



Saudi Arabia

highlights of operations

Chevron is the only large international energy company to have a continuous upstream presence in the Kingdom of Saudi Arabia for more than seven decades. Through our subsidiary Saudi Arabian Chevron Inc., we are engaged in a wide range of petroleum-related interests in the kingdom, and we work closely with Saudi Aramco, the national oil company, as well as with various government partners in the region.

We put special emphasis on projects that provide quality development opportunities, professional training and exposure to new technology.

Chevron conducts exploration and production in the onshore Partitioned Zone (PZ) on behalf of Saudi Arabia. The PZ lies between Saudi Arabia and [Kuwait](#). Petroleum and mineral resources in the PZ are shared jointly by the governments of Saudi Arabia and Kuwait.

Chevron Phillips Chemical Company LLC and its affiliates have interests in Saudi Chevron Phillips Company, Jubail Chevron Phillips Company, Saudi Polymers Company and Petrochemical Conversion Company. All four companies have facilities in Al-Jubail.

business portfolio

Through our subsidiary Saudi Arabian Chevron Inc., Chevron has an agreement with Saudi Arabia to operate the kingdom's 50 percent interest in the hydrocarbon resources of the onshore PZ. The agreement was extended and amended in 2009; it expires in 2039.

In 2009, [steam injection began](#) at the Large-Scale Steamflood Pilot Project for the carbonate First Eocene reservoir at the Wafra Field. [Steamflooding involves injecting steam](#) into heavy oil reservoirs to heat the crude oil underground, which reduces its viscosity, enabling its extraction through wells.

This project was preceded by steam stimulation of some wells, followed several years later by a small-scale test. The entire development project is designed to determine the technical and economic viability of thermal-recovery projects in the Eocene reservoirs of the Wafra Field.

Beginning in May 2015, production in the PZ was halted as a result of continued difficulties in securing work and equipment permits. As of early 2016, production remained shut in. The exact timing of a production restart is uncertain and dependent on dispute resolution between Saudi Arabia and Kuwait. Once production resumes, additional development drilling, well workovers and numerous facility-enhancement programs are expected to partially offset field declines.

The shut-in also affected plans for both the Wafra Steamflood Stage 1 Project, a full-field steamflood application in the Wafra Field First Eocene carbonate reservoir with a planned design capacity of 100,000 barrels of crude oil per day, and the Central Gas Utilization Project, a facility construction project intended to increase natural gas utilization while eliminating natural gas flaring at the Wafra Field. Both projects have been deferred pending dispute resolution between Saudi Arabia and Kuwait.

A carbonate reservoir is an oil or gas trap formed in reefs, dolomite and certain types of limestone. Typically, carbonate reservoirs are highly fractured and not conducive to steamflooding on a large scale. However, the carbonate Eocene reservoirs at Wafra have properties that are promising for successful steamflooding.

In 2015, the company made progress on a 3-D seismic survey covering the entire onshore Partitioned Zone. It is one of the largest land seismic programs ever undertaken, covering 1.1 million acres (4,600 sq km).

chemicals

Chevron Phillips Chemical Company LLC (CPChem), a 50 percent-owned Chevron affiliate, has extensive interests in Saudi Arabia.

The Saudi Chevron Phillips Company (SCP) petrochemical plant in Al-Jubail manufactures benzene and cyclohexane. Benzene is used in styrene monomer as a solvent for waxes, resins, rubber and various other organic materials. Most cyclohexane goes into the production of nylon, which is commonly used in clothing, tents, carpeting and thermoplastics.

The plant uses the Aromax[®] catalyst to convert naphtha feedstock into benzene and motor gasoline blend stock. Aromax is a registered trademark of CPChem.

The Jubail Chevron Phillips Company (JCP) styrene production facility, also in Al-Jubail, is adjacent to and integrated with the SCP plant. The plant, which began operations in 2008, is one of the world's largest. It produces styrene monomer that is used in polystyrene and K-Resin[®] SBC. These products

are used in packaging, electronic parts, housewares, tires, carpeting, toys and more. K-Resin SBC is a registered trademark of CPChem.

Arabian Chevron Phillips Petrochemical Company Limited (ACP)—a wholly owned subsidiary of CPChem—and Saudi Industrial Investment Group share 50-50 ownership of SCP and JCP.

A third petrochemical project, Saudi Polymers Company (SPCo), shares facilities with SCP and JCP, on the same Al-Jubail site. The joint venture, of which ACP owns 35 percent, began construction in 2008; commercial operations began in 2012. In 2015, SPCo fulfilled the obligations required by its financing agreements with local and international lenders. SPCo includes one of the world's largest olefins units. Olefins are used to produce polyethylene and polypropylene. Styrene monomer, which JCP produces, is used to make polystyrene, which SPCo manufactures. Polyethylene is used in pressure pipe, gasoline containers and tanks, soap and detergent bottles, flexible packaging, coating and laminations, films, and more. Polypropylene is used in the manufacture of automotive parts, carpeting and food packaging.

CPChem and Saudi Industrial Investment Group share 50-50 ownership in a fourth company, Petrochemical Conversion Company. The company has a nylon 6,6 polymer manufacturing facility and a number of polymer conversion projects. Architects often request nylon 6,6 for use in commercial settings that get a lot of wear and tear, such as offices and airports.

marketing and retail

Under contract with Saudi Aramco, Chevron purchases Saudi crude oil for its proprietary and joint venture refining system and ranks among the kingdom's larger purchasers of crude.

In Saudi Arabia, Chevron AlBakri Lubricants Company is a leading manufacturer and marketer of Caltex-branded finished lubricants, greases and specialty products, such as coolants and fuel system treatment solutions.

Saudi Aircraft Services, a Chevron joint venture, has plane-fueling operations at Jeddah and sells aviation fuels in Saudi Arabia.

technology transfer

Chevron Lummus Global LLC (CLG), a joint venture between Chevron and CB&I, has licensed ISOCRACKING® technology to Saudi Aramco's Yanbu, Jubail and Jazan refineries. The large CLG hydrocrackers in Jubail and Yanbu began production in 2014 and 2015, respectively. As of early 2016, the CLG hydrocracker at Jazan was still in the detailed engineering and construction phase. CLG has

licensed its ISOCRACKING® and ISODEWAXING® technologies for manufacturing lube base oils to Luberef's refinery in Yanbu. Luberef's CLG facility is under construction and is scheduled to start up in 2016.

In 2011, Chevron signed a five-year collaboration agreement with Saudi Aramco to explore research and development projects of mutual interest. The agreement also facilitates professional development assignments for Saudi technical professionals at Chevron facilities.

in the community

Chevron supports education, health and economic development programs in Saudi Arabia.

We have played an important and ongoing role in helping found, organize, direct and fund the Saudi Petroleum Services Polytechnic in Dammam. The polytechnic, which opened in October 2008, enables Saudi high school graduates to develop the technical and vocational skills critical to becoming certified oil field support services technicians. Chevron worked closely with the country's Ministry of Petroleum and Mineral Resources and the government's Technical and Vocational Training Corporation to develop the institute, the first of its kind in the kingdom.

Other Chevron-supported educational programs and institutions include Khafji Girls College, King Fahad University of Petroleum and Mineral Resources, local schools, and the King Abdul Aziz & His Companions Foundation for Giftedness & Creativity.

In addition to rigorous environmental protection practices, we support ongoing environmental, beautification and greening programs in the city of Khafji.

Chevron has contributed to the King Fahad National Center for Children's Cancer and Research, various other charitable endeavors throughout the kingdom, and Saudi-supported organizations in the United States.

record of achievement

Chevron's history in the Kingdom of Saudi Arabia began in the early 1930s, when Standard Oil of California—later Chevron—began exploring in the kingdom's Eastern Province. In 1936, The Texas Co.—later Texaco—joined as a partner in the California Arabian Standard Oil Company (CASOC), which in 1944 became the Arabian American Oil Company, or Aramco.

In 1938, CASOC made Saudi Arabia's first commercial oil discovery at Dammam Dome No. 7. Before it was 50 days old, the well had produced 100,000 barrels of oil. Continued exploration in the kingdom led to the discovery of 52 oil fields, including Ghawar in 1948. Ghawar is still the world's largest oil field in terms of production and remaining recoverable reserves.

Additional partners joined Aramco in 1948. In 1973, Aramco started selling ownership to the government of Saudi Arabia. By 1989, the process of transferring ownership of Aramco to the Saudi government was complete, marking the beginning of Saudi Aramco.

In 2000, CPChem and private Saudi investors opened Saudi Chevron Phillips Company. The venture's petrochemical plant in Al-Jubail is the kingdom's first privately financed basic petrochemical enterprise. Jubail Chevron Phillips Company operates another petrochemical facility adjacent to and integrated with the first plant. Texaco, which merged with Chevron in 2001, began operating in the onshore Partitioned Zone (PZ) between Saudi Arabia and Kuwait when it acquired Getty Oil Co. in 1984. Getty had begun operating in the PZ in 1949 under an agreement with the kingdom.

The Chevron AlBakri Lubricants Company, a joint venture headquartered in Jeddah, was established in 2004.

Saudi Polymers Company, a joint venture that includes Arabian Chevron Phillips Petrochemical Company Limited, began commercial production in Al-Jubail in 2012.

health, environment and safety

The Kingdom of Saudi Arabia's Royal Commission for Jubail and Yanbu has honored Saudi Chevron Phillips Company and Jubail Chevron Phillips Company for excellence in environmental performance for multiple years.

Chevron is committed to improving the lives of all its employees and their communities. For example, Saudi Arabian Chevron's hospital and field clinic for PZ operations recorded some 10,000 visits by employees, their families and other community members in 2015.

Creating a safe work environment in the PZ is a top priority. During 2015, employees and contractors of Saudi Arabian Chevron at Mina Saud and Wafra logged more than 9 million work-hours without a day-away-from-work injury and drove 6 million miles without a major crash.

economy

Texaco was the first major oil company to enter a downstream relationship with the kingdom, and today Chevron continues to be an important purchaser of Saudi crude oil. Chevron has an agreement to operate the kingdom's 50 percent interest in the hydrocarbon resources of the onshore area of the PZ. Chevron pays a royalty and other taxes on that production.

Chevron is implementing competency and organizational development strategies with the objective of placing the right Saudis in the right jobs at the right time.

The company provides resources and education, training and development opportunities for Saudi employees at all levels. Nearly 87 percent of Saudi Arabian Chevron's 809 employees are Saudi nationals, and many hold positions at the highest levels of management.

Cutting-edge applications of the industry's latest processes flow across Chevron's worldwide operations, linking, for example, national employees in the PZ with specialists in Houston.

Employee development programs focus on improving job performance and leadership skills. Employees participate in formal training, advanced workshops, rotational assignments, mentoring and feedback sessions to further develop themselves as future leaders.

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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

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Certain terms, such as "unrisked resources," "unrisked resource base," "recoverable resources," and "oil in place," among others, may be used to describe certain aspects of the company's portfolio and oil and gas properties beyond the proved reserves. For definitions of, and further information regarding, these and other terms, see the "Glossary of Energy and Financial Terms" on pages 50 and 51 of the company's [2015 Supplement to the Annual Report](#). As used in this report, the term "project" may describe new upstream development activity, including phases in a multiphase development, maintenance activities, certain existing assets, new investments in downstream and chemicals capacity, investment in emerging and sustainable energy activities, and certain other activities. All of these terms are used for convenience only and are not intended as a precise description of the term "project" as it relates to any specific government law or regulation.

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