

CHEVRON CORP
Form 10-Q
November 06, 2008

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2008
- or**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-368-2

Chevron Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

6001 Bollinger Canyon Road,

San Ramon, California

(Address of principal executive offices)

94-0890210

(I.R.S. Employer Identification Number)

94583-2324

(Zip Code)

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

NONE

(Former name or former address, if changed since last report.)

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of September 30, 2008
Common stock, \$.75 par value	2,031,790,705

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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 quarterly report on Form 10-Q of Chevron Corporation contains forward-looking statements relating to Chevron's operations that are based on management's current expectations, estimates, and projections about the petroleum, chemicals, and other energy-related industries. Words such as anticipates, expects, intends, plans, targets, projects, believes, seeks, schedules, estimates, budgets 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, some of which are beyond our 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 crude-oil and natural-gas prices; refining, marketing and chemicals margins; actions of competitors; timing of exploration expenses; the competitiveness of alternate energy sources or product substitutes; technological developments; the results of operations and financial condition of equity affiliates; the inability or failure of the company's joint-venture partners to fund their share of operations and development activities; the potential failure to achieve expected net production from existing and future crude-oil and natural-gas development projects; potential delays in the development, construction or start-up of planned projects; the potential disruption or interruption of the company's net production or manufacturing facilities or delivery/transportation networks due to war, accidents, political events, civil unrest, severe weather or crude-oil production quotas that might be imposed by OPEC (Organization of Petroleum Exporting Countries); the potential liability for remedial actions or assessments under existing or future environmental regulations and litigation; significant investment or product changes under existing or future environmental statutes, regulations and litigation; the potential liability resulting from pending or future litigation; the company's acquisition or disposition of assets; gains and losses from asset dispositions or impairments; government-mandated sales, divestitures, recapitalizations, industry-specific taxes, changes in fiscal terms or restrictions on scope of company operations; foreign currency movements compared with the U.S. dollar; the effects of changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; and the factors set forth under the heading Risk Factors on pages 32 and 33 of the company's 2007 Annual Report on Form 10-K/A. In addition, such statements could be affected by general domestic and international economic and political conditions. Unpredictable or unknown factors not discussed in this report could also have material adverse effects on forward-looking statements.

Table of Contents**PART I.****FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements****CHEVRON CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF INCOME****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2008	2007	2008	2007
	(Millions of dollars, except per-share amounts)			
Revenues and Other Income				
Sales and other operating revenues*	\$ 76,192	\$ 53,545	\$ 221,813	\$ 154,191
Income from equity affiliates	1,673	1,160	4,480	2,991
Other income	1,002	468	1,509	2,312
Total Revenues and Other Income	78,867	55,173	227,802	159,494
Costs and Other Deductions				
Purchased crude oil and products	49,238	33,988	147,822	95,253
Operating expenses	5,676	4,397	15,379	12,134
Selling, general and administrative expenses	1,278	1,446	4,264	4,093
Exploration expenses	271	295	831	874
Depreciation, depletion and amortization	2,449	2,495	6,939	6,614
Taxes other than on income*	5,614	5,538	16,756	16,706
Interest and debt expense		22		159
Minority interests	32	25	94	72
Total Costs and Other Deductions	64,558	48,206	192,085	135,905
Income Before Income Tax Expense	14,309	6,967	35,717	23,589
Income Tax Expense	6,416	3,249	16,681	9,776
Net Income	\$ 7,893	\$ 3,718	\$ 19,036	\$ 13,813
Per Share of Common Stock:				
Net Income				
Basic	\$ 3.88	\$ 1.77	\$ 9.29	\$ 6.49
Diluted	\$ 3.85	\$ 1.75	\$ 9.23	\$ 6.45
Dividends	\$ 0.65	\$ 0.58	\$ 1.88	\$ 1.68

Weighted Average Number of Shares

Outstanding (000s)

Basic	2,032,433	2,109,345	2,049,812	2,127,409
Diluted	2,044,616	2,124,198	2,063,149	2,141,096

* Includes excise, value-added and similar taxes: \$ **2,577** \$ 2,550 \$ **7,766** \$ 7,573

See accompanying notes to consolidated financial statements.

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(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
	(Millions of dollars)			
Net Income	\$ 7,893	\$ 3,718	\$ 19,036	\$ 13,813
Currency translation adjustment	(67)	9	(84)	12
Unrealized holding gain on securities:				
Net (loss) gain arising during period	(13)	12	(5)	29
Derivatives:				
Net derivatives loss on hedge transactions	126		74	(10)
Reclassification to net income of net realized loss	4	13	15	12
Income taxes on derivatives transactions	(44)	(4)	(32)	(4)
Total	86	9	57	(2)
Defined benefit plans:				
Actuarial loss:				
Amortization to net income of net actuarial loss	62	93	187	278
Actuarial gain arising during period		9		11
Prior service cost:				
Amortization to net income of net prior service credits	(16)	(5)	(47)	(11)
Defined benefit plans sponsored by equity affiliates	7	5	22	13
Income taxes on defined benefit plans	(17)	(31)	(65)	(98)
Total	36	71	97	193
Other Comprehensive Gain, Net of Tax	42	101	65	232
Comprehensive Income	\$ 7,935	\$ 3,819	\$ 19,101	\$ 14,045

See accompanying notes to consolidated financial statements.

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	At September 30 2008	At December 31 2007
	(Millions of dollars, except per-share amounts)	
ASSETS		
Cash and cash equivalents	\$ 10,636	\$ 7,362
Marketable securities	347	732
Accounts and notes receivable, net	24,922	22,446
Inventories:		
Crude oil and petroleum products	4,778	4,003
Chemicals	382	290
Materials, supplies and other	1,129	1,017
Total inventories	6,289	5,310
Prepaid expenses and other current assets	5,153	3,527
Total Current Assets	47,347	39,377
Long-term receivables, net	2,259	2,194
Investments and advances	21,310	20,477
Properties, plant and equipment, at cost	165,372	154,084
Less: accumulated depreciation, depletion and amortization	79,681	75,474
Properties, plant and equipment, net	85,691	78,610
Deferred charges and other assets	4,174	3,491
Goodwill	4,600	4,637
Assets held for sale	329	
Total Assets	\$ 165,710	\$ 148,786
LIABILITIES AND STOCKHOLDERS EQUITY		
Short-term debt	\$ 832	\$ 1,162
Accounts payable	22,107	21,756
Accrued liabilities	9,211	5,275
Federal and other taxes on income	5,682	3,972
Other taxes payable	1,593	1,633
Total Current Liabilities	39,425	33,798
Long-term debt	5,749	5,664
Capital lease obligations	380	406
Deferred credits and other noncurrent obligations	16,013	15,007
Noncurrent deferred income taxes	12,524	12,170

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Reserves for employee benefit plans	4,454	4,449
Minority interests	211	204
Total Liabilities	78,756	71,698
Preferred stock (authorized 100,000,000 shares, \$1.00 par value, none issued)		
Common stock (authorized 6,000,000,000 shares, \$.75 par value, 2,442,676,580 shares issued at September 30, 2008, and December 31, 2007)	1,832	1,832
Capital in excess of par value	14,415	14,289
Retained earnings	97,507	82,329
Notes receivable - key employees	(1)	(1)
Accumulated other comprehensive loss	(1,950)	(2,015)
Deferred compensation and benefit plan trust	(434)	(454)
Treasury stock, at cost (410,885,875 and 352,242,618 shares at September 30, 2008, and December 31, 2007, respectively)	(24,415)	(18,892)
Total Stockholders' Equity	86,954	77,088
Total Liabilities and Stockholders' Equity	\$ 165,710	\$ 148,786

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended	
	September 30	
	2008	2007
	(Millions of dollars)	
Operating Activities		
Net income	\$ 19,036	\$ 13,813
Adjustments		
Depreciation, depletion and amortization	6,939	