CHEVRON CORP
Form 10-Q
November 06, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended September 30, 2012

or

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

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

Delaware (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, former address and former fiscal year, if changed since last report.)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 þ
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class | Outstanding as of September 30, 2012

Common stock, $.75 par value	1,957,181,104

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

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

Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are: changing crude oil and natural gas prices; changing refining, marketing and chemical margins; actions of competitors or regulators; timing of exploration expenses; timing of crude oil liftings; the competitiveness of alternate-energy sources or product substitutes; technological developments; the results of operations and financial condition of equity affiliates; the inability or failure of the company’s joint-venture partners to fund their share of operations and development activities; the potential failure to achieve expected net production from existing and future crude oil and natural gas development projects; potential delays in the development, construction or start-up of planned projects; the potential disruption or interruption of the company’s net production or manufacturing facilities or delivery/transportation networks due to war, accidents, political events, civil unrest, severe weather or crude oil production quotas that might be imposed by the Organization of Petroleum Exporting Countries; the potential liability for remedial actions or assessments under existing or future environmental regulations and litigation; significant investment or product changes under existing or future environmental statutes, regulations and litigation; the potential liability resulting from other pending or future litigation; the company’s future acquisition or disposition of assets and gains and losses from asset dispositions or impairments; government-mandated sales, divestitures, recapitalizations, industry-specific taxes, changes in fiscal terms or restrictions on scope of company operations; foreign currency movements compared with the U.S. dollar; the effects of changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; and the factors set forth under the heading “Risk Factors” on pages 29 through 31 of the company’s 2011 Annual Report on Form 10-K. In addition, such results could be affected by general domestic and international economic and political conditions. Other unpredictable or unknown factors not discussed in this report could also have material adverse effects on forward-looking statements.

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PART I.
FINANCIAL INFORMATION

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(Millions of dollars, except per-share amounts)			
Revenues and Other Income				
Sales and other operating revenues*	$55,660	$61,261	$174,336	$186,344
Income from equity affiliates	1,274	2,227	5,074	5,796
Other income	1,110	944	1,947	1,581
Total Revenues and Other Income	58,044	64,432	181,357	193,721
Costs and Other Deductions				
Purchased crude oil and products	33,982	37,600	106,807	113,560
Operating expenses	5,694	5,378	16,297	15,701
Selling, general and administrative expenses	1,352	1,115	3,542	3,415
Exploration expenses	475	240	1,371	830
Depreciation, depletion and amortization	3,370	3,215	9,859	9,598
Taxes other than on income*	3,239	3,544	9,125	12,948
Total Costs and Other Deductions	48,112	51,092	147,001	156,052
Income Before Income Tax Expense	9,932	13,340	34,356	37,669
Income Tax Expense	4,624	5,483	15,317	15,813
Net Income	5,308	7,857	19,039	21,856
Less: Net income attributable to noncontrolling interests	55	28	105	84
Net Income Attributable to Chevron Corporation	$5,253	$7,829	$18,934	$21,772
Per Share of Common Stock:				
Net Income Attributable to Chevron Corporation				
— Basic	$2.71	$3.94	$9.69	$10.93
— Diluted	$2.69	$3.92	$9.62	$10.86
Dividends	$0.90	$0.78	$2.61	$2.28
Weighted Average Number of Shares Outstanding (000s)				
— Basic	1,945,840	1,984,643	1,954,584	1,991,091
— Diluted	1,960,141	1,998,673	1,968,939	2,005,381
* Includes excise, value-added and similar taxes:	2,163	1,974	5,879	6,372

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(Millions of dollars)			
Net Income	$5,308	$7,857	$19,039	$21,856
Currency translation adjustment	10	(58)	12	(7)
Unrealized holding gain (loss) on securities:				
Net gain (loss) arising during period	8	1	7	(10)
Derivatives:				
Net derivatives gain (loss) on hedge transactions	23	(4)	26	(4)
Reclassification to net income of net realized gain	(6)	(2)	(4)	(5)
Income taxes on derivatives transactions	(5)	2	(7)	3
Total	12	(4)	15	(6)
Defined benefit plans:				
Actuarial loss:				
Amortization to net income of net actuarial loss	227	169	733	555
Actuarial gain (loss) arising during period	10	16	(33)	71
Prior service cost:				
Amortization to net income of net prior service credits	(15)	(17)	(45)	(9)
Defined benefit plans sponsored by equity affiliates	9	9	27	31
Income taxes on defined benefit plans	(87)	(65)	(252)	(225)
Total	144	112	430	423
Other Comprehensive Gain, Net of Tax	174	51	464	400
Comprehensive Income	5,482	7,908	19,503	22,256
Comprehensive income attributable to noncontrolling interests	(55)	(28)	(105)	(84)
Comprehensive Income Attributable to Chevron Corporation	$5,427	$7,880	$19,398	$22,172

See accompanying notes to consolidated financial statements.

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CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	At September 30 2012	At December 31 2011
	(Millions of dollars, except per-share amounts)	
ASSETS		
Cash and cash equivalents	$21,313	$15,864
Time deposits	8	3,958
Marketable securities	261	249
Accounts and notes receivable, net	21,464	21,793
Inventories		
Crude oil and petroleum products	5,803	3,420
Chemicals	490	502
Materials, supplies and other	1,702	1,621
Total inventories	7,995	5,543
Prepaid expenses and other current assets	7,424	5,827
Total Current Assets	58,465	53,234
Long-term receivables, net	3,036	2,233
Investments and advances	23,505	22,868
Properties, plant and equipment, at cost	252,276	233,432
Less: Accumulated depreciation, depletion and amortization	119,524	110,824
Properties, plant and equipment, net	132,752	122,608
Deferred charges and other assets	4,466	3,889
Goodwill	4,640	4,642
Total Assets	$226,864	$209,474
LIABILITIES AND EQUITY		
Short-term debt	$2,172	$340
Accounts payable	22,989	22,147
Accrued liabilities	5,190	5,287
Federal and other taxes on income	4,051	4,584
Other taxes payable	1,267	1,242
Total Current Liabilities	35,669	33,600
Long-term debt	10,065	9,684
Capital lease obligations	99	128
Deferred credits and other noncurrent obligations	20,825	19,181
Noncurrent deferred income taxes	17,540	15,544
Reserves for employee benefit plans	8,444	9,156
Total Liabilities	92,642	87,293
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, 2012, and December 31, 2011)	1,832	1,832
Capital in excess of par value	15,422	15,156
Retained earnings	154,229	140,399

Accumulated other comprehensive loss	(5,558)	(6,022)
Deferred compensation and benefit plan trust	(282)	(298)
Treasury stock, at cost (485,495,476 and 461,509,656 shares at September 30, 2012, and December 31, 2011, respectively)	(32,702)	(29,685)
Total Chevron Corporation Stockholders’ Equity	132,941	121,382
Noncontrolling interests	1,281	799
Total Equity	134,222	122,181
Total Liabilities and Equity	$226,864	$209,474

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	
	2012	2011
	(Millions of dollars)	
Operating Activities		
Net Income	$19,039	$21,856
Adjustments		
Depreciation, depletion and amortization	9,859	9,598
Dry hole expense	518	261
Distributions less than income from equity affiliates	(1,151)	(114)
Net before-tax gains on asset retirements and sales	(1,591)	(1,064)
Net foreign currency effects	187	(160)
Deferred income tax provision	1,449	1,210
Net (increase) decrease in operating working capital	(2,948)	1,504
Increase in long-term receivables	(147)	(43)
Decrease in other deferred charges	730	95
Cash contributions to employee pension plans	(1,035)	(1,359)
Other	1,122	242
Net Cash Provided by Operating Activities	26,032	32,026
Investing Activities		
Acquisition of Atlas Energy	—	(3,014)
Advance to Atlas Energy	—	(403)
Capital expenditures	(20,452)	(19,193)
Proceeds and deposits related to asset sales	1,670	2,676
Net sales (purchases) of time deposits	3,950	(3,004)
Net purchases of marketable securities	(4)	(75)
Repayment of loans by equity affiliates	171	182
Net (purchases) sales of other short-term investments	(56)	350
Net Cash Used for Investing Activities	(14,721)	(22,481)
Financing Activities		
Net borrowings of short-term obligations	2,406	5
Repayments of long-term debt and other financing obligations	(212)	(2,755)
Cash dividends — common stock	(5,099)	(4,541)
Distributions to noncontrolling interests	(23)	(56)
Net purchases of treasury shares	(2,962)	(2,046)
Net Cash Used for Financing Activities	(5,890)	(9,393)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	28	17
Net Change in Cash and Cash Equivalents	5,449	169
Cash and Cash Equivalents at January 1	15,864	14,060
Cash and Cash Equivalents at September 30	$21,313	$14,229

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Interim Financial Statements

The accompanying consolidated financial statements of Chevron Corporation and its subsidiaries (the company) have not been audited by an independent registered public accounting firm. In the opinion of the company's management, the interim data include all adjustments necessary for a fair statement of the results for the interim periods. These adjustments were of a normal recurring nature. The results for the three- and nine-month periods ended September 30, 2012, are not necessarily indicative of future financial results. The term "earnings" is defined as net income attributable to Chevron Corporation.

Certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the company's 2011 Annual Report on Form 10-K.

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. Activity for the equity attributable to noncontrolling interests for the first nine months of 2012 and 2011 is as follows:

	2012			2011		
	Chevron Corporation Stockholders' Equity	Noncontrolling Interest	Total Equity	Chevron Corporation Stockholders' Equity	Noncontrolling Interest	Total Equity
	(Millions of dollars)					
Balance at January 1	$121,382	$ 799	$122,181	$105,081	$ 730	$105,811
Net income	18,934	105	19,039	21,772	84	21,856
Dividends	(5,102)	—	(5,102)	(4,541)	—	(4,541)
Distributions to noncontrolling interests	—	(23)	(23)	—	(56)	(56)
Treasury shares, net	(3,017)	—	(3,017)	(2,148)	—	(2,148)
Other changes, net*	744	400	1,144	727	27	754
Balance at September 30	$132,941	$ 1,281	$134,222	$120,891	$ 785	$121,676

* Primarily 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

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

	Nine Months Ended September 30	
	2012	2011
	(Millions of dollars)	
Decrease (increase) in accounts and notes receivable	$757	$(1,215)
Increase in inventories	(2,068)	(919)
Increase in prepaid expenses and other current assets	(841)	(904)
Increase in accounts payable and accrued liabilities	25	2,493
(Decrease) increase in income and other taxes payable	(821)	2,049

Net (increase) decrease in operating working capital	$(2,948)	$1,504

The “Net (increase) decrease in operating working capital” includes reductions of $87 million and $132 million for excess income tax benefits associated with stock options exercised during the nine months ended September 30, 2012, and 2011, respectively. These amounts are offset by an equal amount in “Net purchases of treasury shares.”

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Nine Months Ended September 30	
	2012	2011
	(Millions of dollars)	
Interest on debt (net of capitalized interest)	$32	$46
Income taxes	14,345	12,982

"Other" includes changes in postretirement benefits obligations and other long-term liabilities.
The Consolidated Statement of Cash Flow for the 2012 period excludes the effects of $800 million of proceeds to be received in future periods for the sale of an equity interest in the Wheatstone Project.
Information related to "Restricted Cash" is included on page 20 in Note 11 under the heading "Restricted Cash."
The “Net sales (purchases) of time deposits” consisted of the following gross amounts:

	Nine Months Ended September 30	
	2012	2011
	(Millions of dollars)	
Time deposits purchased	$(17)	$(6,439)
Time deposits matured	3,967	3,435
Net sales (purchases) of time deposits	$3,950	$(3,004)

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

	Nine Months Ended September 30	
	2012	2011
	(Millions of dollars)	
Marketable securities purchased	$(35)	$(113)
Marketable securities sold	31	38
Net purchases of marketable securities	$(4)	$(75)

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 $3.8 billion and $3.0 billion in the first nine months of 2012 and 2011, respectively. During the first nine months of 2012 and 2011, the company purchased 35.1 million and 30.0 million common shares for $3.7 billion and $3.0 billion under its ongoing share repurchase program, respectively.
The major components of “Capital expenditures” and the reconciliation of this amount to the capital and exploratory expenditures, including equity affiliates, are as follows:

	Nine Months Ended September 30	
	2012	2011
	(Millions of dollars)	
Additions to properties, plant and equipment	$19,310	$18,458
Additions to investments	782	639
Current year dry hole expenditures	440	217
Payments for other liabilities and assets, net	(80)	(121)
Capital expenditures	20,452	19,193
Expensed exploration expenditures	853	569
Assets acquired through capital lease obligations	—	5
Capital and exploratory expenditures, excluding equity affiliates	21,305	19,767
Company’s share of expenditures by equity affiliates	1,368	1,035

Capital and exploratory expenditures, including equity affiliates	$22,673	$20,802

Note 4. 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, and alternative fuels and technology companies.

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

The operating segments represent components of the company, as described in accounting standards for segment reporting (ASC 280), that engage in activities (a) from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the CODM, which makes decisions about resources to be allocated to the segments and assesses their performance; and (c) for which discrete financial information is available. Segment managers for the reportable segments are directly accountable to and maintain regular contact with the company's CODM to discuss the segment's operating activities and financial performance. The CODM approves annual capital and exploratory budgets at the reportable segment level, as well as reviews capital and exploratory funding for major projects and approves major changes to the annual capital and exploratory budgets. However, business-unit managers within the operating segments are directly responsible for decisions relating to project implementation and all other matters connected with daily operations. Company officers who are members of the EXCOM also have individual management responsibilities and participate in other committees for purposes other than acting as the CODM.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Segment Earnings The company evaluates the performance of its operating segments on an after-tax basis, without considering the effects of debt financing interest expense or investment interest income, both of which are managed by the company on a worldwide basis. Corporate administrative costs and assets are not allocated to the operating segments. However, operating segments are billed for the direct use of corporate services. Nonbillable costs remain at the corporate level in "All Other." Earnings by major operating area for the three- and nine-month periods ended September 30, 2012, and 2011, are presented in the following table:

Segment Earnings	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(Millions of dollars)			
Upstream				
United States	$1,122	$1,508	$3,969	$4,907
International	4,017	4,693	12,961	14,142
Total Upstream	5,139	6,201	16,930	19,049
Downstream				
United States	456	704	1,717	1,710
International	233	1,282	1,657	1,942
Total Downstream	689	1,986	3,374	3,652
Total Segment Earnings	5,828	8,187	20,304	22,701
All Other				
Interest Income	22	19	61	56
Other	(597)	(377)	(1,431)	(985)
Net Income Attributable to Chevron Corporation	$5,253	$7,829	$18,934	$21,772

Segment Assets Segment assets do not include intercompany investments or intercompany receivables. "All Other" assets consist primarily of worldwide cash, cash equivalents, time deposits and marketable securities; real estate; information systems; mining operations; power generation businesses; energy services; alternative fuels; technology companies; and assets of the corporate administrative functions. Segment assets at September 30, 2012, and December 31, 2011, are as follows:

Segment Assets	At September 30 2012	At December 31 2011
	(Millions of dollars)	
Upstream		
United States	$38,753	$37,108
International	110,375	98,540
Goodwill	4,640	4,642
Total Upstream	153,768	140,290
Downstream		
United States	23,530	22,182
International	22,257	20,517
Total Downstream	45,787	42,699
Total Segment Assets	199,555	182,989
All Other		
United States	6,306	8,824
International	21,003	17,661
Total All Other	27,309	26,485

Total Assets — United States	68,589	68,114
Total Assets — International	153,635	136,718
Goodwill	4,640	4,642
Total Assets	$226,864	$209,474

Segment Sales and Other Operating Revenues Segment sales and other operating revenues, including internal transfers, for the three- and nine-month periods ended September 30, 2012, and 2011, are presented in the following table. Products are transferred between operating segments at internal product values that approximate market prices. Revenues for the upstream segment are derived primarily from the production and sale of crude oil and natural gas, as well as the sale of third-party production of natural gas. Revenues for the downstream segment are derived from the refining and marketing of petroleum products such as gasoline, jet fuel, gas oils, lubricants, residual fuel oils and other products derived from crude oil. This segment also generates revenues from the manufacture and sale of fuel and lubricant additives and the transportation and trading of refined products and crude oil. "All Other" activities include revenues from mining operations, power generation businesses, insurance operations, real estate activities, energy services, and alternative fuels and technology companies.

Sales and Other Operating Revenues	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(Millions of dollars)			
Upstream				
United States	$5,579	$6,891	$17,512	$20,914
International	12,801	13,758	40,501	41,165
Subtotal	18,380	20,649	58,013	62,079
Intersegment Elimination — United States	(3,985)	(4,397)	(13,026)	(13,559)
Intersegment Elimination — International	(8,386)	(8,608)	(25,634)	(26,258)
Total Upstream	6,009	7,644	19,353	22,262
Downstream				
United States	21,558	23,128	66,899	69,174
International	28,042	30,407	87,890	94,644
Subtotal	49,600	53,535	154,789	163,818
Intersegment Elimination — United States	(12)	(20)	(37)	(63)
Intersegment Elimination — International	(28)	(22)	(61)	(73)
Total Downstream	49,560	53,493	154,691	163,682
All Other				
United States	424	401	1,186	1,163
International	11	12	36	34
Subtotal	435	413	1,222	1,197
Intersegment Elimination — United States	(333)	(278)	(896)	(766)
Intersegment Elimination — International	(11)	(11)	(34)	(31)
Total All Other	91	124	292	400
Sales and Other Operating Revenues				
United States	27,561	30,420	85,597	91,251
International	40,854	44,177	128,427	135,843
Subtotal	68,415	74,597	214,024	227,094
Intersegment Elimination — United States	(4,330)	(4,695)	(13,959)	(14,388)
Intersegment Elimination — International	(8,425)	(8,641)	(25,729)	(26,362)
Total Sales and Other Operating Revenues	$55,660	$61,261	$174,336	$186,344

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Note 5. Summarized Financial Data — Chevron U.S.A. Inc.
Chevron U.S.A. Inc. (CUSA) is a major subsidiary of Chevron Corporation. CUSA and its subsidiaries manage and operate most of Chevron's U.S. businesses. Assets include those related to the exploration and production of crude oil, natural gas and natural gas liquids and those associated with refining, marketing, and supply and distribution of products derived from petroleum, excluding most of the regulated pipeline operations of Chevron. CUSA also holds the company's investment in the Chevron Phillips Chemical Company LLC joint venture, which is accounted for using the equity method.
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 this table below gives retroactive effect to the reorganizations as if they had occurred on January 1, 2011. 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:

	Nine Months Ended September 30	
	2012	2011
	(Millions of dollars)	
Sales and other operating revenues	$139,107	$143,014
Costs and other deductions	132,534	135,249
Net income attributable to CUSA	4,734	5,733
	At September 30	At December 31
	2012	2011
	(Millions of dollars)	
Current assets	$20,105	$34,490
Other assets	49,751	47,556
Current liabilities	18,577	19,081
Other liabilities	26,439	26,160
Total CUSA net equity	$24,840	$36,805
Memo: Total debt	$14,475	$14,763

Note 6. Summarized Financial Data — Chevron Transport Corporation
Chevron Transport Corporation Limited (CTC), incorporated in Bermuda, is an indirect, wholly owned subsidiary of Chevron Corporation. CTC is the principal operator of Chevron's international tanker fleet and is engaged in the marine transportation of crude oil and refined petroleum products. Most of CTC's shipping revenue is derived from providing transportation services to other Chevron companies. Chevron Corporation has fully and unconditionally guaranteed this subsidiary's obligations in connection with certain debt securities. Summarized financial information for CTC and its consolidated subsidiaries is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(Millions of dollars)			
Sales and other operating revenues	$119	$182	$513	$604
Costs and other deductions	179	232	631	721
Net loss attributable to CTC	(58)	(47)	(114)	(114)

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	At September 30 2012	At December 31 2011
	(Millions of dollars)	
Current assets	$237	$290
Other assets	256	228
Current liabilities	134	114
Other liabilities	415	346
Total CTC net (deficit) equity	$(56)	$58

There were no restrictions on CTC's ability to pay dividends or make loans or advances at September 30, 2012.

Note 7. Income Taxes

Taxes on income for the third quarter and first nine months of 2012 were $4.6 billion and $15.3 billion, respectively, compared with $5.5 billion and $15.8 billion for the corresponding periods in 2011. The associated effective tax rates (calculated as the amount of Income Tax Expense divided by Income Before Income Tax Expense) for the third quarters of 2012 and 2011 were 47 percent and 41 percent, respectively. For the comparative nine-month periods, the effective tax rates were 45 percent and 42 percent, respectively.

The increase in the effective tax rate between quarterly periods was primarily due to foreign currency remeasurement impacts and an increased percentage of earnings in international jurisdictions with high tax rates. The impact from non-U.S. upstream asset sales on the effective tax rate in the current quarter was essentially offset by the effect of non-U.S. downstream asset sales in the comparative 2011 period. The increase in the effective tax rate for the nine-month comparison primarily reflected a lower utilization of tax credits in non-U.S. jurisdictions in the current period and foreign currency remeasurement impacts between periods.

Tax positions for Chevron and its subsidiaries and affiliates are subject to income tax audits by many tax jurisdictions throughout the world. For the company's major tax jurisdictions, examinations of tax returns for certain prior tax years had not been completed as of September 30, 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.

Note 8. Employee Benefits

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The components of net periodic benefit costs for 2012 and 2011 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(Millions of dollars)			
Pension Benefits				
United States				
Service cost	$113	$94	$339	$281
Interest cost	109	116	327	347
Expected return on plan assets	(158)	(154)	(475)	(460)
Amortization of prior service credits	(2)	(2)	(6)	(6)
Amortization of actuarial losses	117	77	352	232
Settlement losses	65	52	204	196
Total United States	244	183	741	590
International				
Service cost	45	44	135	