent in 2013 and gradually decline to 4.5 percent for 2025 and beyond. For this measurement at December 31, 2011, the assumed health care cost-trend rates started with 8 percent in 2012 and gradually declined to 5 percent for 2023 and beyond. In both measurements, the annual increase to company contributions was capped at 4 percent.

Assumed health care cost-trend rates can have a significant effect on the amounts reported for retiree health care costs. The impact is mitigated by the 4 percent cap on the company's medical contributions for the primary U.S. plan. A 1-percentage-point change in the assumed health care cost-trend rates would have the following effects:

	1 Percent Increase	1 Percent Decrease
Effect on total service and interest cost components	$ 16	$ (13)
Effect on postretirement benefit obligation	$ 165	$ (141)

Plan Assets and Investment Strategy The fair value hierarchy of inputs the company uses to value the pension assets is divided into three levels:

Level 1: Fair values of these assets are measured using unadjusted quoted prices for the assets or the prices of identical assets in active markets that the plans have the ability to access.

Level 2: Fair values of these assets are measured based on quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; and inputs that are derived principally from or corroborated by observable market data through correlation or other means. If the asset has a contractual term, the Level 2 input is observable for substantially the full term of the asset. The fair values for Level 2 assets are generally obtained from third-party broker quotes, independent pricing services and exchanges.

Level 3: Inputs to the fair value measurement are unobservable for these assets. Valuation may be performed using a financial model with estimated inputs entered into the model.

The fair value measurements of the company's pension plans for 2012 and 2011 are below:

	U.S.				Int'l.			
	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3
At December 31, 2011								
Equities								
U.S.[1]	$ 1,470	$ 1,470	$ –	$ –	$ 497	$ 497	$ –	$ –
International	1,203	1,203	–	–	693	693	–	–
Collective Trusts/Mutual Funds[2]	2,633	14	2,619	–	596	28	568	–
Fixed Income								
Government	622	146	476	–	635	25	610	–
Corporate	338	–	338	–	319	16	276	27
Mortgage-Backed Securities	107	–	107	–	2	–	–	2
Other Asset Backed	61	–	61	–	5	–	5	–
Collective Trusts/Mutual Funds[2]	1,046	–	1,046	–	345	61	284	–
Mixed Funds[3]	10	10	–	–	102	13	89	–
Real Estate[4]	843	–	–	843	155	–	–	155
Cash and Cash Equivalents	404	404	–	–	211	211	–	–
Other[5]	(17)	(79)	8	54	17	(2)	17	2
Total at December 31, 2011	$ 8,720	$ 3,168	$ 4,655	$ 897	$ 3,577	$ 1,542	$ 1,849	$ 186
At December 31, 2012								
Equities								
U.S.[1]	**$ 1,709**	**$ 1,709**	**$ –**	**$ –**	**$ 334**	**$ 334**	**$ –**	**$ –**
International	**1,263**	**1,263**	**–**	**–**	**520**	**520**	**–**	**–**
Collective Trusts/Mutual Funds[2]	**2,979**	**7**	**2,972**	**–**	**1,233**	**402**	**831**	**–**
Fixed Income								
Government	**435**	**396**	**39**	**–**	**578**	**40**	**538**	**–**
Corporate	**384**	**–**	**384**	**–**	**230**	**25**	**175**	**30**
Mortgage-Backed Securities	**65**	**–**	**65**	**–**	**2**	**–**	**–**	**2**
Other Asset Backed	**51**	**–**	**51**	**–**	**4**	**–**	**4**	**–**
Collective Trusts/Mutual Funds[2]	**1,520**	**–**	**1,520**	**–**	**671**	**26**	**645**	**–**
Mixed Funds[3]	**–**	**–**	**–**	**–**	**115**	**4**	**111**	**–**
Real Estate[4]	**1,114**	**–**	**–**	**1,114**	**177**	**–**	**–**	**177**
Cash and Cash Equivalents	**373**	**373**	**–**	**–**	**222**	**204**	**18**	**–**
Other[5]	**16**	**(44)**	**5**	**55**	**39**	**(3)**	**40**	**2**
Total at December 31, 2012	**$ 9,909**	**$ 3,704**	**$ 5,036**	**$1,169**	**$ 4,125**	**$ 1,552**	**$ 2,362**	**$ 211**

[1] U.S. equities include investments in the company's common stock in the amount of $27 at December 31, 2012, and $35 at December 31, 2011.

[2] Collective Trusts/Mutual Funds for U.S. plans are entirely index funds; for International plans, they are mostly index funds. For these index funds, the Level 2 designation is partially based on the restriction that advance notification of redemptions, typically two business days, is required.

[3] Mixed funds are composed of funds that invest in both equity and fixed-income instruments in order to diversify and lower risk.

[4] The year-end valuations of the U.S. real estate assets are based on internal appraisals by the real estate managers, which are updates of third-party appraisals that occur at least once a year for each property in the portfolio.

[5] The "Other" asset class includes net payables for securities purchased but not yet settled (Level 1); dividends and interest- and tax-related receivables (Level 2); insurance contracts and investments in private-equity limited partnerships (Level 3).

The effects of fair value measurements using significant unobservable inputs on changes in Level 3 plan assets are outlined below:

	Fixed Income				
	Corporate	Mortgage-Backed Securities	Real Estate	Other	Total
Total at December 31, 2010	$ 28	$ 2	$ 738	$ 55	$ 823
Actual Return on Plan Assets:					
Assets held at the reporting date	–	–	103	4	107
Assets sold during the period	–	–	1	(2)	(1)
Purchases, Sales and Settlements	(1)	–	156	(1)	154
Transfers in and/or out of Level 3	–	–	–	–	–
Total at December 31, 2011	$ 27	$ 2	$ 998	$ 56	$ 1,083
Actual Return on Plan Assets:					
Assets held at the reporting date	**–**	**–**	**108**	**1**	**109**
Assets sold during the period	**–**	**–**	**2**	**–**	**2**
Purchases, Sales and Settlements	**4**	**–**	**182**	**–**	**186**
Transfers in and/or out of Level 3	**–**	**–**	**–**	**–**	**–**
Total at December 31, 2012	**$ 31**	**$ 2**	**$ 1,290**	**$ 57**	**$1,380**

The primary investment objectives of the pension plans are to achieve the highest rate of total return within prudent levels of risk and liquidity, to diversify and mitigate potential downside risk associated with the investments, and to provide adequate liquidity for benefit payments and portfolio management.

The company's U.S. and U.K. pension plans comprise 87 percent of the total pension assets. Both the U.S. and U.K. plans have an Investment Committee that regularly meets during the year to review the asset holdings and their returns. To assess the plans' investment performance, long-term asset allocation policy benchmarks have been established.

For the primary U.S. pension plan, the company's Benefit Plan Investment Committee has established the following approved asset allocation ranges: Equities 40–70 percent, Fixed Income and Cash 20–65 percent, Real Estate 0–15 percent, and Other 0–5 percent. For the U.K. pension plan, the U.K. Board of Trustees has established the following asset allocation guidelines, which are reviewed regularly: Equities 50–70 percent and Fixed Income and Cash 30–50 percent. The other significant international pension plans also have established maximum and minimum asset allocation ranges that vary by plan. Actual asset allocation within approved ranges is based on a variety of current economic and market conditions and consideration of specific asset class risk. To mitigate concentration and other risks, assets are invested across multiple asset classes with active investment managers and passive index funds.

The company does not prefund its OPEB obligations.

Cash Contributions and Benefit Payments In 2012, the company contributed $844 and $384 to its U.S. and international pension plans, respectively. In 2013, the company expects contributions to be approximately $650 and $350 to its U.S. and international pension plans, respectively. Actual contribution amounts are dependent upon investment returns, changes in pension obligations, regulatory environments and other economic factors. Additional funding may ultimately be required if investment returns are insufficient to offset increases in plan obligations.

The company anticipates paying other postretirement benefits of approximately $228 in 2013, compared with $199 paid in 2012.

The following benefit payments, which include estimated future service, are expected to be paid by the company in the next 10 years:

	Pension Benefits		Other
	U.S.	Int'l.	Benefits
2013	$ 1,188	$ 273	$ 228
2014	$ 1,192	$ 338	$ 234
2015	$ 1,179	$ 265	$ 239
2016	$ 1,180	$ 291	$ 245
2017	$ 1,184	$ 386	$ 249
2018–2022	$ 5,650	$ 2,353	$ 1,292

Employee Savings Investment Plan Eligible employees of Chevron and certain of its subsidiaries participate in the Chevron Employee Savings Investment Plan (ESIP).

Charges to expense for the ESIP represent the company's contributions to the plan, which are funded either through the purchase of shares of common stock on the open market or through the release of common stock held in the leveraged employee stock ownership plan (LESOP), which is described in the section that follows. Total company matching contributions to employee accounts within the ESIP were $286, $263 and $253 in 2012, 2011 and 2010, respectively. This cost was reduced by the value of shares released from the LESOP totaling $43, $38 and $97 in 2012, 2011 and 2010, respectively. The remaining amounts, totaling $243, $225 and $156 in 2012, 2011 and 2010, respectively, represent open market purchases.

Employee Stock Ownership Plan Within the Chevron ESIP is an employee stock ownership plan (ESOP). In 1989, Chevron established a LESOP as a constituent part of the ESOP. The LESOP provides partial prefunding of the company's future commitments to the ESIP.

As permitted by accounting standards for share-based compensation (ASC 718), the debt of the LESOP is recorded as debt, and shares pledged as collateral are reported as "Deferred compensation and benefit plan trust" on the Consolidated Balance Sheet and the Consolidated Statement of Equity.

The company reports compensation expense equal to LESOP debt principal repayments less dividends received and used by the LESOP for debt service. Interest accrued on LESOP debt is recorded as interest expense. Dividends paid on LESOP shares are reflected as a reduction of retained earnings. All LESOP shares are considered outstanding for earnings-per-share computations.

Total expense (credits) for the LESOP were $1, $(1) and $(1) in 2012, 2011 and 2010, respectively. The net credit for the respective years was composed of credits to compensation expense of $2, $5 and $6 and charges to interest expense for LESOP debt of $3, $4 and $5.

Of the dividends paid on the LESOP shares, $18, $18 and $46 were used in 2012, 2011 and 2010, respectively, to service LESOP debt. No contributions were required in 2011 or 2010, as dividends received by the LESOP were sufficient to satisfy LESOP debt service. In 2012, the company contributed $2 to the LESOP.

Shares held in the LESOP are released and allocated to the accounts of plan participants based on debt service deemed to be paid in the year in proportion to the total of current-year and remaining debt service. LESOP shares as of December 31, 2012 and 2011, were as follows:

Thousands	**2012**	2011
Allocated shares	**18,055**	19,047
Unallocated shares	**1,292**	1,864
Total LESOP shares	**19,347**	20,911

Benefit Plan Trusts Prior to its acquisition by Chevron, Texaco established a benefit plan trust for funding obligations under some of its benefit plans. At year-end 2012, the trust contained 14.2 million shares of Chevron treasury stock. The trust will sell the shares or use the dividends from the shares to pay benefits only to the extent that the company does not pay such benefits. The company intends to continue to pay its obligations under the benefit plans. The trustee will vote the shares held in the trust as instructed by the trust's beneficiaries. The shares held in the trust are not considered outstanding for earnings-per-share purposes until distributed or sold by the trust in payment of benefit obligations.

Prior to its acquisition by Chevron, Unocal established various grantor trusts to fund obligations under some of its benefit plans, including the deferred compensation and supplemental retirement plans. At December 31, 2012 and 2011, trust assets of $48 and $51, respectively, were invested primarily in interest-earning accounts.

Employee Incentive Plans The Chevron Incentive Plan is an annual cash bonus plan for eligible employees that links awards to corporate, unit and individual performance in the prior year. Charges to expense for cash bonuses were $898, $1,217 and $766 in 2012, 2011 and 2010, respectively. Chevron also has the LTIP for officers and other regular salaried employees of the company and its subsidiaries who hold positions of significant responsibility. Awards under the LTIP consist of stock options and other share-based compensation that are described in Note 19, beginning on page 56.

Note 21
Equity

Retained earnings at December 31, 2012 and 2011, included approximately $10,119 and $10,127, respectively, for the company's share of undistributed earnings of equity affiliates.

At December 31, 2012, about 55 million shares of Chevron's common stock remained available for issuance from the 160 million shares that were reserved for issuance under the Chevron LTIP. In addition, approximately 231,000 shares remain available for issuance from the 800,000 shares of the company's common stock that were reserved for awards under the Chevron Corporation Non-Employee Directors' Equity Compensation and Deferral Plan.

Note 22
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 14, beginning on page 51, for a discussion of the periods for which tax returns have been audited for the company's major tax jurisdictions and a discussion for all tax jurisdictions of the differences between the amount of tax benefits recognized in the financial statements and the amount taken or expected to be taken in a tax return. As discussed on page 53, 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's guarantee of $562 is associated with certain payments under a terminal use agreement entered into by an equity affiliate. Over the approximate 15-year remaining term of the guarantee, the maximum guarantee amount will be reduced over time as certain fees are paid by the affiliate. There are numerous cross-indemnity agreements with the affiliate and the other partners to permit recovery of amounts paid under the guarantee. Chevron has recorded no liability for its obligation under this guarantee.

Indemnifications The company provided certain indemnities of contingent liabilities of Equilon and Motiva to Shell and Saudi Refining, Inc., in connection with the February 2002 sale of the company's interests in those investments. Through the end of 2012, the company paid $48 under these indemnities and continues to be obligated up to $250 for possible additional indemnification payments in the future.

The company has also provided indemnities relating to contingent environmental liabilities of assets originally contributed by Texaco to the Equilon and Motiva joint ventures and environmental conditions that existed prior to the formation of Equilon and Motiva, or that occurred during the period of Texaco's ownership interest in the joint ventures. In general, the environmental conditions or events that are subject to these indemnities must have arisen prior to December 2001. Claims had to be asserted by February 2009 for Equilon indemnities and February 2012 for Motiva indemnities. In February 2012, Motiva Enterprises LLC delivered a letter to the company purporting to preserve unmatured claims for certain Motiva indemnities. The company had previously provided a negative response to similar claims. The letter itself provides no estimate of the ultimate claim amount. Management does not believe this letter or any other information provides a basis to estimate the amount, if any, of a range of loss or potential range of loss with respect to either the Equilon or the Motiva indemnities. The company posts no assets as collateral and has made no payments under the indemnities.

Through December 31, 2012, the company has not received further correspondence from Equilon and Motiva Enterprises LLC, and the company does not expect further action to occur related to the indemnities described in the preceding paragraphs.

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, which had been reached at December 31, 2009. Under the indemnification agreement, after reaching the $200 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.

Long-Term Unconditional Purchase Obligations and Commitments, Including Throughput and Take-or-Pay Agreements 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. The aggregate approximate amounts of required payments under these various commitments are: 2013 – $3,700; 2014 – $3,900; 2015 – $4,100; 2016 – $2,400; 2017 – $1,800; 2018 and after – $6,500. A portion of these commitments may ultimately be shared with project partners. Total payments under the agreements were approximately $3,600 in 2012, $6,600 in 2011 and $6,500 in 2010.

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.

Chevron's environmental reserve as of December 31, 2012, was $1,403. Included in this balance were remediation activities at approximately 175 sites for which the company had been identified as a potentially responsible party or otherwise involved in the remediation by the U.S. Environmental Protection Agency (EPA) or other regulatory agencies under the provisions of the federal Superfund law or analogous state laws. The company's remediation reserve for these sites at year-end 2012 was $157. The federal Superfund law and analogous state laws provide for joint and several liability for all responsible parties. Any future actions by the EPA or other regulatory agencies to require Chevron to assume other potentially responsible parties' costs at designated hazardous waste sites are not expected to have a material effect on the company's results of operations, consolidated financial position or liquidity.

Of the remaining year-end 2012 environmental reserves balance of $1,246, $782 related to the company's U.S. downstream operations, including refineries and other plants, marketing locations (i.e., service stations and terminals), chemical facilities, and pipelines. The remaining $464 was associated with various sites in international downstream $93, upstream $309 and other businesses $62. Liabilities at all sites, whether operating, closed or divested, were primarily associated with the company's plans and activities to remediate soil or groundwater contamination or both. These and other activities include one or more of the following: site assessment; soil excavation; offsite disposal of contaminants; onsite containment, remediation and/or extraction of petroleum hydrocarbon liquid and vapor from soil; groundwater extraction and treatment; and monitoring of the natural attenuation of the contaminants.

The company manages environmental liabilities under specific sets of regulatory requirements, which in the United States include the Resource Conservation and Recovery Act and various state and local regulations. No single remediation site at year-end 2012 had a recorded liability that was material to the company's results of operations, consolidated financial position or liquidity.

It is likely that the company will continue to incur additional liabilities, beyond those recorded, for environmental remediation relating to past operations. 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.

Refer to Note 23 on page 66 for a discussion of the company's asset retirement obligations.

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 23
Asset Retirement Obligations

The company records the fair value of a liability for an asset retirement obligation (ARO) as an asset and liability when there is a legal obligation associated with the retirement of a tangible long-lived asset and the liability can be reasonably estimated. The legal obligation to perform the asset retirement activity is unconditional, even though uncertainty may exist about the timing and/or method of settlement that may be beyond the company's control. This uncertainty about the timing and/or method of settlement is factored into the measurement of the liability when sufficient information exists to reasonably estimate fair value. Recognition of the ARO includes: (1) the present value of a liability and offsetting asset, (2) the subsequent accretion of that liability and depreciation of the asset, and (3) the periodic review of the ARO liability estimates and discount rates.

AROs are primarily recorded for the company's crude oil and natural gas producing assets. No significant AROs associated with any legal obligations to retire downstream long-lived assets have been recognized, as indeterminate settlement dates for the asset retirements prevent estimation of the fair value of the associated ARO. The company performs periodic reviews of its downstream long-lived assets for any changes in facts and circumstances that might require recognition of a retirement obligation.

The following table indicates the changes to the company's before-tax asset retirement obligations in 2012, 2011 and 2010:

	2012	2011	2010
Balance at January 1	**$ 12,767**	$ 12,488	$ 10,175
Liabilities incurred	**133**	62	129
Liabilities settled	**(966)**	(1,316)	(755)
Accretion expense	**629**	628	513
Revisions in estimated cash flows	**708**	905	2,426
Balance at December 31	**$13,271**	$ 12,767	$ 12,488

The long-term portion of the $13,271 balance at the end of 2012 was $12,375.

Note 24
Other Financial Information

Earnings in 2012 included gains of approximately $2,800 relating to the sale of nonstrategic properties. Of this amount, approximately $2,200 and $600 related to upstream and downstream assets, respectively. Earnings in 2011 included gains of approximately $1,300 relating to the sale of nonstrategic properties. Of this amount, approximately $800 and $500 related to downstream and upstream assets, respectively.

Other financial information is as follows:

	Year ended December 31		
	2012	2011	2010
Total financing interest and debt costs	**$ 242**	$ 288	$ 317
Less: Capitalized interest	**242**	288	267
Interest and debt expense	**$ –**	$ –	$ 50
Research and development expenses	**$ 648**	$ 627	$ 526
Foreign currency effects*	**$ (454)**	$ 121	$ (423)

*Includes $(202), $(27) and $(71) in 2012, 2011 and 2010, respectively, for the company's share of equity affiliates' foreign currency effects.

The excess of replacement cost over the carrying value of inventories for which the last-in, first-out (LIFO) method is used was $9,292 and $9,025 at December 31, 2012 and 2011, respectively. Replacement cost is generally based on average acquisition costs for the year. LIFO profits (charges) of $121, $193 and $21 were included in earnings for the years 2012, 2011 and 2010, respectively.

The company has $4,640 in goodwill on the Consolidated Balance Sheet related to the 2005 acquisition of Unocal and to the 2011 acquisition of Atlas Energy, Inc. Under the accounting standard for goodwill (ASC 350), the company tested this goodwill for impairment during 2012 and concluded no impairment was necessary.

Note 25

Earnings Per Share

Basic earnings per share (EPS) is based upon "Net Income Attributable to Chevron Corporation" ("earnings") and includes the effects of deferrals of salary and other compensation awards that are invested in Chevron stock units by certain officers and employees of the company. Diluted EPS includes the effects of these items as well as the dilutive effects of outstanding stock options awarded under the company's stock option programs (refer to Note 19, "Stock Options and Other Share-Based Compensation," beginning on page 56). The table below sets forth the computation of basic and diluted EPS:

		Year ended December 31	
	2012	2011	2010
Basic EPS Calculation			
Earnings available to common stockholders – Basic*	**$ 26,179**	$ 26,895	$ 19,024
Weighted-average number of common shares outstanding	**1,950**	1,986	1,996
Add: Deferred awards held as stock units	**–**	–	1
Total weighted-average number of common shares outstanding	**1,950**	1,986	1,997
Earnings per share of common stock – Basic	**$ 13.42**	$ 13.54	$ 9.53
Diluted EPS Calculation			
Earnings available to common stockholders – Diluted*	**$ 26,179**	$ 26,895	$ 19,024
Weighted-average number of common shares outstanding	**1,950**	1,986	1,996
Add: Deferred awards held as stock units	**–**	–	1
Add: Dilutive effect of employee stock-based awards	**15**	15	10
Total weighted-average number of common shares outstanding	**1,965**	2,001	2,007
Earnings per share of common stock – Diluted	**$ 13.32**	$ 13.44	$ 9.48

*There was no effect of dividend equivalents paid on stock units or dilutive impact of employee stock-based awards on earnings.

Note 26

Acquisition of Atlas Energy, Inc.

On February 17, 2011, the company acquired Atlas Energy, Inc. (Atlas), which held one of the premier acreage positions in the Marcellus Shale, concentrated in southwestern Pennsylvania. The aggregate purchase price of Atlas was approximately $4,500, which included $3,009 cash for all the common shares of Atlas, a $403 cash advance to facilitate Atlas' purchase of a 49 percent interest in Laurel Mountain Midstream LLC and about $1,100 of assumed debt. Subsequent to the close of the transaction, the company paid off the assumed debt and made payments of $184 in connection with Atlas equity awards. As part of the acquisition, Chevron assumed the terms of a carry arrangement whereby Reliance Marcellus, LLC, funds 75 percent of Chevron's drilling costs, up to $1,300.

The acquisition was accounted for as a business combination (ASC 805) which, among other things, requires assets acquired and liabilities assumed to be measured at their acquisition date fair values. Provisional fair value measurements were made in first quarter 2011 for acquired assets and assumed liabilities, and the measurement process was finalized in fourth quarter 2011.

Proforma financial information is not presented, as it would not be materially different from the information presented in the Consolidated Statement of Income.

The following table summarizes the measurement of the assets acquired and liabilities assumed:

	At February 17, 2011
Current assets	$ 155
Investments and long-term receivables	456
Properties	6,051
Goodwill	27
Other assets	5
Total assets acquired	6,694
Current liabilities	(560)
Long-term debt and capital leases	(761)
Deferred income taxes	(1,915)
Other liabilities	(25)
Total liabilities assumed	(3,261)
Net assets acquired	$ 3,433

Properties were measured primarily using an income approach. The fair values of the acquired oil and gas properties were based on significant inputs not observable in the market and thus represent Level 3 measurements. Refer to Note 8, beginning on page 41 for a definition of fair value hierarchy levels. Significant inputs included estimated resource volumes, assumed future production profiles, estimated future commodity prices, a discount rate of 8 percent, and assumptions on the timing and amount of future operating and development costs. All the properties are in the United States and are included in the Upstream segment.

The acquisition date fair value of the consideration transferred was $3,400 in cash. The $27 of goodwill was assigned to the Upstream segment and represents the amount of the consideration transferred in excess of the values assigned to the individual assets acquired and liabilities assumed. Goodwill represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. None of the goodwill is deductible for tax purposes. Goodwill recorded in the acquisition is not subject to amortization, but will be tested periodically for impairment as required by the applicable accounting standard (ASC 350).

Five-Year Financial Summary

Unaudited

Millions of dollars, except per-share amounts	**2012**	2011	2010	2009	2008
Statement of Income Data					
Revenues and Other Income					
Total sales and other operating revenues*	**$ 230,590**	$ 244,371	$ 198,198	$ 167,402	$ 264,958
Income from equity affiliates and other income	**11,319**	9,335	6,730	4,234	8,047
Total Revenues and Other Income	**241,909**	253,706	204,928	171,636	273,005
Total Costs and Other Deductions	**195,577**	206,072	172,873	153,108	229,948
Income Before Income Tax Expense	**46,332**	47,634	32,055	18,528	43,057
Income Tax Expense	**19,996**	20,626	12,919	7,965	19,026
Net Income	**26,336**	27,008	19,136	10,563	24,031
Less: Net income attributable to noncontrolling interests	**157**	113	112	80	100
Net Income Attributable to Chevron Corporation	**$ 26,179**	$ 26,895	$ 19,024	$ 10,483	$ 23,931
Per Share of Common Stock					
Net Income Attributable to Chevron					
– Basic	**$ 13.42**	$ 13.54	$ 9.53	$ 5.26	$ 11.74
– Diluted	**$ 13.32**	$ 13.44	$ 9.48	$ 5.24	$ 11.67
Cash Dividends Per Share	**$ 3.51**	$ 3.09	$ 2.84	$ 2.66	$ 2.53
Balance Sheet Data (at December 31)					
Current assets	**$ 55,720**	$ 53,234	$ 48,841	$ 37,216	$ 36,470
Noncurrent assets	**177,262**	156,240	135,928	127,405	124,695
Total Assets	**232,982**	209,474	184,769	164,621	161,165
Short-term debt	**127**	340	187	384	2,818
Other current liabilities	**34,085**	33,260	28,825	25,827	29,205
Long-term debt and capital lease obligations	**12,065**	9,812	11,289	10,130	6,083
Other noncurrent liabilities	**48,873**	43,881	38,657	35,719	35,942
Total Liabilities	**95,150**	87,293	78,958	72,060	74,048
Total Chevron Corporation Stockholders' Equity	**$ 136,524**	$ 121,382	$ 105,081	$ 91,914	$ 86,648
Noncontrolling interests	**1,308**	799	730	647	469
Total Equity	**$ 137,832**	$ 122,181	$ 105,811	$ 92,561	$ 87,117
*Includes excise, value-added and similar taxes:	**$ 8,010**	$ 8,085	$ 8,591	$ 8,109	$ 9,846

Worldwide – Includes Equity in Affiliates

Thousands of barrels per day, except natural gas data, which is millions of cubic feet per day	**2012**	2011	2010	2009	2008
United States					
Net production of crude oil and natural gas liquids	**455**	465	489	484	421
Net production of natural gas[1]	**1,203**	1,279	1,314	1,399	1,501
Net oil-equivalent production	**655**	678	708	717	671
Refinery input	**833**	854	890	899	891
Sales of refined products	**1,211**	1,257	1,349	1,403	1,413
Sales of natural gas liquids	**157**	161	161	161	159
Total sales of petroleum products	**1,368**	1,418	1,510	1,564	1,572
Sales of natural gas	**5,470**	5,836	5,932	5,901	7,226
International					
Net production of crude oil and natural gas liquids[2]	**1,309**	1,384	1,434	1,362	1,228
Other produced volumes[3]	**–**	–	–	26	27
Net production of natural gas[1]	**3,871**	3,662	3,726	3,590	3,624
Net oil-equivalent production	**1,955**	1,995	2,055	1,987	1,859
Refinery input	**869**	933	1,004	979	967
Sales of refined products	**1,554**	1,692	1,764	1,851	2,016
Sales of natural gas liquids	**88**	87	105	111	114
Total sales of petroleum products	**1,642**	1,779	1,869	1,962	2,130
Sales of natural gas	**4,315**	4,361	4,493	4,062	4,215
Total Worldwide					
Net production of crude oil and natural gas liquids	**1,764**	1,849	1,923	1,846	1,649
Other produced volumes	**–**	–	–	26	27
Net production of natural gas[1]	**5,074**	4,941	5,040	4,989	5,125
Net oil-equivalent production	**2,610**	2,673	2,763	2,704	2,530
Refinery input	**1,702**	1,787	1,894	1,878	1,858
Sales of refined products	**2,765**	2,949	3,113	3,254	3,429
Sales of natural gas liquids	**245**	248	266	272	273
Total sales of petroleum products	**3,010**	3,197	3,379	3,526	3,702
Sales of natural gas	**9,785**	10,197	10,425	9,963	11,441
Worldwide – Excludes Equity in Affiliates					
Number of wells completed (net)[4]					
Oil and gas	**1,618**	1,551	1,160	1,265	1,648
Dry	**28**	27	31	24	12
Productive oil and gas wells (net)[4]	**55,812**	55,049	51,677	51,326	51,262

[1] Includes natural gas consumed in operations:					
United States	**63**	69	62	58	70
International	**523**	513	475	463	450
Total	**586**	582	537	521	520
[2] Includes: Canada-synthetic oil	**43**	40	24	–	–
Venezuela affiliate-synthetic oil	**17**	32	28	–	–
[3] Includes: Canada oil sands	**–**	–	–	26	27

[4] Net wells include wholly owned and the sum of fractional interests in partially owned wells.

In accordance with FASB and SEC disclosure and reporting requirements for oil and gas producing activities, this section provides supplemental information on oil and gas exploration and producing activities of the company in seven separate tables. Tables I through IV provide historical cost information pertaining to costs incurred in exploration, property acquisitions and development; capitalized costs; and results of operations. Tables V through VII present information

Table I – Costs Incurred in Exploration, Property Acquisitions and Development[1]

							Consolidated Companies	Affiliated Companies	
Millions of dollars	U.S.	Other Americas	Africa	Asia	Australia	Europe	Total	TCO	Other
Year Ended December 31, 2012									
Exploration									
Wells	**$ 251**	**$ 202**	**$ 121**	**$ 271**	**$ 302**	**$ 88**	**$ 1,235**	**$ –**	**$ –**
Geological and geophysical	**99**	**105**	**107**	**86**	**47**	**58**	**502**	**–**	**–**
Rentals and other	**161**	**55**	**93**	**201**	**85**	**107**	**702**	**–**	**–**
Total exploration	**511**	**362**	**321**	**558**	**434**	**253**	**2,439**	**–**	**–**
Property acquisitions[2]									
Proved	**248**	**–**	**8**	**39**	**–**	**–**	**295**	**–**	**–**
Unproved	**1,150**	**29**	**5**	**342**	**28**	**–**	**1,554**	**–**	**28**
Total property acquisitions	**1,398**	**29**	**13**	**381**	**28**	**–**	**1,849**	**–**	**28**
Development[3]	**6,597**	**1,211**	**3,118**	**3,797**	**4,555**	**753**	**20,031**	**660**	**293**
Total Costs Incurred[4]	**$ 8,506**	**$ 1,602**	**$ 3,452**	**$ 4,736**	**$ 5,017**	**$1,006**	**$ 24,319**	**$ 660**	**$ 321**
Year Ended December 31, 2011									
Exploration									
Wells	$ 321	$ 71	$ 104	$ 146	$ 242	$ 188	$ 1,072	$ –	$ –
Geological and geophysical	76	59	65	121	23	43	387	–	–
Rentals and other	109	45	83	67	71	78	453	–	–
Total exploration	506	175	252	334	336	309	1,912	–	–
Property acquisitions[2]									
Proved	1,174	16	–	1	–	–	1,191	–	–
Unproved	7,404	228	–	–	–	25	7,657	–	–
Total property acquisitions	8,578	244	–	1	–	25	8,848	–	–
Development[3]	5,517	1,537	2,698	2,867	2,638	633	15,890	379	368
Total Costs Incurred[4]	$ 14,601	$ 1,956	$ 2,950	$ 3,202	$ 2,974	$ 967	$ 26,650	$ 379	$ 368
Year Ended December 31, 2010									
Exploration									
Wells	$ 99	$ 118	$ 94	$ 244	$ 293	$ 61	$ 909	$ –	$ –
Geological and geophysical	67	46	87	29	8	18	255	–	–
Rentals and other	121	39	55	47	95	57	414	–	–
Total exploration	287	203	236	320	396	136	1,578	–	–
Property acquisitions[2]									
Proved	24	–	–	129	–	–	153	–	–
Unproved	359	429	160	187	–	10	1,145	–	–
Total property acquisitions	383	429	160	316	–	10	1,298	–	–
Development[3]	4,446	1,611	2,985	3,325	2,623	411	15,401	230	343
Total Costs Incurred	$ 5,116	$ 2,243	$ 3,381	$ 3,961	$ 3,019	$ 557	$ 18,277	$ 230	$ 343

[1] Includes costs incurred whether capitalized or expensed. Excludes general support equipment expenditures. Includes capitalized amounts related to asset retirement obligations. See Note 23, "Asset Retirement Obligations," on page 66.
[2] Includes wells, equipment and facilities associated with proved reserves. Does not include properties acquired in nonmonetary transactions, such as $1,850 million related to the 2012 acquisition of Clio and Acme fields in Australia.
[3] Includes $963, $1,035 and $745 costs incurred prior to assignment of proved reserves for consolidated companies in 2012, 2011 and 2010, respectively.
[4] Reconciliation of consolidated and affiliated companies total cost incurred to Upstream capital and exploratory (C&E) expenditures – $ billions.

Total cost incurred for 2012	$ 25.3	
Non oil and gas activities	5.8	(Includes LNG and gas-to-liquids $4.6, transportation $0.6, affiliate $0.4, other $0.2)
ARO	(0.7)	
Upstream C&E	$ 30.4	Reference page 20 upstream total

on the company's estimated net proved-reserve quantities, standardized measure of estimated discounted future net cash flows related to proved reserves and changes in estimated discounted future net cash flows. The Africa geographic area includes activities principally in Angola, Chad, Democratic Republic of the Congo, Nigeria and Republic of the Congo. The Asia geographic area includes activities principally in Azerbaijan, Bangladesh, China, Indonesia, Kazakhstan, Myanmar, the Partitioned Zone between Kuwait and Saudi Arabia, the Philippines, and Thailand. The Europe geographic area includes activity in Denmark, the Netherlands, Norway and the United Kingdom. The Other Americas geographic region includes activities in Argentina, Brazil, Canada, Colombia, and Trinidad and Tobago. Amounts for TCO represent Chevron's 50 percent equity share of Tengizchevroil, an exploration and production partnership in the Republic of Kazakhstan. The affiliated companies Other amounts are composed of the company's equity interests in Venezuela and Angola. Refer to Note 11, beginning on page 46, for a discussion of the company's major equity affiliates.

Table II – Capitalized Costs Related to Oil and Gas Producing Activities

	Consolidated Companies							Affiliated Companies	
Millions of dollars	U.S.	Other Americas	Africa	Asia	Australia	Europe	Total	TCO	Other
At December 31, 2012									
Unproved properties	**$ 10,478**	**$ 1,415**	**$ 271**	**$ 2,039**	**$ 1,884**	**$ 34**	**$ 16,121**	**$ 109**	**$ 28**
Proved properties and related producing assets	**62,274**	**11,237**	**30,106**	**39,889**	**2,420**	**9,994**	**155,920**	**6,832**	**1,852**
Support equipment	**1,179**	**330**	**1,195**	**1,554**	**1,191**	**172**	**5,621**	**1,089**	**–**
Deferred exploratory wells	**412**	**201**	**598**	**326**	**911**	**233**	**2,681**	**–**	**–**
Other uncompleted projects	**7,203**	**3,211**	**3,466**	**4,123**	**9,754**	**768**	**28,525**	**906**	**1,594**
Gross Capitalized Costs	**81,546**	**16,394**	**35,636**	**47,931**	**16,160**	**11,201**	**208,868**	**8,936**	**3,474**
Unproved properties valuation	**1,121**	**634**	**201**	**253**	**2**	**28**	**2,239**	**41**	**–**
Proved producing properties – Depreciation and depletion	**42,224**	**5,288**	**15,566**	**24,432**	**1,832**	**8,255**	**97,597**	**2,274**	**551**
Support equipment depreciation	**589**	**178**	**613**	**1,101**	**305**	**137**	**2,923**	**480**	**–**
Accumulated provisions	**43,934**	**6,100**	**16,380**	**25,786**	**2,139**	**8,420**	**102,759**	**2,795**	**551**
Net Capitalized Costs	**$ 37,612**	**$ 10,294**	**$ 19,256**	**$ 22,145**	**$ 14,021**	**$ 2,781**	**$ 106,109**	**$ 6,141**	**$ 2,923**
At December 31, 2011									
Unproved properties	$ 9,806	$ 1,417	$ 368	$ 2,408	$ 6	$ 33	$ 14,038	$ 109	$ –
Proved properties and related producing assets	57,674	11,029	25,549	36,740	2,244	9,549	142,785	6,583	1,607
Support equipment	1,071	292	1,362	1,544	533	169	4,971	1,018	–
Deferred exploratory wells	565	63	629	260	709	208	2,434	–	–
Other uncompleted projects	4,887	2,408	4,773	3,109	6,076	492	21,745	605	1,466
Gross Capitalized Costs	74,003	15,209	32,681	44,061	9,568	10,451	185,973	8,315	3,073
Unproved properties valuation	1,085	498	178	262	2	13	2,038	38	–
Proved producing properties – Depreciation and depletion	39,210	4,826	13,173	20,991	1,574	7,742	87,516	1,910	436
Support equipment depreciation	530	175	715	1,192	238	129	2,979	451	–
Accumulated provisions	40,825	5,499	14,066	22,445	1,814	7,884	92,533	2,399	436
Net Capitalized Costs	$ 33,178	$ 9,710	$ 18,615	$ 21,616	$ 7,754	$ 2,567	$ 93,440	$ 5,916	$ 2,637

Table II Capitalized Costs Related to Oil and Gas Producing Activities – Continued

	Consolidated Companies							Affiliated Companies	
Millions of dollars	U.S.	Other Americas	Africa	Asia	Australia	Europe	Total	TCO	Other
At December 31, 2010									
Unproved properties	$ 2,553	$ 1,349	$ 359	$ 2,561	$ 6	$ 8	$ 6,836	$ 108	$ –
Proved properties and related producing assets	55,601	7,747	23,683	33,316	2,585	9,035	131,967	6,512	1,594
Support equipment	975	265	1,282	1,421	259	165	4,367	985	–
Deferred exploratory wells	743	210	611	224	732	198	2,718	–	–
Other uncompleted projects	2,299	3,844	4,061	3,627	3,631	362	17,824	357	1,001
Gross Capitalized Costs	62,171	13,415	29,996	41,149	7,213	9,768	163,712	7,962	2,595
Unproved properties valuation	967	436	150	200	2	–	1,755	34	–
Proved producing properties – Depreciation and depletion	37,682	3,986	10,986	18,197	1,718	7,162	79,731	1,530	249
Support equipment depreciation	518	153	600	1,126	84	114	2,595	402	–
Accumulated provisions	39,167	4,575	11,736	19,523	1,804	7,276	84,081	1,966	249
Net Capitalized Costs	$ 23,004	$ 8,840	$ 18,260	$ 21,626	$ 5,409	$ 2,492	$ 79,631	$ 5,996	$ 2,346

Table III Results of Operations for Oil and Gas Producing Activities[1]

The company's results of operations from oil and gas producing activities for the years 2012, 2011 and 2010 are shown in the following table. Net income from exploration and production activities as reported on page 45 reflects income taxes computed on an effective rate basis.

Income taxes in Table III are based on statutory tax rates, reflecting allowable deductions and tax credits. Interest income and expense are excluded from the results reported in Table III and from the net income amounts on page 45.

Table III – Results of Operations for Oil and Gas Producing Activities[1]

	Consolidated Companies							Affiliated Companies	
Millions of dollars	U.S.	Other Americas	Africa	Asia	Australia	Europe	Total	TCO	Other
Year Ended December 31, 2012									
Revenues from net production									
Sales	**$ 1,832**	**$ 1,561**	**$ 1,480**	**$ 10,485**	**$ 1,539**	**$ 1,618**	**$ 18,515**	**$ 7,869**	**$ 1,951**
Transfers	**15,122**	**1,997**	**15,033**	**9,071**	**1,073**	**2,148**	**44,444**	**–**	**–**
Total	**16,954**	**3,558**	**16,513**	**19,556**	**2,612**	**3,766**	**62,959**	**7,869**	**1,951**
Production expenses excluding taxes	**(4,009)**	**(1,073)**	**(1,918)**	**(4,545)**	**(164)**	**(637)**	**(12,346)**	**(463)**	**(442)**
Taxes other than on income	**(654)**	**(123)**	**(161)**	**(191)**	**(390)**	**(3)**	**(1,522)**	**(439)**	**(767)**
Proved producing properties:									
Depreciation and depletion	**(3,462)**	**(508)**	**(2,475)**	**(3,399)**	**(315)**	**(541)**	**(10,700)**	**(427)**	**(147)**
Accretion expense[2]	**(226)**	**(33)**	**(66)**	**(92)**	**(23)**	**(46)**	**(486)**	**(8)**	**(6)**
Exploration expenses	**(244)**	**(145)**	**(427)**	**(489)**	**(133)**	**(272)**	**(1,710)**	**–**	**–**
Unproved properties valuation	**(127)**	**(138)**	**(16)**	**(133)**	**–**	**(15)**	**(429)**	**–**	**–**
Other income (expense)[3]	**167**	**(169)**	**(199)**	**245**	**2,495**	**13**	**2,552**	**27**	**31**
Results before income taxes	**8,399**	**1,369**	**11,251**	**10,952**	**4,082**	**2,265**	**38,318**	**6,559**	**620**
Income tax expense	**(3,043)**	**(310)**	**(7,558)**	**(5,739)**	**(1,226)**	**(1,511)**	**(19,387)**	**(1,972)**	**(299)**
Results of Producing Operations	**$ 5,356**	**$ 1,059**	**$ 3,693**	**$ 5,213**	**$ 2,856**	**$ 754**	**$ 18,931**	**$ 4,587**	**$ 321**
Year Ended December 31, 2011[4]									
Revenues from net production									
Sales	$ 2,508	$ 2,047	$ 1,174	$ 9,431	$ 1,474	$ 1,868	$ 18,502	$ 8,581	$ 1,988
Transfers	15,811	2,624	15,726	8,962	1,012	2,672	46,807	–	–
Total	18,319	4,671	16,900	18,393	2,486	4,540	65,309	8,581	1,988
Production expenses excluding taxes	(3,668)	(1,061)	(1,526)	(4,489)	(117)	(564)	(11,425)	(449)	(235)
Taxes other than on income	(597)	(137)	(153)	(242)	(396)	(2)	(1,527)	(429)	(815)
Proved producing properties:									
Depreciation and depletion	(3,366)	(796)	(2,225)	(2,923)	(136)	(580)	(10,026)	(442)	(140)
Accretion expense[2]	(291)	(27)	(106)	(81)	(18)	(39)	(562)	(8)	(4)
Exploration expenses	(207)	(144)	(188)	(271)	(128)	(277)	(1,215)	–	–
Unproved properties valuation	(134)	(146)	(27)	(60)	–	(14)	(381)	–	–
Other income (expense)[3]	163	(466)	(409)	231	(18)	(74)	(573)	(8)	(29)
Results before income taxes	10,219	1,894	12,266	10,558	1,673	2,990	39,600	7,245	765
Income tax expense	(3,728)	(535)	(7,802)	(5,374)	(507)	(1,913)	(19,859)	(2,176)	(392)
Results of Producing Operations	$ 6,491	$ 1,359	$ 4,464	$ 5,184	$ 1,166	$ 1,077	$ 19,741	$ 5,069	$ 373

[1] The value of owned production consumed in operations as fuel has been eliminated from revenues and production expenses, and the related volumes have been deducted from net production in calculating the unit average sales price and production cost. This has no effect on the results of producing operations.
[2] Represents accretion of ARO liability. Refer to Note 23, "Asset Retirement Obligations," on page 66.
[3] Includes foreign currency gains and losses, gains and losses on property dispositions (primarily related to Browse and Wheatstone gains in 2012), and other miscellaneous income and expenses.
[4] 2011 and 2010 conformed to 2012 presentation.

Table III Results of Operations for Oil and Gas Producing Activities[1] – Continued

	Consolidated Companies							Affiliated Companies	
Millions of dollars	U.S.	Other Americas	Africa	Asia	Australia	Europe	Total	TCO	Other
Year Ended December 31, 2010[4]									
Revenues from net production									
Sales	$ 2,540	$ 1,881	$ 2,278	$ 7,221	$ 994	$ 1,519	$ 16,433	$ 6,031	$ 1,307
Transfers	12,172	1,147	10,306	6,242	985	2,138	32,990	–	–
Total	14,712	3,028	12,584	13,463	1,979	3,657	49,423	6,031	1,307
Production expenses excluding taxes	(3,338)	(805)	(1,413)	(2,996)	(96)	(534)	(9,182)	(347)	(152)
Taxes other than on income	(542)	(102)	(130)	(85)	(334)	(2)	(1,195)	(360)	(101)
Proved producing properties:									
Depreciation and depletion	(3,639)	(907)	(2,204)	(2,816)	(151)	(681)	(10,398)	(432)	(131)
Accretion expense[2]	(240)	(23)	(102)	(35)	(15)	(53)	(468)	(8)	(5)
Exploration expenses	(193)	(173)	(242)	(289)	(175)	(75)	(1,147)	(5)	–
Unproved properties valuation	(123)	(71)	(25)	(33)	–	(2)	(254)	–	–
Other income (expense)[3]	(154)	(367)	(103)	(282)	109	165	(632)	(65)	191
Results before income taxes	6,483	580	8,365	6,927	1,317	2,475	26,147	4,814	1,109
Income tax expense	(2,273)	(223)	(4,535)	(3,886)	(325)	(1,455)	(12,697)	(1,445)	(615)
Results of Producing Operations	$ 4,210	$ 357	$ 3,830	$ 3,041	$ 992	$ 1,020	$ 13,450	$ 3,369	$ 494

[1] The value of owned production consumed in operations as fuel has been eliminated from revenues and production expenses, and the related volumes have been deducted from net production in calculating the unit average sales price and production cost. This has no effect on the results of producing operations.
[2] Represents accretion of ARO liability. Refer to Note 23, "Asset Retirement Obligations," on page 66.
[3] Includes foreign currency gains and losses, gains and losses on property dispositions, and other miscellaneous income and expenses.
[4] 2011 and 2010 conformed to 2012 presentation.

Table IV Results of Operations for Oil and Gas Producing Activities — Unit Prices and Costs[1]

	Consolidated Companies							Affiliated Companies	
	U.S.	Other Americas	Africa	Asia	Australia	Europe	Total	TCO	Other
Year Ended December 31, 2012									
Average sales prices									
Liquids, per barrel	**$ 95.21**	**$ 87.87**	**$ 109.64**	**$ 102.46**	**$ 103.06**	**$ 108.77**	**$ 101.61**	**$ 89.34**	**$ 83.97**
Natural gas, per thousand cubic feet	**2.65**	**3.59**	**1.22**	**6.03**	**10.99**	**10.10**	**5.42**	**1.36**	**5.39**
Average production costs, per barrel[2]	**16.99**	**18.38**	**12.14**	**16.71**	**4.86**	**15.72**	**15.46**	**4.42**	**18.73**
Year Ended December 31, 2011[3]									
Average sales prices									
Liquids, per barrel	$ 97.51	$ 89.87	$ 109.45	$ 100.55	$ 103.70	$ 107.11	$ 101.63	$ 94.60	$ 90.90
Natural gas, per thousand cubic feet	4.02	2.97	0.41	5.28	9.98	9.91	5.29	1.60	6.57
Average production costs, per barrel[2]	15.08	14.62	9.48	17.47	3.41	11.44	13.98	4.23	10.54
Year Ended December 31, 2010[3]									
Average sales prices									
Liquids, per barrel	$ 71.59	$ 66.22	$ 78.00	$ 70.96	$ 76.43	$ 76.10	$ 73.24	$ 63.94	$ 64.92
Natural gas, per thousand cubic feet	4.25	2.52	0.73	4.45	6.76	7.09	4.55	1.41	4.20
Average production costs, per barrel[2]	13.11	11.86	8.57	11.71	2.55	9.42	10.96	3.14	7.37

[1] The value of owned production consumed in operations as fuel has been eliminated from revenues and production expenses, and the related volumes have been deducted from net production in calculating the unit average sales price and production cost. This has no effect on the results of producing operations.
[2] Natural gas converted to oil-equivalent gas (OEG) barrels at a rate of 6 MCF = 1 OEG barrel.
[3] 2011 and 2010 conformed to 2012 presentation.

Table V Reserve Quantity Information

Reserves Governance The company has adopted a comprehensive reserves and resource classification system modeled after a system developed and approved by the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists. The system classifies recoverable hydrocarbons into six categories based on their status at the time of reporting – three deemed commercial and three potentially recoverable. Within the commercial classification are proved reserves and two categories of unproved: probable and possible. The potentially recoverable categories are also referred to as contingent resources. For reserves estimates to be classified as proved, they must meet all SEC and company standards.

Proved oil and gas reserves are the estimated quantities that geoscience and engineering data demonstrate with reasonable certainty to be economically producible in the future from known reservoirs under existing economic conditions, operating methods and government regulations. Net proved reserves exclude royalties and interests owned by others and reflect contractual arrangements and royalty obligations in effect at the time of the estimate.

Proved reserves are classified as either developed or undeveloped. Proved developed reserves are the quantities expected to be recovered through existing wells with existing equipment and operating methods.

Due to the inherent uncertainties and the limited nature of reservoir data, estimates of reserves are subject to change as additional information becomes available.

Proved reserves are estimated by company asset teams composed of earth scientists and engineers. As part of the internal control process related to reserves estimation, the company maintains a Reserves Advisory Committee (RAC) that is chaired by the Manager of Corporate Reserves, a corporate department that reports directly to the Vice Chairman responsible for the company's worldwide exploration and production activities. The Manager of Corporate Reserves has more than 30 years' experience working in the oil and gas industry and a Master of Science in Petroleum Engineering degree from Stanford University. His experience includes more than 15 years of managing oil and gas reserves processes. He was chairman of the Society of Petroleum Engineers Oil and Gas Reserves Committee, served on the United Nations Expert Group on Resources Classification, and is a past member of the Joint Committee on Reserves Evaluator Training and the California Conservation Committee. He is an active member of the Society of Petroleum Evaluation Engineers and serves on the Society of Petroleum Engineers Oil and Gas Reserves Committee.

All RAC members are degreed professionals, each with more than 15 years of experience in various aspects of reserves estimation relating to reservoir engineering, petroleum engineering, earth science or finance. The members are knowledgeable in SEC guidelines for proved reserves classification and receive annual training on the preparation of reserves estimates. The reserves activities are managed by two operating company-level reserves managers. These two reserves managers are not members of the RAC so as to preserve corporate-level independence.

Table V Reserve Quantity Information – Continued

Summary of Net Oil and Gas Reserves

Liquids in Millions of Barrels *Natural Gas in Billions of Cubic Feet*	2012* Crude Oil Condensate NGLs	2012* Synthetic Oil	2012* Natural Gas	2011* Crude Oil Condensate NGLs	2011* Synthetic Oil	2011* Natural Gas	2010* Crude Oil Condensate NGLs	2010* Synthetic Oil	2010* Natural Gas
Proved Developed									
Consolidated Companies									
U.S.	**1,012**	**–**	**2,574**	990	–	2,486	1,045	–	2,113
Other Americas	**91**	**391**	**1,063**	82	403	1,147	84	352	1,490
Africa	**782**	**–**	**1,163**	792	–	1,276	830	–	1,304
Asia	**643**	**–**	**4,511**	703	–	4,300	826	–	4,836
Australia	**31**	**–**	**682**	39	–	813	39	–	881
Europe	**103**	**–**	**191**	116	–	204	136	–	235
Total Consolidated	**2,662**	**391**	**10,184**	2,722	403	10,226	2,960	352	10,859
Affiliated Companies									
TCO	**977**	**–**	**1,261**	1,019	–	1,400	1,128	–	1,484
Other	**115**	**50**	**377**	93	50	75	95	53	70
Total Consolidated and Affiliated Companies	**3,754**	**441**	**11,822**	3,834	453	11,701	4,183	405	12,413
Proved Undeveloped									
Consolidated Companies									
U.S.	**347**	**–**	**1,148**	321	–	1,160	230	–	359
Other Americas	**132**	**122**	**412**	31	120	517	24	114	325
Africa	**348**	**–**	**1,918**	363	–	1,920	338	–	1,640
Asia	**194**	**–**	**2,356**	191	–	2,421	187	–	2,357
Australia	**103**	**–**	**9,570**	101	–	8,931	49	–	5,175
Europe	**54**	**–**	**66**	43	–	54	16	–	40
Total Consolidated	**1,178**	**122**	**15,470**	1,050	120	15,003	844	114	9,896
Affiliated Companies									
TCO	**755**	**–**	**1,038**	740	–	851	692	–	902
Other	**49**	**182**	**865**	64	194	1,128	62	203	1,040
Total Consolidated and Affiliated Companies	**1,982**	**304**	**17,373**	1,854	314	16,982	1,598	317	11,838
Total Proved Reserves	**5,736**	**745**	**29,195**	5,688	767	28,683	5,781	722	24,251

* Based on 12-month average price.

The RAC has the following primary responsibilities: establish the policies and processes used within the operating units to estimate reserves; provide independent reviews and oversight of the business units' recommended reserves estimates and changes; confirm that proved reserves are recognized in accordance with SEC guidelines; determine that reserve volumes are calculated using consistent and appropriate standards, procedures and technology; and maintain the *Corporate Reserves Manual*, which provides standardized procedures used corporatewide for classifying and reporting hydrocarbon reserves.

During the year, the RAC is represented in meetings with each of the company's upstream business units to review and discuss reserve changes recommended by the various asset teams. Major changes are also reviewed with the company's Strategy and Planning Committee, whose members include the Chief Executive Officer and the Chief Financial Officer. The company's annual reserve activity is also reviewed with the Board of Directors. If major changes to reserves were to occur between the annual reviews, those matters would also be discussed with the Board.

RAC subteams also conduct in-depth reviews during the year of many of the fields that have large proved reserves quantities. These reviews include an examination of the proved-reserve records and documentation of their compliance with the *Corporate Reserves Manual*.

Technologies Used in Establishing Proved Reserves Additions In 2012, additions to Chevron's proved reserves were based on a wide range of geologic and engineering technologies. Information generated from wells, such as well logs, wire line sampling, production and pressure testing, fluid analysis, and core analysis, was integrated with seismic data, regional geologic studies, and information from analogous reservoirs to provide "reasonably certain" proved reserves estimates. Both proprietary and commercially available analytic tools, including reservoir simulation, geologic modeling and seismic processing, have been used in the interpretation of the subsurface data. These technologies have been utilized extensively by the company in the past, and the company believes that they provide a high degree of confidence in establishing reliable and consistent reserves estimates.

Proved Undeveloped Reserve Quantities At the end of 2012, proved undeveloped reserves totaled 5.2 billion barrels of oil-equivalent (BOE). Approximately 56 percent of these reserves are attributed to natural gas, of which about 55 percent were located in Australia. Crude oil, condensate and natural gas liquids (NGLs) accounted for about 38 percent of the total proved undeveloped reserves, of which about 38 percent were from TCO, and the remaining large concentrations were in Africa, Asia and the United States. Synthetic oil accounted for the balance of the proved undeveloped reserves.

In 2012, a total of 394 million BOE was transferred from proved undeveloped to proved developed. In Asia, 98 million BOE were transferred to proved developed primarily driven by development drilling performance. In the United States, approximately 95 million BOE were transferred, primarily due to ongoing drilling activities in the deepwater Gulf of Mexico and California. Affiliates accounted for 104 million BOE transferred to proved developed due to ongoing development activities. Development drilling and the start up of several projects in Africa, Europe and Other Americas accounted for the remainder.

Investment to Convert Proved Undeveloped to Proved Developed Reserves During 2012, investments totaling approximately $10.7 billion in oil and gas producing activities and about $3.5 billion in non-oil and gas producing activities were expended to advance the development of proved undeveloped reserves. Australia accounted for $7.7 billion of the total, mainly for development and construction activities at the Gorgon and Wheatstone LNG projects. In Africa, another $2.3 billion was expended on various offshore development and natural gas projects in Nigeria and Angola. Expenditures of about $1.8 billion in the United States related primarily to various development activities in the Gulf of Mexico and the mid-continent region. In Asia, expenditures during the year totaled $1.7 billion, primarily related to development projects in Thailand and Indonesia.

Proved Undeveloped Reserves for Five Years or More Reserves that remain proved undeveloped for five or more years are a result of several factors that affect optimal project development and execution, such as the complex nature of the development project in adverse and remote locations, physical limitations of infrastructure or plant capacities that dictate project timing, compression projects that are pending reservoir pressure declines, and contractual limitations that dictate production levels.

At year-end 2012, the company held approximately 1.7 billion BOE of proved undeveloped reserves that have remained undeveloped for five years or more. The reserves are held by consolidated and affiliated companies and the majority of these reserves are in locations where the company has a proven track record of developing major projects.

In Africa, the majority of the 300 million BOE is related to deepwater and natural gas developments in Nigeria. Major Nigerian deepwater development projects include Agbami, which started production in 2008 and has ongoing development activities to maintain full utilization of infrastructure capacity, and the Usan development, which started production in 2012. Also in Nigeria, various fields and infrastructure associated with the Escravos Gas Projects are currently under development.

In Asia, approximately 200 million BOE remain classified as proved undeveloped after five years. The majority relate to ongoing development activities in the Pattani Field (Thailand) and the Malampaya Field (Philippines) that are scheduled to maintain production within contractual and infrastructure constraints.

In Australia, approximately 100 million BOE remain classified as proved undeveloped due to a compression project at the North West Shelf Venture, which is scheduled for start-up in 2013.

Affiliated companies have approximately 1.0 billion BOE of proved undeveloped reserves that have been recorded for five years or more. The TCO affiliate in Kazakhstan accounts for most of this amount. Production is constrained by plant capacity limitations. In Venezuela, development drilling continues at Hamaca to optimize utilization of upgrader capacity.

Annually, the company assesses whether any changes have occurred in facts or circumstances, such as changes to development plans, regulations or government policies, that would warrant a revision to reserve estimates. For 2012, this assessment did not result in any material changes in reserves classified as proved undeveloped. Over the past three years, the ratio of proved undeveloped reserves to total proved reserves has ranged between 37 percent and 46 percent. The consistent completion of major capital projects has kept the ratio in a narrow range over this time period.

Proved Reserve Quantities At December 31, 2012, proved reserves for the company were 11.3 billion BOE. (Refer to the term "Reserves" on page 8 for the definition of oil-equivalent reserves.) Approximately 17 percent of the total reserves were located in the United States.

Aside from the TCO affiliate's Tengiz Field in Kazakhstan, no single property accounted for more than 5 percent of the company's total oil-equivalent proved reserves. About 20 other individual properties in the company's portfolio of assets each contained between 1 percent and 5 percent of the company's oil-equivalent proved reserves, which in the aggregate accounted for 45 percent of the company's total oil-equivalent proved reserves. These properties were geographically dispersed, located in the United States, Canada, South America, Africa, Asia and Australia.

In the United States, total proved reserves at year-end 2012 were 2.0 billion BOE. California properties accounted for 32 percent of the U.S. reserves, with most classified as heavy oil. Because of heavy oil's high viscosity and the need to employ enhanced recovery methods, most of the company's heavy-oil fields in California employ a continuous steamflooding process. The Gulf of Mexico region contains 26 percent of the U.S. reserves and production operations are mostly offshore. Other U.S. areas represent the remaining 42 percent of U.S. reserves. For production of crude oil, some fields utilize enhanced recovery methods, including waterflood and CO_2 injection.

For the three years ending December 31, 2012, the pattern of net reserve changes shown in the following tables are not necessarily indicative of future trends. Apart from acquisitions, the company's ability to add proved reserves is affected by, among other things, events and circumstances that are outside the company's control, such as delays in government permitting, partner approvals of development plans, changes in oil and gas prices, OPEC constraints, geopolitical uncertainties, and civil unrest.

The company's estimated net proved reserves of crude oil, condensate, natural gas liquids and synthetic oil and changes thereto for the years 2010, 2011 and 2012 are shown in the table below. The company's estimated net proved reserves of natural gas are shown on page 81.

Net Proved Reserves of Crude Oil, Condensate, Natural Gas Liquids and Synthetic Oil

	Consolidated Companies								Affiliated Companies			Total Consolidated and Affiliated Companies
Millions of barrels	U.S.	Other Americas[1]	Africa	Asia	Australia	Europe	Synthetic Oil[2]	Total	TCO	Synthetic Oil	Other[3]	
Reserves at January 1, 2010	1,361	104	1,246	1,171	98	170	460	4,610	1,946	266	151	6,973
Changes attributable to:												
Revisions	63	12	17	(26)	3	19	15	103	(33)	–	12	82
Improved recovery	11	3	58	2	–	–	–	74	–	–	3	77
Extensions and discoveries	19	19	9	16	–	–	–	63	–	–	–	63
Purchases	–	–	–	11	–	–	–	11	–	–	–	11
Sales	(1)	–	–	–	–	–	–	(1)	–	–	–	(1)
Production	(178)	(30)	(162)	(161)	(13)	(37)	(9)	(590)	(93)	(10)	(9)	(702)
Reserves at December 31, 2010[4]	1,275	108	1,168	1,013	88	152	466	4,270	1,820	256	157	6,503
Changes attributable to:												
Revisions	63	4	60	25	(2)	15	32	197	28	–	10	235
Improved recovery	6	4	48	–	–	–	–	58	–	–	–	58
Extensions and discoveries	140	30	34	4	65	26	–	299	–	–	–	299
Purchases	2	–	–	–	–	–	40	42	–	–	–	42
Sales	(5)	–	–	–	(1)	–	–	(6)	–	–	–	(6)
Production	(170)	(33)	(155)	(148)	(10)	(34)	(15)	(565)	(89)	(12)	(10)	(676)
Reserves at December 31, 2011[4]	1,311	113	1,155	894	140	159	523	4,295	1,759	244	157	6,455
Changes attributable to:												
Revisions	**104**	**20**	**66**	**97**	**4**	**16**	**6**	**313**	**59**	**(6)**	**24**	**390**
Improved recovery	**24**	**8**	**30**	**6**	**–**	**9**	**–**	**77**	**–**	**–**	**–**	**77**
Extensions and discoveries	**77**	**101**	**30**	**2**	**7**	**–**	**–**	**217**	**–**	**–**	**1**	**218**
Purchases	**10**	**–**	**–**	**–**	**–**	**–**	**–**	**10**	**–**	**–**	**–**	**10**
Sales	**(1)**	**–**	**–**	**(15)**	**(7)**	**–**	**–**	**(23)**	**–**	**–**	**–**	**(23)**
Production	**(166)**	**(19)**	**(151)**	**(147)**	**(10)**	**(27)**	**(16)**	**(536)**	**(86)**	**(6)**	**(18)**	**(646)**
Reserves at December 31, 2012[4]	**1,359**	**223**	**1,130**	**837**	**134**	**157**	**513**	**4,353**	**1,732**	**232**	**164**	**6,481**

[1] Ending reserve balances in North America were 121, 13 and 14 and in South America were 102, 100 and 94 in 2012, 2011 and 2010, respectively.
[2] Reserves associated with Canada.
[3] Ending reserve balances in Africa were 41, 38 and 36 and in South America were 123, 119 and 121 in 2012, 2011 and 2010, respectively.
[4] Included are year-end reserve quantities related to production-sharing contracts (PSC) (refer to page 8 for the definition of a PSC). PSC-related reserve quantities are 20 percent, 22 percent and 24 percent for consolidated companies for 2012, 2011 and 2010, respectively.

Noteworthy amounts in the categories of liquids proved reserve changes for 2010 through 2012 are discussed below:

Revisions In 2010, net revisions increased reserves 82 million barrels. For consolidated companies, improved reservoir performance accounted for a majority of the 63 million barrel increase in the United States. Increases in the other regions were partially offset by Asia, which decreased as a result of the effect of higher prices on entitlement volumes in Kazakhstan. For affiliated companies, the price effect on entitlement volumes at TCO decreased reserves by 33 million barrels.

In 2011, net revisions increased reserves 235 million barrels. For consolidated companies, improved reservoir performance accounted for a majority of the 63 million barrel increase in the United States. In Africa, improved field performance drove the 60 million barrel increase. In Asia, increases from improved reservoir performance were partially offset by the effects of higher prices on entitlement volumes. Synthetic oil reserves in Canada increased by 32 million barrels, primarily due to geotechnical revisions. For affiliated companies, improved facility and reservoir performance was partially offset by the price effect on entitlement volumes at TCO.

In 2012, net revisions increased reserves 390 million barrels. Improved field performance and drilling associated with Gulf of Mexico projects accounted for the majority of the 104 million barrel increase in the United States. In Asia, drilling results across numerous assets drove the 97 million barrel increase. Improved field performance from various Nigeria and Angola producing assets was primarily responsible for the 66 million barrel increase in Africa. Improved plant efficiency for the TCO affiliate was responsible for a large portion of the 59 million barrel increase.

Improved Recovery In 2010, improved recovery increased volumes by 77 million barrels. Reserves in Africa increased 58 million barrels due primarily to secondary recovery performance in Nigeria.

In 2011, improved recovery increased volumes by 58 million barrels. Reserves in Africa increased 48 million barrels due primarily to secondary recovery performance in Nigeria.

In 2012, improved recovery increased reserves by 77 million barrels, primarily due to secondary recovery performance in Africa and in Gulf of Mexico fields in the United States.

Extensions and Discoveries In 2010, extensions and discoveries increased reserves 63 million barrels. The United States and Other Americas each increased reserves 19 million barrels, and Asia increased reserves 16 million barrels. No single area in the United States was individually significant. Drilling activity in Argentina and Brazil accounted for the majority of the increase in Other Americas. In Asia, the increase was primarily related to activity in Azerbaijan.

In 2011, extensions and discoveries increased reserves 299 million barrels. In the United States, additions related to two Gulf of Mexico projects resulted in the majority of the 140 million barrel increase. In Australia, the Wheatstone Project increased liquid volumes 65 million barrels. Africa and Other Americas increased reserves 34 million and 30 million barrels, respectively, following the start of new projects in these areas. In Europe, a project in the United Kingdom increased reserves 26 million barrels.

In 2012, extensions and discoveries increased reserves 218 million barrels. In Other Americas, extensions and discoveries increased reserves 101 million barrels primarily due to the initial booking of the Hebron project in Canada. In the United States, additions at several Gulf of Mexico projects and drilling activity in the mid-continent region were primarily responsible for the 77 million barrel increase.

Purchases In 2011, purchases increased worldwide liquid volumes 42 million barrels. The acquisition of additional acreage in Canada increased synthetic oil reserves 40 million barrels.

Table V Reserve Quantity Information – Continued

Net Proved Reserves of Natural Gas

	Consolidated Companies							Affiliated Companies		Total Consolidated and Affiliated Companies
Billions of cubic feet (BCF)	U.S.	Other Americas[1]	Africa	Asia	Australia	Europe	Total	TCO	Other[2]	
Reserves at January 1, 2010	2,698	1,985	3,021	7,860	6,245	344	22,153	2,833	1,063	26,049
Changes attributable to:										
Revisions	220	4	(20)	(31)	(22)	46	197	(324)	56	(71)
Improved recovery	1	1	–	–	–	–	2	–	–	2
Extensions and discoveries	36	4	–	59	–	11	110	–	–	110
Purchases	3	–	–	4	–	–	7	–	–	7
Sales	(7)	–	–	–	–	–	(7)	–	–	(7)
Production[3]	(479)	(179)	(57)	(699)	(167)	(126)	(1,707)	(123)	(9)	(1,839)
Reserves at December 31, 2010[4]	2,472	1,815	2,944	7,193	6,056	275	20,755	2,386	1,110	24,251
Changes attributable to:										
Revisions	217	(4)	39	196	(107)	74	415	(21)	103	497
Improved recovery	–	1	–	–	–	–	1	–	–	1
Extensions and discoveries	287	13	290	46	4,035	9	4,680	–	–	4,680
Purchases	1,231	–	–	2	–	–	1,233	–	–	1,233
Sales	(95)	–	–	(2)	(77)	–	(174)	–	–	(174)
Production[3]	(466)	(161)	(77)	(714)	(163)	(100)	(1,681)	(114)	(10)	(1,805)
Reserves at December 31, 2011[4]	3,646	1,664	3,196	6,721	9,744	258	25,229	2,251	1,203	28,683
Changes attributable to:										
Revisions	**318**	**(77)**	**(30)**	**1,007**	**358**	**84**	**1,660**	**158**	**37**	**1,855**
Improved recovery	**5**	**–**	**–**	**1**	**–**	**2**	**8**	**–**	**–**	**8**
Extensions and discoveries	**166**	**34**	**2**	**50**	**747**	**–**	**999**	**–**	**12**	**1,011**
Purchases	**33**	**–**	**–**	**–**	**–**	**–**	**33**	**–**	**–**	**33**
Sales	**(6)**	**–**	**–**	**(93)**	**(439)**	**–**	**(538)**	**–**	**–**	**(538)**
Production[3]	**(440)**	**(146)**	**(87)**	**(819)**	**(158)**	**(87)**	**(1,737)**	**(110)**	**(10)**	**(1,857)**
Reserves at December 31, 2012[4]	**3,722**	**1,475**	**3,081**	**6,867**	**10,252**	**257**	**25,654**	**2,299**	**1,242**	**29,195**

[1] Ending reserve balances in North America and South America were 49, 19, 21 and 1,426, 1,645, 1,794 in 2012, 2011 and 2010, respectively.
[2] Ending reserve balances in Africa and South America were 1,068, 1,016, 953 and 174, 187, 157 in 2012, 2011 and 2010, respectively.
[3] Total "as sold" volumes are 1,647 BCF, 1,591 BCF and 1,644 BCF for 2012, 2011 and 2010, respectively.
[4] Includes reserve quantities related to production-sharing contracts (PSC) (refer to page 8 for the definition of a PSC). PSC-related reserve quantities are 21 percent, 21 percent and 29 percent for consolidated companies for 2012, 2011 and 2010, respectively.

Noteworthy amounts in the categories of natural gas proved-reserve changes for 2010 through 2012 are discussed below:

Revisions In 2010, net revisions decreased reserves by 71 BCF. For consolidated companies, a net increase in the United States of 220 BCF, primarily in the mid-continent area and the Gulf of Mexico, was the result of a number of small upward revisions related to improved reservoir performance and drilling activity, none of which were individually significant. The increase was partially offset by downward revisions due to the impact of higher prices on entitlement volumes in Asia. For equity affiliates, a downward revision of 324 BCF at TCO was due to the price effect on entitlement volumes and a change in the variable-royalty calculation. This decline was partially offset by the recognition of additional reserves related to the Angola LNG project.

In 2011, net revisions increased reserves 497 BCF. For consolidated companies, improved reservoir performance accounted for a majority of the 217 BCF increase in the United States. In Asia, a net increase of 196 BCF was driven by development drilling and improved field performance in Thailand, partially offset by the effects of higher prices on entitlement volumes in Kazakhstan. For affiliated companies, ongoing reservoir assessment resulted in the recognition of additional reserves related to the Angola LNG project. At TCO, improved facility and reservoir performance was more than offset by the price effect on entitlement volumes.

In 2012, net revisions increased reserves 1,855 BCF. A net increase of 1,007 BCF in Asia was primarily due to development drilling and additional compression in Bangladesh, and drilling results and improved field performance in Thailand. In Australia, updated reservoir data interpretation based on additional drilling at the Gorgon Project drove the 358 BCF increase. Drilling results from activities in the Marcellus Shale were responsible for the majority of the 318 BCF increase in the United States.

Extensions and Discoveries In 2011, extensions and discoveries increased reserves 4,680 BCF. In Australia, the Wheatstone Project accounted for the 4,035 BCF in additions. In Africa, the start of a new natural gas development project in Nigeria resulted in the 290 BCF increase. In the United States, development drilling accounted for the majority of the 287 BCF increase.

In 2012, extensions and discoveries increased reserves by 1,011 BCF. The increase of 747 BCF in Australia was primarily related to positive drilling results at the Gorgon Project.

Purchases In 2011, purchases increased reserves 1,233 BCF. In the United States, acquisitions in the Marcellus Shale increased reserves 1,230 BCF.

Sales In 2011, sales decreased reserves 174 BCF. In Australia, the Wheatstone Project unitization and equity sales agreements reduced reserves 77 BCF. In the United States, sales in Alaska and other smaller fields reduced reserves 95 BCF.

In 2012, sales decreased reserves by 538 BCF. Sales of a portion of the company's equity interest in the Wheatstone Project were responsible for the 439 BCF reserves reduction in Australia.

Table VI Standardized Measure of Discounted Future Net Cash Flows Related to Proved Oil and Gas Reserves

The standardized measure of discounted future net cash flows, related to the preceding proved oil and gas reserves, is calculated in accordance with the requirements of the FASB. Estimated future cash inflows from production are computed by applying 12-month average prices for oil and gas to year-end quantities of estimated net proved reserves. Future price changes are limited to those provided by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions, and include estimated costs for asset retirement obligations. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pretax net cash flows, less the tax basis of related assets. Discounted future net cash flows are calculated using 10 percent midperiod discount factors. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced.

The information provided does not represent management's estimate of the company's expected future cash flows or value of proved oil and gas reserves. Estimates of proved-reserve quantities are imprecise and change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The valuation prescribed by the FASB requires assumptions as to the timing and amount of future development and production costs. The calculations are made as of December 31 each year and should not be relied upon as an indication of the company's future cash flows or value of its oil and gas reserves. In the following table, "Standardized Measure Net Cash Flows" refers to the standardized measure of discounted future net cash flows.

Table VI – Standardized Measure of Discounted Future Net Cash Flows Related to Proved Oil and Gas Reserves

	Consolidated Companies							Affiliated Companies		Total Consolidated and Affiliated Companies
Millions of dollars	U.S.	Other Americas	Africa	Asia	Australia	Europe	Total	TCO	Other	
At December 31, 2012										
Future cash inflows from production[1]	**$ 139,856**	**$ 72,548**	**$ 122,189**	**$ 121,849**	**$ 134,009**	**$ 19,653**	**$ 610,104**	**$ 169,966**	**$ 47,496**	**$ 827,566**
Future production costs	**(46,173)**	**(26,450)**	**(24,591)**	**(35,713)**	**(18,340)**	**(8,768)**	**(160,035)**	**(32,085)**	**(19,899)**	**(212,019)**
Future development costs	**(11,192)**	**(11,925)**	**(14,601)**	**(17,275)**	**(24,923)**	**(1,946)**	**(81,862)**	**(12,355)**	**(3,710)**	**(97,927)**
Future income taxes	**(31,647)**	**(9,902)**	**(48,683)**	**(30,763)**	**(27,224)**	**(5,589)**	**(153,808)**	**(37,658)**	**(13,363)**	**(204,829)**
Undiscounted future net cash flows	**50,844**	**24,271**	**34,314**	**38,098**	**63,522**	**3,350**	**214,399**	**87,868**	**10,524**	**312,791**
10 percent midyear annual discount for timing of estimated cash flows	**(21,416)**	**(15,906)**	**(12,430)**	**(13,033)**	**(40,450)**	**(860)**	**(104,095)**	**(47,534)**	**(5,644)**	**(157,273)**
Standardized Measure Net Cash Flows	**$ 29,428**	**$ 8,365**	**$ 21,884**	**$ 25,065**	**$ 23,072**	**$ 2,490**	**$ 110,304**	**$ 40,334**	**$ 4,880**	**$ 155,518**
At December 31, 2011[2]										
Future cash inflows from production[1]	$ 143,633	$ 63,579	$ 124,077	$ 124,972	$ 113,773	$ 19,704	$ 589,738	$ 171,588	$ 42,212	$ 803,538
Future production costs	(39,523)	(22,856)	(22,703)	(35,579)	(15,411)	(7,467)	(143,539)	(30,904)	(19,430)	(193,873)
Future development costs	(11,272)	(9,345)	(10,695)	(15,035)	(29,489)	(676)	(76,512)	(10,778)	(2,836)	(90,126)
Future income taxes	(34,050)	(9,121)	(53,103)	(33,884)	(20,661)	(7,229)	(158,048)	(36,698)	(10,833)	(205,579)
Undiscounted future net cash flows	58,788	22,257	37,576	40,474	48,212	4,332	211,639	93,208	9,113	313,960
10 percent midyear annual discount for timing of estimated cash flows	(25,013)	(15,082)	(13,801)	(14,627)	(35,051)	(1,117)	(104,691)	(51,547)	(4,883)	(161,121)
Standardized Measure Net Cash Flows	$ 33,775	$ 7,175	$ 23,775	$ 25,847	$ 13,161	$ 3,215	$ 106,948	$ 41,661	$ 4,230	$ 152,839
At December 31, 2010[2]										
Future cash inflows from production[1]	$ 101,281	$ 48,068	$ 90,402	$ 101,553	$ 52,635	$ 13,618	$ 407,557	$ 124,970	$ 31,188	$ 563,715
Future production costs	(36,609)	(22,118)	(19,591)	(30,793)	(9,191)	(5,842)	(124,144)	(22,304)	(4,172)	(150,620)
Future development costs	(6,661)	(6,953)	(12,239)	(11,690)	(13,160)	(708)	(51,411)	(8,777)	(2,254)	(62,442)
Future income taxes	(20,307)	(7,337)	(34,405)	(26,355)	(9,085)	(4,031)	(101,520)	(26,524)	(12,919)	(140,963)
Undiscounted future net cash flows	37,704	11,660	24,167	32,715	21,199	3,037	130,482	67,365	11,843	209,690
10 percent midyear annual discount for timing of estimated cash flows	(13,218)	(6,751)	(9,221)	(12,287)	(15,282)	(699)	(57,458)	(37,015)	(6,574)	(101,047)
Standardized Measure Net Cash Flows	$ 24,486	$ 4,909	$ 14,946	$ 20,428	$ 5,917	$ 2,338	$ 73,024	$ 30,350	$ 5,269	$ 108,643

[1] Based on 12-month average price.

[2] 2011 and 2010 conformed to 2012 presentation.

Table VII Changes in the Standardized Measure of Discounted Future Net Cash Flows From Proved Reserves

The changes in present values between years, which can be significant, reflect changes in estimated proved-reserve quantities and prices and assumptions used in forecasting production volumes and costs. Changes in the timing of production are included with "Revisions of previous quantity estimates."

Table VII – Changes in the Standardized Measure of Discounted Future Net Cash Flows From Proved Reserves

Millions of dollars	Consolidated Companies	Affiliated Companies	Total Consolidated and Affiliated Companies
Present Value at January 1, 2010*	$ 50,276	$ 27,236	$ 77,512
Sales and transfers of oil and gas produced net of production costs	(39,047)	(6,377)	(45,424)
Development costs incurred	12,042	572	12,614
Purchases of reserves	513	–	513
Sales of reserves	(47)	–	(47)
Extensions, discoveries and improved recovery less related costs	5,194	63	5,257
Revisions of previous quantity estimates	9,704	1,113	10,817
Net changes in prices, development and production costs	43,887	14,429	58,316
Accretion of discount	8,391	3,797	12,188
Net change in income tax	(17,889)	(5,214)	(23,103)
Net change for 2010	22,748	8,383	31,131
Present Value at December 31, 2010[1]	$ 73,024	$ 35,619	$ 108,643
Sales and transfers of oil and gas produced net of production costs	(52,338)	(8,679)	(61,017)
Development costs incurred	13,869	729	14,598
Purchases of reserves	1,212	–	1,212
Sales of reserves	(803)	–	(803)
Extensions, discoveries and improved recovery less related costs	12,288	–	12,288
Revisions of previous quantity estimates	16,025	923	16,948
Net changes in prices, development and production costs	61,428	15,979	77,407
Accretion of discount	11,943	5,048	16,991
Net change in income tax	(29,700)	(3,728)	(33,428)
Net change for 2011	33,924	10,272	44,196
Present Value at December 31, 2011	$ 106,948	$ 45,891	$ 152,839
Sales and transfers of oil and gas produced net of production costs	**(49,094)**	**(7,708)**	**(56,802)**
Development costs incurred	**18,013**	**942**	**18,955**
Purchases of reserves	**376**	**–**	**376**
Sales of reserves	**(1,630)**	**–**	**(1,630)**
Extensions, discoveries and improved recovery less related costs	**11,303**	**106**	**11,409**
Revisions of previous quantity estimates	**23,556**	**3,759**	**27,315**
Net changes in prices, development and production costs	**(19,179)**	**(2,266)**	**(21,445)**
Accretion of discount	**18,026**	**6,322**	**24,348**
Net change in income tax	**1,985**	**(1,832)**	**153**
Net change for 2012	**3,356**	**(677)**	**2,679**
Present Value at December 31, 2012	**$ 110,304**	**$ 45,214**	**$ 155,518**

* 2011 and 2010 conformed to 2012 presentation.

Chevron History

1879
Incorporated in San Francisco, California, as the Pacific Coast Oil Company.

1900
Acquired by the West Coast operations of John D. Rockefeller's original Standard Oil Company.

1911
Emerged as an autonomous entity – Standard Oil Company (California) – following U.S. Supreme Court decision to divide the Standard Oil conglomerate into 34 independent companies.

1926
Acquired Pacific Oil Company to become Standard Oil Company of California (Socal).

1936
Formed the Caltex Group of Companies, jointly owned by Socal and The Texas Company (later became Texaco), to combine Socal's exploration and production interests in the Middle East and Indonesia and provide an outlet for crude oil through The Texas Company's marketing network in Africa and Asia.

1947
Acquired Signal Oil Company, obtaining the Signal brand name and adding 2,000 retail stations in the western United States.

1961
Acquired Standard Oil Company (Kentucky), a major petroleum products marketer in five southeastern states, to provide outlets for crude oil from southern Louisiana and the U.S. Gulf of Mexico, where the company was a major producer.

1984
Acquired Gulf Corporation – nearly doubling the size of crude oil and natural gas activities – and gained significant presence in industrial chemicals, natural gas liquids and coal. Changed name to Chevron Corporation to identify with the name under which most products were marketed.

1988
Purchased Tenneco Inc.'s U.S. Gulf of Mexico crude oil and natural gas properties, becoming one of the largest U.S. natural gas producers.

1993
Formed Tengizchevroil, a joint venture with the Republic of Kazakhstan, to develop and produce the giant Tengiz Field, becoming the first major Western oil company to enter newly independent Kazakhstan.

1999
Acquired Rutherford-Moran Oil Corporation. This acquisition provided inroads to Asian natural gas markets.

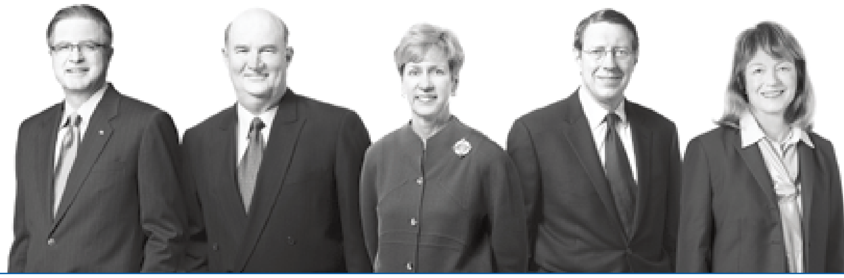
2001
Merged with Texaco Inc. and changed name to ChevronTexaco Corporation. Became the second-largest U.S.-based energy company.

2002
Relocated corporate headquarters from San Francisco, California, to San Ramon, California.

2005
Acquired Unocal Corporation, an independent crude oil and natural gas exploration and production company. Unocal's upstream assets bolstered Chevron's already-strong position in the Asia-Pacific, U.S. Gulf of Mexico and Caspian regions. Changed name to Chevron Corporation to convey a clearer, stronger and more unified presence in the global marketplace.

2011
Acquired Atlas Energy, Inc., an independent U.S. developer and producer of shale gas resources. The acquired assets provide a targeted, high-quality core acreage position primarily in the Marcellus Shale.

Board of Directors



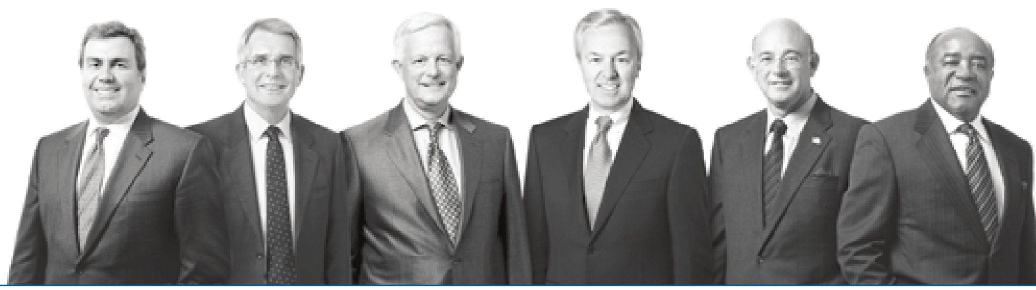
John S. Watson, 56
Chairman of the Board and Chief Executive Officer since 2010. Previously he was elected a Director and Vice Chairman in 2009; Executive Vice President, Strategy and Development; Corporate Vice President and President, Chevron International Exploration and Production Company; Vice President and Chief Financial Officer; and Corporate Vice President, Strategic Planning. He is a member of the Board of Directors and the Executive Committee of the American Petroleum Institute. Joined Chevron in 1980.

George L. Kirkland, 62
Vice Chairman of the Board since 2010 and **Executive Vice President of Upstream and Gas** since 2005. In addition to Board responsibilities, he is responsible for global exploration, production and gas activities. Previously Corporate Vice President and President, Chevron Overseas Petroleum Inc., and President, Chevron U.S.A. Production Company. Joined Chevron in 1974.

Linnet F. Deily, 67
Director since 2006. She served as a Deputy U.S. Trade Representative and U.S. Ambassador to the World Trade Organization. Previously she was Vice Chairman of Charles Schwab Corporation. She is a Director of Honeywell International Inc. (2, 4)

Robert E. Denham, 67
Lead Director since 2011 and a **Director** since 2004. He is a Partner in the law firm of Munger, Tolles & Olson LLP. Previously he was Chairman and Chief Executive Officer of Salomon Inc. He is a Director of The New York Times Company; Oaktree Capital Group, LLC; Fomento Económico Mexicano, S.A. de C.V.; and UGL Limited. (3, 4)

Alice P. Gast, 54
Director since 2012. She is President of Lehigh University in Bethlehem, Pennsylvania. Previously she served as Vice President for Research, Associate Provost and Robert T. Haslam Chair in Chemical Engineering at the Massachusetts Institute of Technology. (1)



Enrique Hernandez, Jr., 57
Director since 2008. He is Chairman, Chief Executive Officer and President of Inter-Con Security Systems, Inc., a provider of security and facility support services to government, utilities and industrial customers. He is a Director of McDonald's Corporation; Nordstrom, Inc.; and Wells Fargo & Company. (1)

Charles W. Moorman, 61
Director since 2012. He is Chairman of the Board, Chief Executive Officer and President of Norfolk Southern Corporation, a freight transportation company. Previously he served as Senior Vice President of Corporate Planning and Services at Norfolk Southern. (2, 4)

Kevin W. Sharer, 65
Director since 2007. He is a Senior Lecturer of Business Administration at the Harvard Business School and is retired Chairman of the Board and Chief Executive Officer of Amgen Inc., a global biotechnology medicines company. Previously he was President and Chief Operating Officer of Amgen. He is a Director of Northrop Grumman Corporation. (3, 4)

John G. Stumpf, 59
Director since 2010. He is Chairman of the Board, Chief Executive Officer and President of Wells Fargo & Company, a nationwide, diversified, community-based financial services company. Previously he served as Group Executive Vice President of Community Banking at Wells Fargo. He is a Director of Target Corporation. (1)

Ronald D. Sugar, 64
Director since 2005. He is retired Chairman of the Board and Chief Executive Officer of Northrop Grumman Corporation, a global defense and technology company. Previously he was President and Chief Operating Officer of Northrop Grumman. He is a Director of Amgen Inc., Air Lease Corporation and Apple Inc. (1)

Carl Ware, 69
Director since 2001. He is a retired Executive Vice President of The Coca-Cola Company, a manufacturer of beverages. Previously he was a Senior Adviser to the Chief Executive Officer of The Coca-Cola Company and an Executive Vice President, Global Public Affairs and Administration, for The Coca-Cola Company. He is a Director of Cummins Inc. (3, 4)

Retired Director

Chuck Hagel, a Director since 2010, resigned effective February 26, 2013. He has joined the Obama administration as Secretary of Defense. He served as a U.S. Senator from Nebraska from 1997 to 2009 and participated in numerous committees, including Foreign Relations; Banking, Housing and Urban Affairs; Intelligence; and Energy and Natural Resources. He also was a Distinguished Professor at Georgetown University and the University of Nebraska at Omaha. (2, 3)

Committees of the Board

1) Audit: Ronald D. Sugar, Chair
2) Public Policy: Linnet F. Deily, Chair
3) Board Nominating and Governance: Robert E. Denham, Chair
4) Management Compensation: Carl Ware, Chair

Corporate Officers

Lydia I. Beebe, 60
Corporate Secretary and Chief Governance Officer since 1995. Responsible for providing advice and counsel to the Board of Directors and senior management on corporate governance matters and managing the Corporate Governance function. Previously Senior Manager, Chevron Tax Department. Joined Chevron in 1977.

Paul V. Bennett, 59
Vice President and Treasurer since 2011. Responsible for banking, financing, cash management, insurance, pension investments, and credit and receivables activities corporatewide. Previously Vice President, Finance, Downstream and Chemicals. Serves on the Board of Directors of GS Caltex. Joined the company in 1980.

James R. Blackwell, 54
Executive Vice President, Technology and Services, since 2011. Responsible also for major capital project management, procurement, and other corporate operating and support functions. Previously President, Chevron Asia Pacific Exploration and Production Company; Managing Director, Chevron Southern Africa Strategic Business Unit; and President, Chevron Pipe Line Company. Joined the company in 1980.

Matthew J. Foehr, 55
Vice President and Comptroller since 2010. Responsible for corporatewide accounting, financial reporting and analysis, internal controls, and Finance Shared Services. Previously Vice President, Finance, Global Upstream and Gas, and Vice President, Finance, Global Downstream. Joined Chevron in 1982.

Joseph C. Geagea, 53
Corporate Vice President and President, Chevron Gas and Midstream, since 2012. Responsible for commercializing the company's natural gas resources, supporting the development of new growth opportunities worldwide, and overseeing shipping, pipeline, power and natural gas trading operations. Previously Managing Director, Chevron Asia South Ltd., Chevron Asia Pacific Exploration and Production Company, and Vice President, Upstream Capability, Chevron International Exploration and Production Company. Joined the company in 1982.

Stephen W. Green, 55
Vice President, Policy, Government and Public Affairs, since 2011. Responsible for U.S. and international government relations, all aspects of communications, and the company's worldwide efforts to protect and enhance its reputation. Previously President, Chevron Indonesia Company and Managing Director, IndoAsia Business Unit, Chevron Asia Pacific Exploration and Production Company. Joined the company in 1998.

Joe W. Laymon, 60
Vice President, Human Resources, Medical and Security, since 2008. Responsible for the company's global human resources, medical services and security functions. Previously Group Vice President, Corporate Human Resources and Labor Affairs, Ford Motor Company. Joined the company in 2008.

Wesley E. Lohec, 53
Vice President, Health, Environment and Safety (HES), since 2011. Responsible for HES strategic planning and issues management, compliance assurance, emergency response, and Chevron's Environmental Management Company. Previously Managing Director, Latin America, Chevron Africa and Latin America Exploration and Production Company. Joined the company in 1981.

Charles N. Macfarlane, 58
General Tax Counsel since 2010. Responsible for directing Chevron's worldwide tax activities. Previously the company's Assistant General Tax Counsel. Joined Chevron in 1986.

John W. McDonald, 61
Vice President and Chief Technology Officer since 2008. Responsible for Chevron's three technology companies: Energy Technology, Information Technology and Technology Ventures, and the research, development and deployment of technology companywide. Previously Corporate Vice President, Strategic Planning; President and Managing Director, Chevron Upstream Europe, Chevron Overseas Petroleum Inc.; and Vice President, Gulf of Mexico Offshore Division, Texaco Exploration and Production. Joined the company in 1975.

R. Hewitt Pate, 50
Vice President and General Counsel since 2009. Responsible for directing the company's worldwide legal affairs. Previously Chair, Competition Practice, Hunton & Williams LLP, Washington, D.C., and Assistant Attorney General, Antitrust Division, U.S. Department of Justice. Joined Chevron in 2009.

Jay R. Pryor, 55
Vice President, Business Development, since 2006. Responsible for identifying and developing new, large-scale upstream and downstream business opportunities, including mergers and acquisitions. Previously Managing Director, Nigeria/Mid-Africa Strategic Business Unit and Chevron Nigeria Ltd., and Managing Director, Asia South Business Unit and Chevron Offshore (Thailand) Ltd. Joined Chevron in 1979.

Charles A. Taylor, 55
Vice President, Strategic Planning, since 2011. Responsible for advising senior corporate executives in setting strategic direction for the company, allocating capital and other resources, and determining operating unit performance measures and targets. Previously Corporate Vice President, Health, Environment and Safety. Joined the company in 1980.

Michael K. Wirth, 52
Executive Vice President, Downstream and Chemicals, since 2006. Responsible for worldwide manufacturing, marketing, lubricants, supply and trading businesses, chemicals and Oronite additives. Previously President, Global Supply and Trading; President, Marketing, Asia/Middle East/Africa Strategic Business Unit; and President, Marketing, Caltex Corporation. Joined Chevron in 1982.

Patricia E. Yarrington, 57
Vice President and Chief Financial Officer since 2009. Responsible for comptroller, tax, treasury, audit and investor relations activities. Chairman of the San Francisco Federal Reserve's Board of Directors. Previously a Director, Chevron Phillips Chemical Company LLC; Corporate Vice President and Treasurer; Corporate Vice President, Policy, Government and Public Affairs; Corporate Vice President, Strategic Planning; President, Chevron Canada Limited; and Comptroller, Chevron Products Company. Joined Chevron in 1980.

Rhonda I. Zygocki, 55
Executive Vice President, Policy and Planning, since 2011. Responsible for Strategic Planning; Health, Environment and Safety; and Policy, Government and Public Affairs. Previously Corporate Vice President, Policy, Government and Public Affairs; Corporate Vice President, Health, Environment and Safety; and Managing Director, Chevron Australia Pty Ltd. Joined Chevron in 1980.

Executive Committee
John S. Watson, George L. Kirkland, James R. Blackwell, R. Hewitt Pate, Michael K. Wirth, Patricia E. Yarrington and Rhonda I. Zygocki. Lydia I. Beebe, Secretary.

Stockholder and Investor Information

Stock Exchange Listing
Chevron common stock is listed on the New York Stock Exchange. The symbol is "CVX."

Stockholder Information
Questions about stock ownership, changes of address, dividend payments or direct deposit of dividends should be directed to Chevron's transfer agent and registrar:
Computershare
P.O. Box 43006
Providence, RI 02940-3006
800 368 8357
www.computershare.com/investor

Overnight correspondence should be mailed to:
Computershare
250 Royall Street
Canton, MA 02021-1011

The Computershare Investment Plan features dividend reinvestment, optional cash investments of $50 to $100,000 a year and automatic stock purchase.

Dividend Payment Dates
Quarterly dividends on common stock are paid, following declaration by the Board of Directors, on or about the 10th day of March, June, September and December. Direct deposit of dividends is available to stockholders. For information, contact Computershare. (See *Stockholder Information*.)

Annual Meeting
The Annual Meeting of stockholders will be held at 8:00 a.m., Wednesday, May 29, 2013, at:
Chevron Corporation
6001 Bollinger Canyon Road
San Ramon, CA 94583-2324

Electronic Access
In an effort to conserve natural resources and reduce the cost of printing and shipping proxy materials next year, we encourage stockholders to register to receive these documents via email and vote their shares on the Internet. Stockholders of record may sign up on our website, www.icsdelivery.com/cvx/index.html, for electronic access. Enrollment is revocable until each year's Annual Meeting record date. Beneficial stockholders may be able to request electronic access by contacting their broker or bank, or Broadridge Financial Solutions at: www.icsdelivery.com/cvx/index.html.

Investor Information
Securities analysts, portfolio managers and representatives of financial institutions may contact:
Investor Relations
Chevron Corporation
6001 Bollinger Canyon Road, A3064
San Ramon, CA 94583-2324
925 842 5690
Email: invest@chevron.com

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

Corporate Headquarters
6001 Bollinger Canyon Road
San Ramon, CA 94583-2324
925 842 1000

2012 Annual Report

2012 Supplement to the Annual Report

2012 Corporate Responsibility Report

Publications and Other News Sources

The *Annual Report*, distributed in April, summarizes the company's financial performance in the preceding year and provides an overview of the company's major activities.

Chevron's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission and the *Supplement to the Annual Report*, containing additional financial and operating data, are available on the company's website, Chevron.com, or copies may be requested by writing to:
Comptroller's Department
Chevron Corporation
6001 Bollinger Canyon Road, A3201
San Ramon, CA 94583-2324

The *Corporate Responsibility Report* is available in May on the company's website, Chevron.com/CorporateResponsibility, or a copy may be requested by writing to:
Policy, Government and Public Affairs
Chevron Corporation
6101 Bollinger Canyon Road
BR1X3200
San Ramon, CA 94583-5177

Information about the company's *social investments* is available in the second half of the year on Chevron's website, Chevron.com/SocialInvestment.

Details of the company's *political contributions* for 2012 are available on the company's website, Chevron.com, or by writing to:
Policy, Government and Public Affairs
Chevron Corporation
6101 Bollinger Canyon Road
BR1X3400
San Ramon, CA 94583-5177

For additional information about the company and the energy industry, visit Chevron's website, Chevron.com. It includes articles, news releases, speeches, quarterly earnings information, the *Proxy Statement* and the complete text of this *Annual Report*.

This *Annual Report* contains forward-looking statements – identified by words such as "expects," "intends," "projects," etc. – that reflect management's current estimates and beliefs, but are not guarantees of future results. Please see "Cautionary Statement Relevant to Forward-Looking Information for the Purpose of 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995" on Page 9 for a discussion of some of the factors that could cause actual results to differ materially.

PHOTOGRAPHY
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