

CHEVRON CORP  
Form 10-Q  
May 08, 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 March 31, 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)*

**94-0890210**

*(I.R.S. Employer Identification Number)*

**6001 Bollinger Canyon Road,  
San Ramon, California**

*(Address of principal executive offices)*

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

<b>Class</b>	<b>Outstanding as of March 31, 2008</b>
Common stock, \$.75 par value	2,068,386,674

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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 margins and marketing margins; 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)**

	<b>Three Months Ended March 31</b>	
	<b>2008</b>	<b>2007</b>
	(Millions of dollars, except per-share amounts)	
<b>Revenues and Other Income</b>		
Sales and other operating revenues*	\$ 64,659	\$ 46,302
Income from equity affiliates	1,244	937
Other income	43	988
<b>Total Revenues and Other Income</b>	<b>65,946</b>	<b>48,227</b>
<b>Costs and Other Deductions</b>		
Purchased crude oil and products	42,528	28,127
Operating expenses	4,455	3,613
Selling, general and administrative expenses	1,347	1,131
Exploration expenses	253	306
Depreciation, depletion and amortization	2,215	1,963
Taxes other than on income*	5,443	5,425
Interest and debt expense		74
Minority interests	28	28
<b>Total Costs and Other Deductions</b>	<b>56,269</b>	<b>40,667</b>
<b>Income Before Income Tax Expense</b>	<b>9,677</b>	<b>7,560</b>
<b>Income Tax Expense</b>	<b>4,509</b>	<b>2,845</b>
<b>Net Income</b>	<b>\$ 5,168</b>	<b>\$ 4,715</b>
<b>Per Share of Common Stock:</b>		
<b>Net Income</b>		
<b>Basic</b>	<b>\$ 2.50</b>	<b>\$ 2.20</b>
<b>Diluted</b>	<b>\$ 2.48</b>	<b>\$ 2.18</b>
<b>Dividends</b>	<b>\$ 0.58</b>	<b>\$ 0.52</b>

**Weighted Average Number of Shares Outstanding (000s)**

<b>Basic</b>	<b>2,066,420</b>	2,145,518
<b>Diluted</b>	<b>2,080,209</b>	2,157,879

\* Includes excise, value-added and similar taxes: \$ 2,537 \$ 2,414

See accompanying notes to consolidated financial statements.

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

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Millions of dollars)</b>	
<b>Net Income</b>	<b>\$ 5,168</b>	<b>\$ 4,715</b>
Currency translation adjustment	(3)	(4)
Unrealized holding gain on securities	1	11
Derivatives:		
Net derivatives gain on hedge transactions		7
Reclassification to net income of net realized loss	4	13
Income taxes on derivatives transactions	(2)	(5)
Total	2	15
Defined benefit plans:		
Actuarial loss:		
Amortization to net income of net actuarial loss	64	93
Prior service cost:		
Amortization to net income of net prior service credits	(16)	(4)
Defined benefit plans sponsored by equity affiliates	8	
Income taxes on defined benefit plans	(29)	(36)
Total	27	53
<b>Other Comprehensive Gain, Net of Tax</b>	<b>27</b>	<b>75</b>
<b>Comprehensive Income</b>	<b>\$ 5,195</b>	<b>\$ 4,790</b>

See accompanying notes to consolidated financial statements.



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## CHEVRON CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

(Unaudited)

	At March 31 2008	At December 31 2007
	(Millions of dollars, except per-share amounts)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,208	\$ 7,362
Marketable securities	473	732
Accounts and notes receivable, net	23,874	22,446
Inventories:		
Crude oil and petroleum products	4,234	4,003
Chemicals	344	290
Materials, supplies and other	1,074	1,017
Total inventories	5,652	5,310
Prepaid expenses and other current assets	3,281	3,527
<b>Total Current Assets</b>	<b>41,488</b>	39,377
Long-term receivables, net	2,126	2,194
Investments and advances	20,817	20,477
Properties, plant and equipment, at cost	157,608	154,084
Less: accumulated depreciation, depletion and amortization	77,215	75,474
Properties, plant and equipment, net	80,393	78,610
Deferred charges and other assets	3,393	3,491
Goodwill	4,630	4,637
<b>Total Assets</b>	<b>\$ 152,847</b>	\$ 148,786
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Short-term debt	\$ 780	\$ 1,162
Accounts payable	23,490	21,756
Accrued liabilities	5,198	5,275
Federal and other taxes on income	4,332	3,972
Other taxes payable	1,639	1,633
<b>Total Current Liabilities</b>	<b>35,439</b>	33,798
Long-term debt	5,613	5,664
Capital lease obligations	401	406

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Deferred credits and other noncurrent obligations	<b>14,839</b>	15,007
Noncurrent deferred income taxes	<b>12,711</b>	12,170
Reserves for employee benefit plans	<b>4,421</b>	4,449
Minority interests	<b>217</b>	204
<b>Total Liabilities</b>	<b>73,641</b>	71,698
Preferred stock (authorized 100,000,000 shares, \$1.00 par value, none issued)		
Common stock (authorized 4,000,000,000 shares, \$.75 par value, 2,442,676,580 shares issued at March 31, 2008, and December 31, 2007)	<b>1,832</b>	1,832
Capital in excess of par value	<b>14,316</b>	14,289
Retained earnings	<b>86,298</b>	82,329
Notes receivable - key employees	<b>(1)</b>	(1)
Accumulated other comprehensive loss	<b>(1,988)</b>	(2,015)
Deferred compensation and benefit plan trust	<b>(434)</b>	(454)
Treasury stock, at cost (374,289,906 and 352,242,618 shares at March 31, 2008, and December 31, 2007, respectively)	<b>(20,817)</b>	(18,892)
<b>Total Stockholders' Equity</b>	<b>79,206</b>	77,088
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 152,847</b>	\$ 148,786

See accompanying notes to consolidated financial statements.

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

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Millions of dollars)</b>	
<b>Operating Activities</b>		
Net income	\$ 5,168	\$ 4,715
Adjustments		
Depreciation, depletion and amortization	2,215	1,963
Dry hole expense	84	157
Distributions greater (less) than income from equity affiliates	42	(284)
Net before-tax gains on asset retirements and sales	(54)	(817)
Net foreign currency effects	188	22
Deferred income tax provision	241	(38)
Net decrease in operating working capital	462	12
Minority interest in net income	28	28
Increase in long-term receivables	(37)	(25)
Increase in other deferred charges	(2)	(113)
Cash contributions to employee pension plans	(78)	(110)
Other	(150)	180
<b>Net Cash Provided by Operating Activities</b>	<b>8,107</b>	<b>5,690</b>
<b>Investing Activities</b>		
Capital expenditures	(4,452)	(3,260)
Proceeds from asset sales	257	1,164
Net sales of marketable securities	259	51
Proceeds from sale of other short-term investments	138	
<b>Net Cash Used for Investing Activities</b>	<b>(3,798)</b>	<b>(2,045)</b>
<b>Financing Activities</b>		
Net borrowings of short-term obligations	386	87
Repayments of long-term debt and other financing obligations	(816)	(156)
Cash dividends	(1,202)	(1,117)
Dividends paid to minority interests	(17)	(23)
Net purchases of treasury shares	(1,899)	(1,147)
<b>Net Cash Used for Financing Activities</b>	<b>(3,548)</b>	<b>(2,356)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>85</b>	<b>18</b>

<b>Net Change in Cash and Cash Equivalents</b>	<b>846</b>	1,307
<b>Cash and Cash Equivalents at January 1</b>	<b>7,362</b>	10,493
<b>Cash and Cash Equivalents at March 31</b>	<b>\$ 8,208</b>	\$ 11,800

See accompanying notes to consolidated financial statements.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Interim Financial Statements**

The accompanying consolidated financial statements of Chevron Corporation and its subsidiaries (the company) have not been audited by independent accountants. In the opinion of the company's management, the interim data include all adjustments necessary for a fair statement of the results for the interim periods. These adjustments were of a normal recurring nature.

Certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the company's 2007 Annual Report on Form 10-K/A.

The results for the three-month period ended March 31, 2008, are not necessarily indicative of future financial results.

During the first quarter 2007, the company recorded a \$700 million gain on the sale of refining and related assets in the Netherlands.

**Note 2. Information Relating to the Statement of Cash Flows**

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