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(FILE 24)

CHEVRON

Chevron



Juneau, Alaska
October 23, 2007



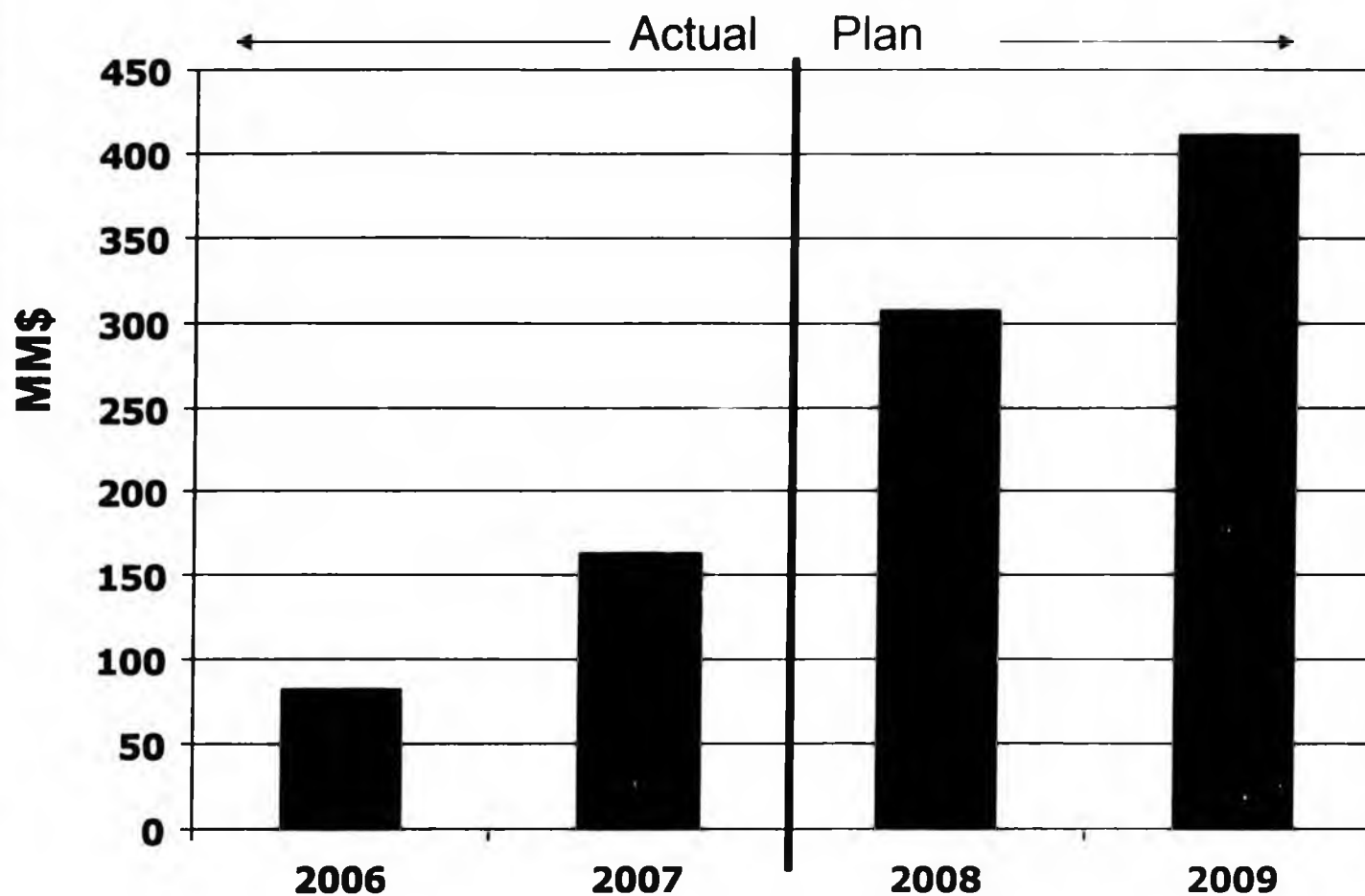
Chevron's Alaska Presence

- 4th largest producer in state
- 3rd largest operator
- ~500 employees or full time contractors
 - >300 on the Kenai Peninsula
- Chevron is the only producer in the state with a relative balance of assets in the Cook Inlet and on the North Slope
 - Cook Inlet production – 23M BOPD
 - Old oil production, very high lifting cost
 - North Slope production – 15M BOPD
 - In early stages of increased capital program
 - Extend life of Cook Inlet O&G production
 - North Slope exploration on state lands
 - Investment decisions made under PPT

Chevron is increasing investment under PPT



Capital Investment





Introductory Comments

- We do have a common enemy – decline

- Disappointing to be back so soon after passage of PPT
 - Lack of actual PPT results to revise tax policy
 - Review scheduled for 2011
 - Too soon for a change

- Need to strike a balance between tax rate and investment climate



Factors that affect investment decisions

- Corporations have a responsibility to operate safely, seek returns, and increase shareholder value
- Corporate Cash Flow Management
 - Corporate uses of cash:
 - ▶ Operating Costs
 - ▶ Investment: upstream, downstream, technology, acquisitions
 - ▶ Pay down debt, build cash
 - ▶ Pay dividends to shareholders
 - ▶ Buy back stock



Upstream Investment Decisions

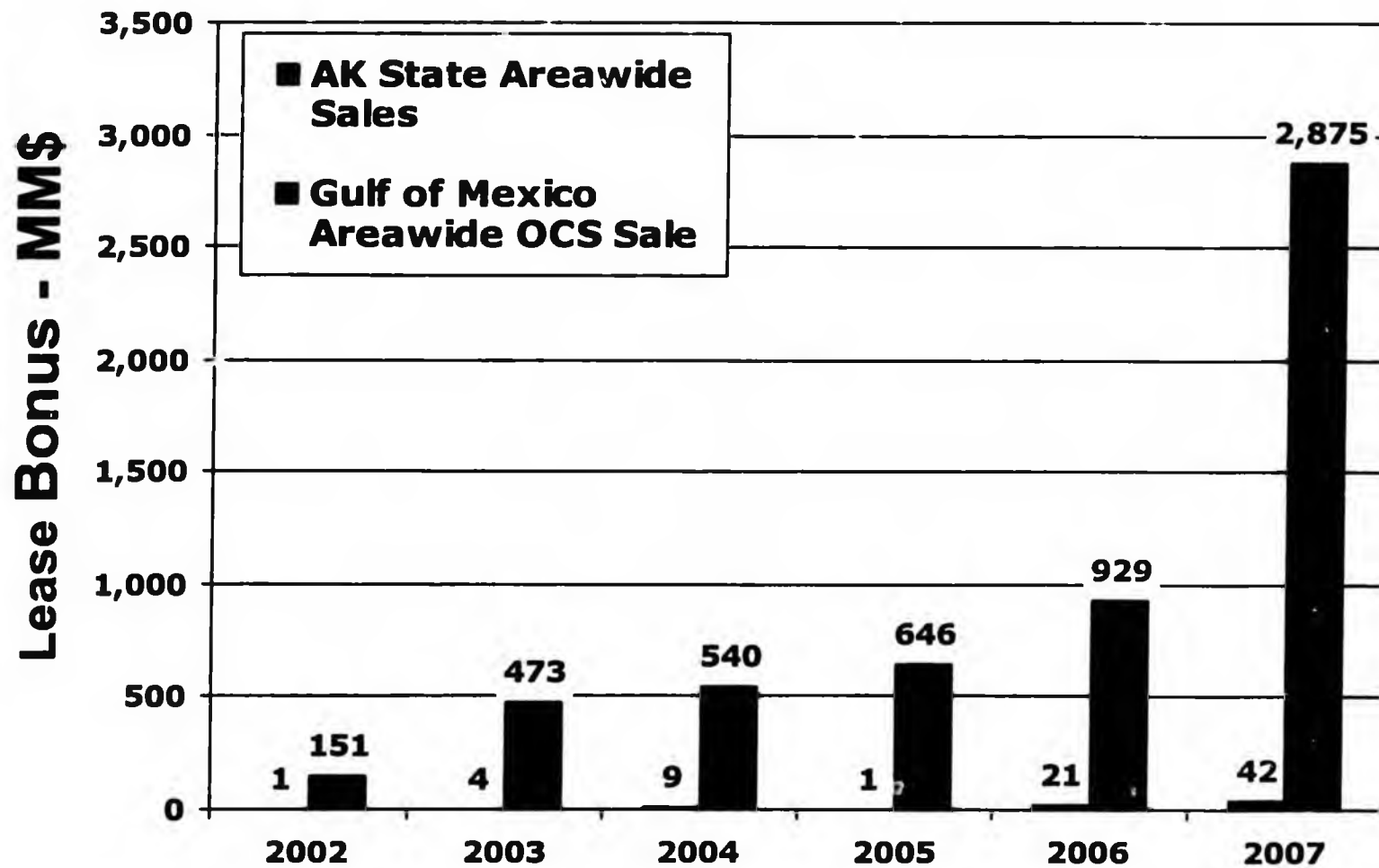
- Always more opportunities than can be funded or staffed
- Key Factors – How do Alaska state lands stack up?
 - Rocks – What is the reserve and production potential?
 - Cost – How much will it cost to find, develop, and produce?
 - Time – How long will it take to realize revenue?
 - Risk - What is the probability of success?
 - Fiscal regime – How much revenue does the investor get to keep?
- Economic models are developed, opportunities ranked, and investment decisions are made on an After-Tax Net Present Value (NPV) basis
 - Does the investor get enough to justify the investment?
 - Great rocks can trump poor fiscal terms

How does Alaska stack up? Let's look at a real data point!

How attractive is Alaska as an investment?



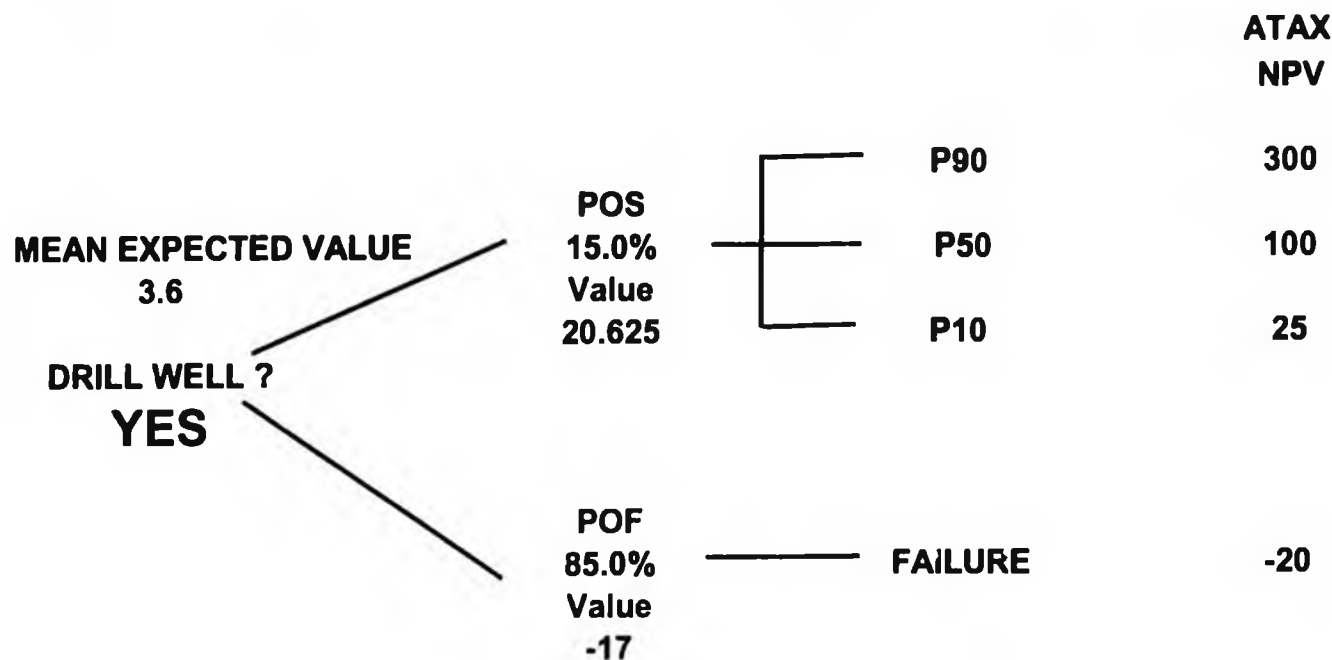
Let's look at results of recent lease sales as a scorecard: This is industry voting with their dollars



Exploration – How taxing the upside can deter investment decision



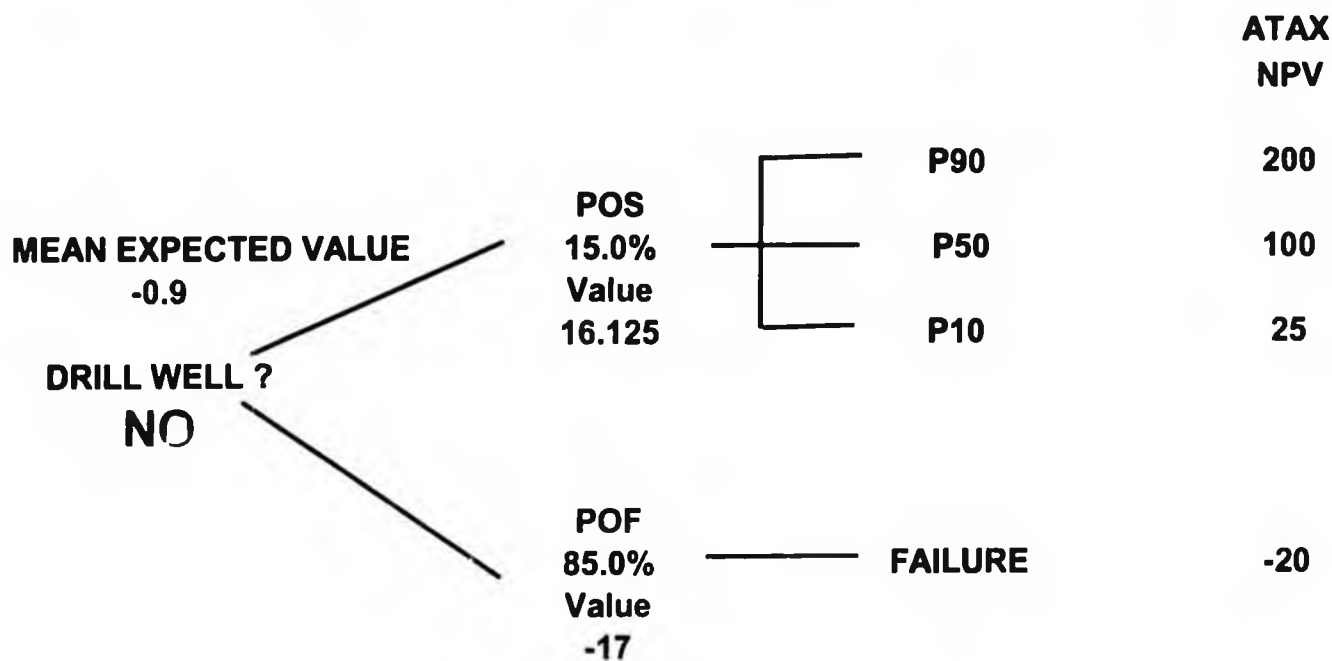
ACES EXAMPLE RISKED ECONOMIC ANALYSIS, 4 pt Economic Model



Exploration – How taxing the upside can deter investment decision



ACES EXAMPLE RISKED ECONOMIC ANALYSIS, 4 pt Economic Model



Investment is Needed to Maintain Production at Reasonable Levels

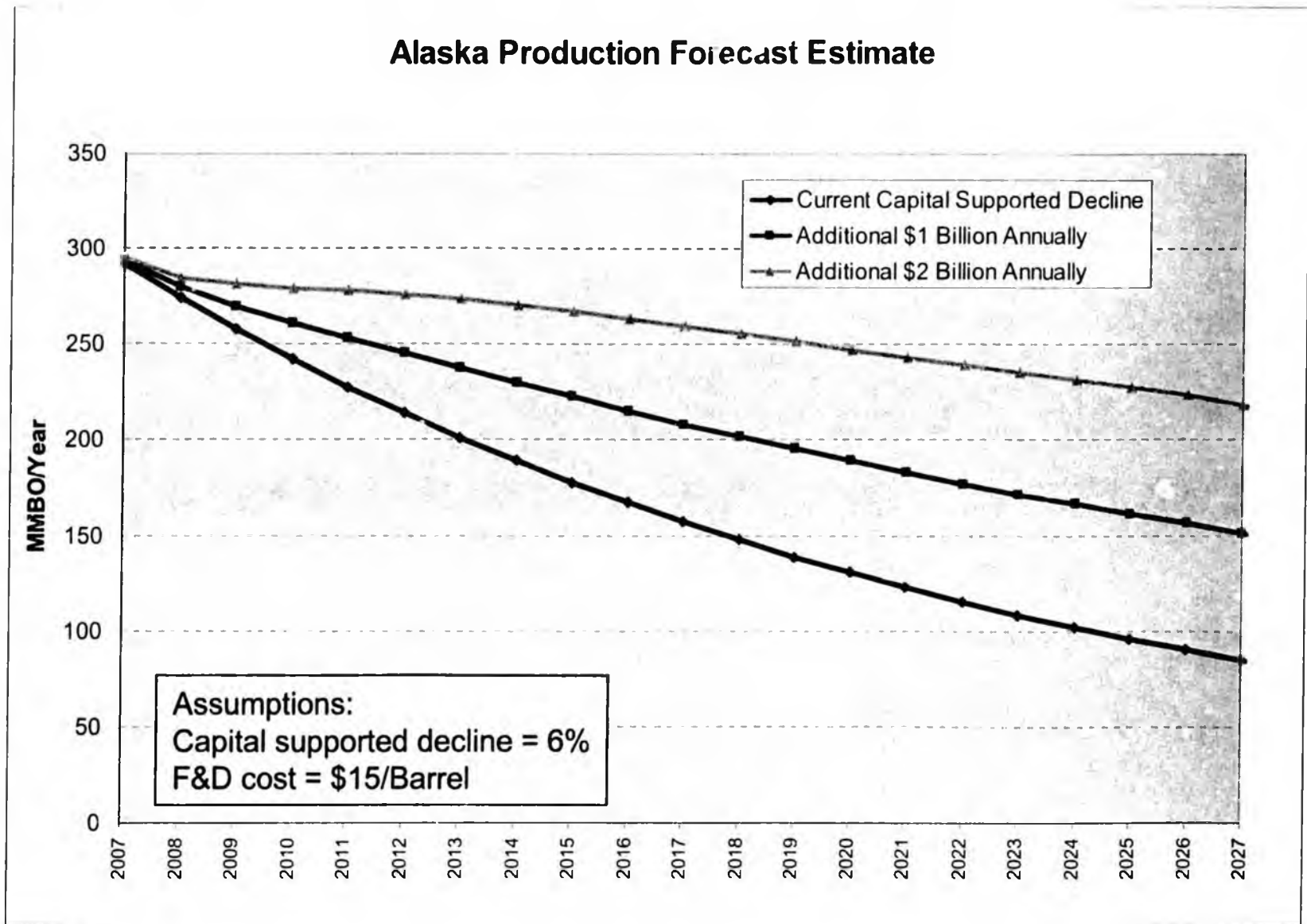
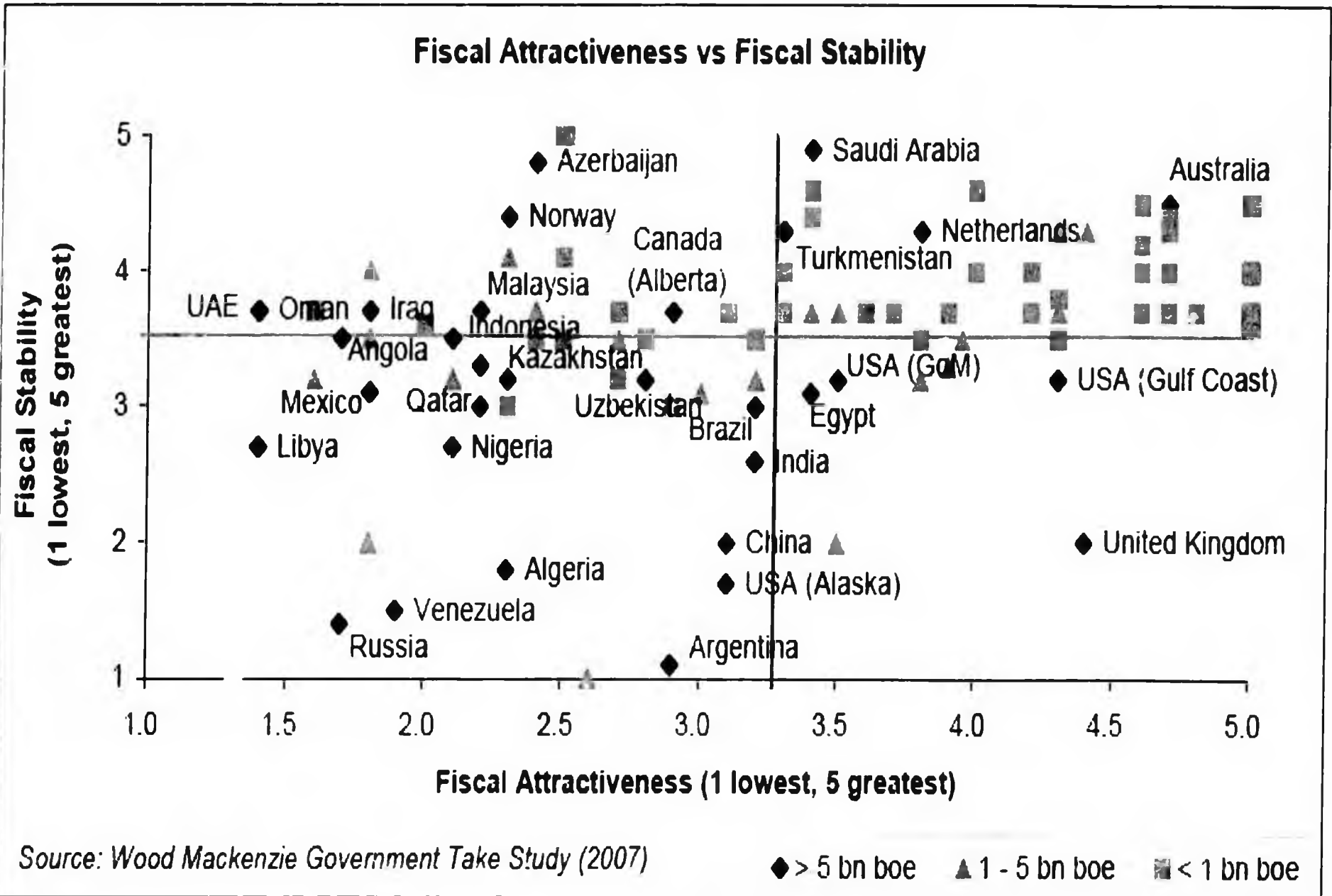


Chart 14 – Fiscal Attractiveness Rating versus Fiscal Stability Rating



Summary Comments



- You have the power to increase short term state revenue through raising taxes
- Energy companies have the responsibility to invest where they see the best risk/reward ratio
- The common enemy is decline,
- Investment is the only way to stem decline
- How do you price Alaska's product ?
 - Lowest possible taxes and stability will encourage investment
- Chevron intends to invest and grow in Alaska, but ACES makes investing in Alaska more difficult

Chevron

