

# **API**

## **BLOGGER CONFERENCE CALL**

### **MODERATOR:**

Jane Van Ryan, API

### **SPEAKERS:**

Robert N. Ryan, Vice President of Global Exploration, Chevron

Justin Higgs, New Media Advisor, Chevron

Mark Kibbe, Federal Relations Director, API

John Felmy, Chief Economist, API

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*Bloggers who participated in the conference call are as follows: Alan Stewart Carl, [Donklephant](#); Bob McCarty, [Bob McCarty Writes](#); Brian Westenhaus, [New Energy and Fuel](#); Bruce McQuain, [The QandO Blog](#); Buster Cagney, [The Oil Drum](#); Chris Nelder, [GetRealList](#); David Murphy, [The Oil Drum](#); Devil's Advocate, [Right Wing News](#); Geoff Styles, [Energy Outlook](#); Jim Hoft, [Gateway Pundit](#); Joy McCann, [Little Miss Attila](#); Krystle, [Bearing Drift and Crystal Clear Conservative](#); Tony Eriksen, [The Oil Drum](#); Tim Hurst, [Green Options](#); Stephen Rhodes, [The Republican Temple](#)*

00:14 MS. VAN RYAN: Well, it is a little after 12:00 noon. We've got a lot of territory to cover. So let me go ahead and read off the names of the bloggers that I have so far and then give you some quick ground rules. I think most of you know what these ground rules are; you've been through these before. And then I'm going to turn this over to Robert N. "Bobby" Ryan Jr., who indeed is the vice president for global exploration for Chevron Global Upstream and Gas.

So here's who I have so far. Oh – we have one more. How just dialed in, please? Hello? Ah, another mystery blogger. Okay, here we go. I have Alan Stewart Carl, Bob McCarty, Brian Westenhaus, Bruce McQuain, Dave Murphy, Devil's Advocate, Joy McCann, and two others just signed on. Oh sorry, Stephen Rhodes, Tim Hurst, Tony Eriksen and who just joined us?

01:15 JIM HOFT: Jim Hoft.

01:17 MS. VAN RYAN: Great, Jim. I'm checking you off our list. Welcome. And who else?

01:23 CHRIS NELDER: Chris Nelder.

01:24 MS. VAN RYAN: Good, Chris. Terrific. All right, well, let's get started then. You have the ground rules that I sent out to you. And it's important that we try to keep our questions succinct because I think this will be the largest blogger conference call we've ever had. I've got about 18 or 19 who have confirmed. So we're going to try to – I'll try to moderate this the best way that I can. If you have questions that you are unable to inject into the conversation, send them to me, I have my BlackBerry, I'll be happy to try to ask them on your behalf.

We will go an hour – at least an hour – and then if Bobby has any extra time we'll go a little longer than that. I have some additional people on the phone and in the room with us, so if you have other questions that don't pertain directly to exploration, we'll try to answer those too. If you don't get a question, like I say, send it to me. I'll either send your question to Chevron or I'll try to get someone else to answer your questions for you.

Now, another thing, as you know, we're recording this. We're going to have an audio file and a transcript produced. We'll try to post those as quickly early next week as we can. Also, if you are not asking a question, please put your phone on mute. The reason I ask that is because we've discovered that we end up in a feedback problem that exists when computers are close to telephones. If people are not on mute then sometimes we sound like we're talking in the bottom of a tin can and you get a lot of noise and it makes it hard for everyone to hear.

Now, since I've been talking two or three more people have signed on. Who do we have?

03:02 KRYSTLE: (Audio break) – conservative.

03:07 MS. VAN RYAN: Krystle, is that you?

03:09 KRYSTLE: Yes, that's me.

03:11 MS. VAN RYAN: Great, thank you for coming on board. Who else do we have? People who prefer not to be recognized. That's fine. All right, we'll move on. At this point, then, I'll open up the discussion to Bobby Ryan. And, Bobby, I know that you had a brief opening statement you'd like to make.

03:33 ROBERT RYAN: Sure. Well, good morning everyone. Good afternoon, and in fact, for the gentleman from Australia, good Saturday, I guess it is. I really appreciate your attention and your interest in calling into this session and I can't wait to get into the topic – and in particular on exploration and access and things like that. But let me set the stage with kind of the premise that it's not a renewable agenda, it's not a coal agenda, a nuclear agenda, a solar agenda, et cetera – it's an energy agenda.

And as the portfolio looks now, oil and gas are a key component of that – a major component – and it will be for the next few decades to come. So with that premise, our business – the oil and gas business – has a major role to fill in that portfolio. Our economy has high expectations of us, our shareholders have high expectations of us, and that's a value chain that's large in scale and scope and cycle time.

And let me frame that real quick. You know, we explore, we produce, we refine, we market. And that's kind of the basic picture. Some companies do all, some do just pieces of it. My piece of that value chain is way up front. And it's the exploration component. And it's probably one of the least understood pieces of that. The public doesn't usually see it; it's not the corner service station. They don't drive by a refinery; they don't see a field, necessarily, producing off in the distance.

And it's a piece that I'm glad that you've called in for us to talk about because you may remember – many of you participated in a call in February with Gary Luquette. And Gary made a point about our new Project Tahiti, which, by the way, went on production May 5, so congratulations to the Tahiti team in the Gulf of Mexico. But Gary said that project was some 10 years in the making.

And he's right. But when you look at it through my eyes, it was a lot longer than that. It's – when it comes to the exploration world, people focus on first discovery to first production. And that's typically a lot of industry benchmarks, measures, the stock market looks at us and how quick we are, et cetera. But I go back way before that. And to give you an example in Tahiti, we first started looking at the Tahiti play and transit around 1994. In fact, I was the exploration manager in the Gulf of Mexico then.

You can blame it on me – we said no to the concept. In '95, the team came with an improved view and we said no. In '96, they had improved the concepts enough where we started to bid and we started to bid aggressively. And by 2002, had a discovery and of course, first production a week ago. So you might say my measure – my teammates' measures – it's not first discovery – or say discovery to first oil. It's first hunch to first oil. When is that geologic concept first being developed?

When are the thoughts of what could be there in the minds of creative people? Do we have the technologies, even, to help support those concepts? So first hunch to first oil is a major piece of this. You know, on June 1<sup>st</sup>, I will have been in this industry for 30 years. In my background as a geologist, I've seen a lot of change. And to give you an example, the technical capabilities we have as industry as well as the geologic concepts have jumped leaps and bounds.

When I was first working in the Gulf of Mexico out of our New Orleans office, deep water was 600 feet. We now have – Chevron has a well we drilled a few years ago in just over 10,000 feet of water – unheard of. Early in my career, when we hit salt, we stopped drilling; we were done. That's all Mother Nature provided in the sense of rocks to look for. Now, we drill through 10- to 15,000 feet of salt just to get to the prospect, which is an example, for instance, at Tahiti.

So things have changed fundamentally. Does it make a difference? You bet it does. I mean, Chevron from 2002 to 2008 added over \$8 billion barrels of oil equivalent from exploration. We had a 45-percent success rate, we are number one versus our peer group in resources added versus production for – through that drill bit and also in the cost to doing that.

So it can make a solid difference in the sense of growth for the company. It is good for Chevron, it is good for our shareholders, but it is also good for the economy. But it is a long, significant chain of events. And if oil and gas are still going to be a big part of our portfolio, 2020, 2030, 2040 – and it will be – I guess I can kind of close my comments with saying the time to work on those first hunches is right now.

And that, of course, brings me to access. We've sat back and looked for years about whether to turn on areas to explore or not. And the more that gets delayed, the more we prevent creative people with coming up with those first hunches that will feed the pipelines in 10, 20 years from now. With that I hope that gives you a little frame of my thinking and my role in this particular business. And I am representing a lot of people who get this done, and if I can't answer your questions, like Jane said, we will work to get you the answers after the session.

09:26 MS. VAN RYAN: Thank you, Bobby. Who would like to ask the first question? And please identify yourselves, too, by the way, because that way it will help us make sure that we have the right question attributed to the right person in the transcript.

09:40 DEVIL'S ADVOCATE: This is Devil's Advocate from "Right Wing News." I was wondering if you could comment or respond to any of the people that claim that we are eventually going to reach peak oil.

09:50 MR. RYAN: Well, sometimes I view that as an academic exercise, it's difficult to get your arms around it, and let me give you an example. Years ago I did a Google search in the Gulf of Mexico, and you type in Dead Sea and you type in Gulf of Mexico and you'd find all kinds of stories about the Gulf of Mexico had reached its peak and it's over. And, lo and behold, we got new geologic concepts; we've got the capability to drill deeper, we've got 3-D seismic, we've got the ability to look below salt, et cetera, et cetera, et cetera.

And the point is we've got plays there that we never dreamed of, for instance, the Wilcox – which, by the way, Chevron's one of the top leaseholders there in that play. No one would have ever dreamed of an oil province like that in that water depth in the Gulf of Mexico. If you can apply some of that same thinking to some of the other hydrocarbon basins around the world – what have we not found yet? Where does it end?

To quote my colleague Paul Siegle we might start talking about peak oil when we've addressed peak technology or peak geologic concepts. It is a non-renewable resource? You bet. Is there a peak one day? You bet. But, at the moment, things just keep moving forward, and I don't think we've tested everything we know.

11:15 MS. VAN RYAN: Anyone else who'd like to ask a question?

11:21 MR. MCQUAIN: Yeah, Bruce McQuain from "QandO," I have an interest – you talked about Tahiti, but I happen to visit or was able to visit Blind Faith before it was launched, can you give me an update on that particular project.

11:34 MR. RYAN: Yeah, it's on production. It went on production in November. It's ramping up to peak production. In fact, I think March we did hit peak production, about 70,000 barrels a day with 100 percent numbers, so far so good. We're quite excited about that.

11:55 MR. ERIKSEN: Tony Eriksen from Oil Drum. Just had a question if you could give some background on the fields of Mad Dog, Petronius and Genesis, if they have hit peak plateau or if they're in decline now?

12:11 MR. RYAN: Being the exploration guy, I don't have the detail on their production numbers at that time. But we just jotted the note here at this end and we'll get back to you with it.

12:23 MR. ERIKSEN: Thanks.

12:24 MR. RYAN: Sure.

12:25 MR. NELDER: This is Chris Nelder. Given the incredibly high expense of doing these deep-water projects, I wonder what Chevron's current target is for the price of oil for the next five years or so in making it's business decisions to proceed.

12:44 MR. RYAN: Well, I wouldn't be able to share with you what our forecast of oil and gas prices would be, but I can tell you that we look at a myriad of price ranges and we also test all of our projects at a low end as well as a high end to look at their economic viability.

From an exploration sense, certainly I'd be naïve to say price isn't important. So that's kind of the wrong way to say it. But our piece is so long term that we try to just make sure that the projects are viable from both a technical and risk point of view as well as an economic test.

And we keep moving forward. For instance, when we bid on the Tahiti play in general in 1996 who would have ever dreamed of the prices we've seen on and off just even in the past year. So any assumptions we made on price would have been incorrect. But the project was viable at the price we tested it at then and we were willing to take that risk to drill the first well.

13:50 MR. MCCARTY: This is Bob McCarty at bobmccarty.com. I wondered if you've seen any impact yet on the lawsuit that is soon to be concluded in Ecuador. Has that stifled any exploration efforts that you've seen?

14:08 MR. RYAN: No, it hasn't stifled any exploration efforts on our piece, and Pat Yarrington, our chief financial officer, addressed some of that in our recent quarterly call. You might go back and look at that transcript for the details. But when it comes to the impact on me and my teammates, no, the exploration business continues.

14:33 MR. ERIKSEN: Tony Eriksen again from "The Oil Drum." Could you please give some of the key lessons that you've learned from your Tahiti project? I heard you had some problems with the shackles, but perhaps other lessons that you would have done things differently had you known in advance?

14:52 MR. RYAN: I'd have to defer it in general to the facilities people that actually designed and built the project – you're right, probably the biggest speed bump we hit was around the shackles, so the lesson learned with that, I guess, is make sure – we tested those shackles and that's where we found the problem. And that type of process will be incorporated in all of our projects going forward.

I'll have to get Kurt and Justin to get back to you with any specific construction or facilities lessons learned. From a geologic sense and exploratory sense we actually did what I thought to be a great job appraising it to when the discovery was made in 2002, at one point we had two deepwater rigs in the field to aggressively appraise it because it was such a good discovery.

We drilled a lot of key wells in key positions to really understand the distribution of the hydrocarbon; we took all the appropriate logs and conventional cores to really get down the reservoir level as to how it would perform. And in the end, I think the appraisal part of that was quite good.

When it leaves my world after that it moves into the design and construction component, and like you say, probably the biggest problem was around those shackles. I'll ask Kurt and

Justin if there are a couple of pieces we may be able to provide for you within that phase of the development that we could share.

16:25 MR. HIGGS: Hey, Tony. This is Justin. If you'd like to follow up with me you can grab my e-mail address from Jane, or just send Jane a follow-up note and we can touch base on that.

16:35 MR. ERIKSEN: All right, thanks.

16:36 MR. HIGGS: Absolutely.

16:39 MR. MURPHY: This is Dave Murphy from "The Oil Drum." I'm wondering – you opened saying that things have changed fundamentally, and I was wondering if you could give me a sense of how the expenditures in the exploration and development and production have changed through the lifespan of these projects in the last 30 years. For instance, has the amount of expenditures for exploration increased while production has remained relatively flat, or whatever the case may be?

17:08 MR. RYAN: Yeah, we definitely – of course costs have gone up.

17:12 MR. MURPHY: Sure.

17:12 MR. RYAN: And some of that is a fundamental of just cost increases as the economy heated up over the past few years. But on the other side of the coin, you look at it if we were drilling in the wells in the past in 100, 200, 300 feet of water, now we are drilling in the six-, seven-, 8,000 feet of water. You, of course, you can understand just fundamentally it's going to be more costly because of the capabilities of the rig, et cetera.

Within the past, say, eight years that I've been involved with Chevron's exploration from a senior leadership role, both in my international position prior to this one and the global one, we've gone from about a billion dollars a year to approximately 2 billion (dollars) a year. So you could say we doubled it.

Now, did we double the number of wells, exploratory wells, we drilled in that? No. The good news is a lot of that funding increase was due to appraisal wells. We have had a lot of success, the success in wildcats, triggers, appraisal well -- appraisal wells typically don't add new resources but what they are doing is reducing the uncertainty with the discoveries. But that comes out of an exploration budget. And it's good news.

Pre-development costs, where you start to get your ideas and concepts around what the field could be, that's in an exploration budget. So with our success, those went up. So you might say a good piece of that increase is due to success. Another piece of that increase was of course due to costs going up for both wells and both seismic.

Our exploration budget this year in '09 is about flat with '08. And we've been hovering at say, just under 2 billion (dollars) for a couple of years now.

18:59 MR. RHODES: Steve Rhodes of the Republican Temple. Two-part question, first part being, is there a status report on some of the mainland leases like, say, in Utah and elsewhere? And, secondly, will there ever be any drilling off the coast of California and if so, what the economic ramifications would be.

19:26 MR. RYAN: Just to make sure I understood your first question, you said is there a status report for Utah?

19:31 MR. RHODES: Yeah, because there is apparently some leases that were supposed to have expired and not to be renewed.

19:38 MR. RYAN: No, I don't have the latest on that. From an exploratory sense, Chevron, we don't have an exploration position in Utah, and it hasn't been an area of focus for us. So I wouldn't be up to speed with the latest lease positions there.

As for California, it would be tough to say. It is probably tied to the same access issues and with the MMS and with the moratorium lifted. What will happen going forward? Will there be exploration allowed in the east Gulf of Mexico, the East Coast of the U.S. and the West Coast? That's difficult to predict. But it would have potential, just like these other unexplored areas would.

And you've probably all about the MMS Outer Continental Shelf assessments of the potential there. Right now, those are just numbers done by studies with very old data. And until we get a better sense with more modern seismic we'll never know, and in fact, until one day we ever put a well there, we'll never know.

And back when I'm on the subject, we looked back a while. When I first started my career, we were drilling wells – I wasn't – but I was brand new, walking the halls, but we were drilling a few wells off the East Coast of the U.S. So that was 28 to 30 years ago when we were doing that.

The youngest – if that's the right way to say it – seismic that I could find last year, just taking a look at what the seismic situation looked like in the East Coast, for example, was about 25 years old, and was just in patches. You know, it was just not the way we explore now: a little patch of seismic here, a little patch there.

And we make a lot of arguments as a country about what's there, what's not there, we see studies from U.S. geological survey, the minerals management survey, academic, industry, et cetera. And there are lots of big numbers, but until we get a modern seismic grid over that – and I'll use the East Coast as an example – we'll never really know.

You could take a look at this in a phase. I think we're smart enough to figure out where the areas of priority would be. You wouldn't necessarily be shooting seismic from Maine to Key West. There'd be areas we'd focus in on.

With a modern, say two-dimensional, long-cable seismic grid, where you really look at the regional potential for petroleum systems, we'd probably get a much better handle on what the potential would be as opposed to using sort of patchwork of very old seismic data.

And then, from that point, as a country, as an industry, we could make a decision on what the next step would be. If it's got a lot of viability, then let's move to that next step. If it doesn't, then we an answer.

22:27 MS. VAN RYAN: Bobby, here's a somewhat related question that was submitted to me by a blogger who says, "I see the Russians have made a full-scale move for drilling in the Arctic region. Do we have any idea of what the untapped resources are there?"

22:43 MR. RYAN: I haven't seen any drilling in the Arctic region and off the Russian coast yet. You know, there are some projects – that big gas project there – I was just going to say the name escaped me at the moment – that's a very old discovery, we call it a DRO, a discovered reserve opportunity in our speak, and of course that's going to move towards development and production down the road.

When it comes to exploratory drilling, I personally haven't seen a lot of that going on yet in the Russian waters. And even – let's go back to the rest of the Arctic, there's not a lot of activity in a drilling sense in the offshore yet. In the exploratory sense, yes, Chevron has positions in the Beaufort Sea as well as our competitors. We have positions in the west coast – a position on the west coast of Greenland. We have positions off of northern-most Norway, off the north coast of Alaska, et cetera.

So there are lease positions that companies have, but it probably ties back to my comments on the East Coast of the U.S., there's a lot of the Arctic that we just don't know a lot about. We've gotten more modern seismic in the Beaufort; we're acquiring modern seismic in areas of the west coast of Greenland. But, for a lot of the rest of the Arctic, they are very old studies – and some recent studies, but, again, they are numbers based on very, very limited data.

And does it have potential? You bet. Do we really understand that potential as an industry? Not –

24:32 MS. VAN RYAN: You seemed to fade out, Bobby. Are you there?

24:35 MR. RYAN: I'm here.

24:36 MS. VAN RYAN: Okay, good. Anyone have another question? I have some others that have been submitted, but, go ahead, please.

24:41 MR. HOFT: Hi, I have a question. This is Jim Hoft with Gateway Pundit blog. And my question is, Congress next week is likely to vote on the cap-and-trade plan in the committee and Henry Waxman had announced that this week. I'm wondering if Chevron has any idea how this will affect their exploration or their industry as a whole?

25:07 MR. RYAN: Well, I'm going to go ahead and just kind of kick that to API to get back to you because, in general, they have got their position defined which incorporates all of our positions related to it. It comes to me and plans for exploring in the future. My plans continue going forward but, when it comes to the cap-and-trade and details behind that, I'm going to let Jane and her team address that.

25:31 MS. VAN RYAN: All right. We have Mark Kibbe with us, who I think perhaps can address that question and any related questions on cap-and-trade.

25:38 MARK KIBBE: Sure, I'll give it another shot here. Yeah, I mean, our position all along with respect to the climate legislation is that we're just looking for our industry to be treated equitably with others. Primarily what is being looked at in the Waxman-Markey climate bill are provisions that primarily will affect the downstream, the refining sector of the industry.

The two main issues are, what they're looking at, the allocations: basically the allowances or permission to release greenhouse gases going forward and how those are allocated among industries. And our message has, again, just been, look, we're going to rely on all of these energy resources going into the future so let's treat everybody on an equitable basis.

The other provision and, again, we're getting a little bit beyond the upstream sector, but the other big concern is the low-carbon fuel standard and its relation to the renewable fuel standard that stems from recent energy legislation, basically, the mandate to incorporate ethanol into the fuel stream. Some of our concerns there is the Waxman-Markey bill starts with a 2005 baseline. And, as we look into the future, more and more of the fuel that refineries are going to have to use will come from heavier crudes, Canadian oil sands, for instance, and things along those lines, which will be more difficult to refine and could very well have a larger carbon content.

So if you're starting from the 2005 baseline and go down from there, it's going to be very difficult to satisfy energy needs with respect to transportation and still meet your carbon-reduction commitments.

So we're working with the various committee folks on that, but there's a lot of serious questions there in how to get that done without serious ramifications for consumers.

27:55 MR. HURST: Thank you.

27:58 MR. WESTENHAUS: Brian Westenhaus.

28:03 MS. VAN RYAN: Go right ahead, Brian.

28:05 MR. WESTENHAUS: With New Energy and Fuel. Can we go back to exploration and talk about the east side of the Gulf of Mexico?

28:11 MR. RYAN: Sure. It's, again, you know, it's been closed to exploration for a long time and it's – there are parts of it that are basically the same geologic plays that we are

working in the central Gulf of Mexico that just carry into that and there are parts of it, of course, that are different plays and new plays.

The key to that, probably if you were to open things in a phased way, is probably to open that first because it's closer to what we know from a geologic sense. So that helps you reduce cycle time from, in that thinking phase, shall we say. It's also closer to infrastructure in the sense of being able to drill and develop and produce. The pipelines are closer, et cetera, et cetera. So if you were to open up pieces of the U.S. offshore, that might be the first place to take that step.

29:10 MR. WESTENHAUS: Can I follow-up on that?

29:11 MR. RYAN: Sure.

29:14 MR. WESTENHAUS: There's probably a list of countries that Chevron has good relations with. Could you give us an idea who they might be and is Mexico on the list – meaning, how much more of the Gulf is going to be accessible to the U.S. market?

29:29 MR. RYAN: Yeah, I'm sorry. I couldn't hear the tail end of that, you said. You said – could you repeat that?

29:32 MR. WESTENHAUS: There's a lot of Gulf of Mexico besides just the western shore of the Gulf that's explored now. I'm curious as to how much more the major independent oil companies are going to get access to. Things are changing in Mexico so I'm curious as to what your feel is as what might become an opportunity there.

29:51 MR. RYAN: Well, I'd hate to speculate on the plans of the Mexican government and Mexican people. As you know, there's no access to that for international companies as we speak. Do geologic trends stop at international boundaries? No, they don't. And so when you look down at some of our discoveries and prospects down in the southernmost Gulf of Mexico – southern meaning closest to the U.S.-Mexican border – some of those trends do continue across. It's a setting that, as you can imagine, it takes a significant technical capability to be able to drill in those water depths. And you might say that drilling is the easy part. If you make a discovery, you then have the challenge of developing it. And that's a huge challenge, as evidenced by just you seeing our projects now: Tahiti and Blind Faith and others while the water gets even deeper as you head there.

So is there prospectivity in other parts of the Gulf of Mexico? You bet. Is there access for companies outside of PEMEX, I couldn't speculate.

31:02 MR. WESTENHAUS: Thanks.

31:05 MR. NELDER: Chris Nelder, again. I wonder if you could comment at all on the payback time for the Tahiti project. I was looking over the press release and there's some good information in there but it doesn't indicate what the total cost of the project, once all phases are developed, might be, or what the total flow rate might be.

31:29 MR. RYAN: Well, that first phase of it, as we pointed out, it's about \$2.7 billion. When it comes to the payout, I wouldn't want to get into the different economic settings, nor would I have the expertise to do that. Like I say, it left my world quite a few years ago when we finished appraising it; now I'm just a proud shareholder watching it produce.

31:51 MR. NELDER: All right. Well, could you comment on the initial flow rate?

31:56 MR. RYAN: It was ramping up – I'm trying to remember. Do you have that number, Kurt – heading up – because it was supposed to get up and it's supposed to get up to 125,000 barrels a day; that I know. And you're basically opening up one well at a time almost to just feed it into the system. What it is right now, I don't have it at my fingertips, but it's in that ramp-up stage.

32:20 MR. NELDER: Okay, thank you.

32:23 MR. RYAN: And that's the process at work. You just don't turn every well on at once; it's one at a time, watching the systems, adjusting it, moving it on. And it just keeps going through that path forward. Being that it just went on May 5<sup>th</sup>, it's so early in that ramp-up. The numbers are probably fairly low, but I don't have them.

32:41 MR. NELDER: Okay.

32:45 MR. ERIKSEN: Tony Eriksen, "The Oil Drum." Could you please just give a bit of background of how the feed process in Jack and St. Malo was going and so if any more appraisal wells are going to be drilled on those structures?

33:00 MR. RYAN: Yes, I mean, we're still in that evaluation process internally as to the exact scope and, excuse me, the exact concepts we use to develop that. When it comes to the appraisal program, if we – I don't recall, Kurt, do you recall if we have any more plans for next year, off the top of your head?

It's – I don't know of any more wells to be planted. I'd have to get that back for you. I mean, we're in that feed phase as we move it into the first quarter of '09. It's looking like it's something we could work to produce both fields or both discoveries together through one common facility.

In fact, if I recall correctly, George Kirkland in the recent – I guess it was March security analysts' meeting – had a slide or two on that and you could probably still refer to that. In fact, it would be in our investor relations section of our Web site. If I recall, there's a concept, a photo-type artist concept of what we're looking at and how we would develop it as a well with a few facts behind it. That would be accessible to you.

34:12 MR. ERIKSEN: Thanks.

34:12 MR. RYAN: We're excited about it. I mentioned the Wilcox earlier. If you don't mind, I'll just touch on that. I mean, it's a 300-mile-long play, plus. It's got, you know, you've seen ranges of, say, three- to 15 billion barrels of potential and, of course, when you see a wide range like that, that tells you that it's early in its exploratory phase as an industry, not just Chevron's.

So far the industry and Chevron have had good success rates. They are quite good success rates. The oil that's been – we found a good bit of oil so far and numerous discoveries both Chevron and our competitors. The key is, you know, getting that oil out of the ground. In fact, you may recall that press release we had a few years ago on the flow tech with Jack. That was very, very good news because, at those depths, with those reservoir conditions, to get that flow rate we did, I think some 6,000 barrels a day, we were quite excited about that.

So my colleagues in the reservoir world, they continue to focus on that as we move and continue to drill additional exploratory wells on that trend.

35:26 MS. VAN RYAN: I have another question, that's been sent to me that I can pass it along. It's a little thought-provoking and a little bit different than what we've been talking about. The question is, the Chevron share price tracked crude oil prices pretty closely from 2002 through January of 2007. As the oil prices moved above the \$100 per barrel range, Chevron's share price stalled. Other major oil companies saw a similar situation. Do you think that the market was saying that Chevron would either be nationalized or suffer major windfall taxes if oil prices rallied above \$100 a barrel on a sustained basis?

So I think the basic question is, are prices above \$100 per barrel a threat or something that investors in the oil business should welcome?

36:19 MR. RYAN: Wow, that's quite a question. You're right; thought provoking.

And I really couldn't speculate on that. I would have no idea. You're right. I mean, we all see those trends. I do as a shareholder myself in how it works. But when it comes to what influences that stock price and whether it's a political comment, an economic comment, a talking head on the news, et cetera, I have no idea. I'd be hesitant to guess.

36:46 MR. FELMY: Hey, Jane. This is John Felmy. Could I jump in just a second?

36:48 MS. VAN RYAN: Please.

36:50 MR. FELMY: Remember, these companies are not just upstream producers. They also have refining operations. And for a substantial component of last year, when you saw these ramped-up prices of crude, refined products did not follow. And so that is – any kind of analyst will look at the combination of the operations in assessing what's going on. So it's probably more likely, just fundamentals.

37:16 MS. VAN RYAN: Okay. Any additional questions having to do with exploration today?

37:21 MS. MCCANN: Yes, this is Joy.

37:24 MS. VAN RYAN: Hi, Joy.

37:25 MS. MCCANN: Just wondering what would be required to get modern, state-of-the-art seismics for some of the areas, particularly off of the U.S. coast? What would it take? And some of these other more promising arenas around the world, what would it take to do that?

37:41 MR. RYAN: Well, we shoot seismic, of course, all over the world every day. And we don't do it ourselves; we hire seismic vendors, different companies that actually do the work. But we typically would design the survey if it was one shot for us and work with that vendor to get it done.

You know, the fundamentals of it, we are hopefully not insulting anybody's intelligence, but, basically, very large vessels that tow very long cables. And they have a source that sends an energy into the Earth, and then we listen to that energy coming back to us and it gives us an image below the earth. With that, to physically get it done, for instance, when we own the leases, we just get a permit for that seismic to be acquired and go do it.

You can also shoot seismic without owning the leases. For instance, in the Gulf of Mexico, the seismic companies will shoot what we call spec surveys, or speculative surveys, and they will – I hesitate to use the word guess – but they'll make an educated guess or business decision on where industry might be most interested to explore. And they'll go acquire a large swath of the seismic and sell it.

Some folks may commit to it early, some buy it after the fact – that sort of thing. Of course, they get a permit to do that, as well. So that brings me back to your question. If you were to go onto the East Coast, you'd have to get a permit to get this done, and the seismic companies would pursue that. And of course, the struggle would be, if you never had any chance at all of exploring, why would they go shoot it, and why would we buy it, or why would we work with them to acquire it?

So the key would be is if you had – back to my phased comment – let's say the East Gulf of Mexico, perhaps, is a good way to do a phased approach on the Atlantic, to where you do permit this seismic, and you do have an understanding that if we find drillable opportunities down the road, we would be able to, you know, bid on those, drill the wells, et cetera. And then I would think that would start the ball rolling, the first phase being seismic survey over a few areas of the East Coast. And if bid-able opportunities are there, as an industry we bid on them. And if they're mature, technically and drillable, we drill them.

40:14 MS. MCCANN: I have a quick follow-up: Does this imply a level of catch-22? I mean, if you can't really get terrifically accurate surveys of what's out there, then how do you convince people that it's worth consenting to have this done?

40:34 MR. RYAN: That's an excellent point. You're right, it is sort of a catch-22 because people can – they see the big numbers, but you remember, those are big numbers from basically old data sets. So one group will probably say hey, that's a big number, let's go after it. But you're always going to look at those numbers with a bit of caution, and that's why I think this phased approach – you know, seismic is simply a vessel towing long cables – it's done every day all over the world – to acquire that information.

It's basically benign. And you are getting an answer that would help us understand – what you'll do – let me put it this way: What you would do with those surveys is reduce the uncertainty around the numbers we typically see from studies related to that region. And the key would be, though, is once you got that, would you have any chance at all to bid on things that look viable and eventually drill things that look viable? I mean, you throw a kink in your catch-22 if you say, yeah, we'll shoot the survey and we'll get a better understanding of the numbers, but there's not a chance you'll ever get to build or drill. Then you step back and say, why do it?

So I think a phased approach, where the country would really get to understand its resource base – and that's what this all boils down to, you know, if you make the claim that it's better for the economy, which I believe it is, and the experts, I believe, agree. If you believe it's better for national security, then we should have a better handle on our resources. It's an inventory; it's no different than going back to understanding the inventory in a warehouse, and what you have, and what's back there supporting your business.

This is the same thing; supporting your economy, supporting your national security, supporting jobs. Hey, let's get an understanding of those numbers; let's get an understanding of what the country's resource base is. First step: Shoot the seismic, understand if the numbers are holding up. And then if they are move forward, and if they aren't, we have an answer and we move on to the next thing.

42:48 GEOFF STYLES: And I'd just follow up on that. Bobby, this is an old – a voice from the past, Geoff Styles. How are you doing?

42:52 MR. RYAN: Hello, Geoff, how are you?

42:54 MR. STYLES: Great, great. Just to follow up on that thought, I've heard people articulate the view that major oil companies would actually prefer to go into this totally blind and be able to capture the entire upside from resolving precisely those uncertainties, as opposed to having a national inventory done to actually assess what might be there so that by the time you bid, there's a lot less uncertainty and presumably, the price is a lot higher. Could you comment on that?

43:27 MR. RYAN: Well, yes, I think my words might have come across like I was looking for a national inventory, but when you think about it, it's not. Back to the Gulf – seismic shot by – speculative seismic is shot by seismic companies all the time. And let's go back 15 and 20 years ago, or even longer, when deep water was 1000 feet and things like that. Well, companies were shooting seismic in the deep water, then – 2-, 3-, 4000 feet. You might say they

were taking an inventory. You might say they were going to understand what is there before we even want to bid.

Is that a national inventory? Well, you might say it is, because those are federal leases and the government does get the seismic. So in a sense, it is. But at the same time, it's just a data set to allow companies to make good business decisions. And so maybe there are some companies that would just like to bid, you know, on a big swath of acreage without knowing anything about it, but prudent business decisions, we usually would prefer to know what we're bidding on.

44:39 MS. VAN RYAN: Mark Kibbe of API would like to add to this conversation. Mark?

44:42 MR. KIBBE: Yeah, just let me make a few quick follow-up points. There are, actually, with the lifting of the moratoria last year, there are six permits with the MMS that have been filed by seismic companies to do such an inventory or an analysis of the resource base on the East Coast. Now, the interesting thing is, MMS did a recent follow-up study, per the direction of Interior Secretary Salazar, and they concluded that it would be about \$175 million per planning area – I think it's four to five planning areas on the East Coast. The point is, and kind of, to this national inventory concept, these are private companies willing to spend private money to get this done.

It would not require federal dollars. The problem with a government-run inventory is, it would require federal money and it could very well delay the process of getting this information out there. So it's certainly in the interests of everybody to get these private companies moving forward. And they're willing to do it; they just need to get the permits issued. And so that will get this resource base into the hands of consumers in a much quicker and more efficient and less costly way, certainly, to the federal government.

45:55 MR. RYAN: Well, but when you look at it – you know, just to add to that a little, those are good points – what's the difference between the Gulf of Mexico and what we would do on the East Coast? You know, it's the private sector going out and deciding where to shoot seismic. Companies that want to participate, they do and they fund it, and companies that don't want to participate, they don't and they don't fund it.

And then from that knowledge base, the lease sales are offered – in fact, in the Gulf, it's two per year – and companies decide to bid. Most, I would like to believe, buy that seismic to help shape their bids – you never know, some might not – but I don't really see it any different, in the sense that if we were allowed to go acquire seismic on the East Coast, the process would probably be pretty similar.

There'd be – seismic companies, you know, with their experts, and probably in communication with the explorers, would try to decide where is the best place to focus those first acquisitions, and those that want to participate will and those that don't want to won't. The side-benefit is the national inventory, shall we say. So allowing the same processes we've had in place for decades that have been quite successful essentially gives you that national inventory,

because you're acquiring this data, you're coming up with answers and those answers become public because they essentially get fed into the MMS. MMS gets the data set.

47:31 MR. KIBBE: Absolutely, yeah.

47:32 MR. RYAN: So in a sense, you kind of kill two birds with one stone. You're letting the private sector continue to move the way it has worked very successfully, the jobs that are tied behind it, the economic boost that's tied behind it, the scientific boost, the technology boost, and oh, by the way, the benefit we've found out how good those numbers are on the East Coast.

48:00 MS. VAN RYAN: Very good. Do we have any other questions related to exploration?

48:04 MR. RHODES: Yes, Steve Rhodes of the "Republican Temple." This is a research and development question and I'm not sure who to address this to, but I just wanted to find out, since the last blogger conference, whether there have been any new ideas or innovations in regards to exploration?

48:26 MR. RYAN: Yeah, I guess the meeting – I don't know when your last blogger conference was.

48:32 MR. RHODES: February, I believe it was.

48:34 MR. RYAN: February with Gary? Okay. No. I mean, the answer would be – was there anything new between February and now? No, in the sense of a new tool or a new technology. Do we continue to work on new tools and technologies and concepts? You bet. Do we fund research and development in everything from seismic acquisition – after all, it all starts with the acquisition, right? It's, you know, the old garbage-in, garbage-out; if we don't acquire it well, we won't process well.

So we fund research internally; we also work with universities and things. Chevron works, in a leveraged sense, with external groups like universities. But we're looking at acquisition R&D, processing R&D, we're always looking at better ways to drill wells to get to the prospects, et cetera. So it's an ongoing process. Any big breakthroughs to announce since February? No, no, no breakthroughs, but ongoing.

49:33 MS. VAN RYAN: I have a related question that was sent to me by a blogger. And I'm not going to ask it exactly as it's been sent, but it does indeed, fit the discussion we're having right now. It has to do with the belief that, despite technological improvements, global oil discoveries have been declining. What do you make of that?

49:55 MR. RYAN: Yeah, that's a fair statement. I looked at – I plotted the discoveries for about the past decade from Wood Mackenzie, just to give you my source. And we looked at it, and you could – if your eyeball just went across the bar graph, you could see, well, the number of discoveries was – (audio break) – the size of discoveries – the number of discoveries greater

than 500 million barrels, if I recall – I don't have the chart in front of me – was dipping. You could say, well, is that a trend, that the big ones are getting fewer, or not? And yes, I mean, you do see that trend.

Now, in the case of Chevron, to just get kind of on a micro scale, we've averaged an add of over a billion (barrels) a year since we put in a new exploration strategy back in 2002 with the Chevron and Texaco merger. That's more than we expected to find. It's now over eight-and-a-half billion. We continue to have a very strong queue of exploration opportunities for what we called impact wells – we define that as greater than 100 million barrels, the prospect size. We continue to have a strong queue. Every time we think it's going to dip and say okay, the queue is running out, we're running fewer impact wells, impact prospects, it seems to continue to hold up.

And so that's just a small, micro view in the sense of Chevron, we're just one piece of this giant puzzle. I can't speak for my colleagues but, you know, so far, so good. But I'd be naïve to not say that, over time, yes, I mean, things would probably get smaller. And you could look at different data sets and say some of them are getting smaller.

51:45 MR. NELDER: Chris Nelder, I have a related question to that. Is there a price horizon for oil at which Chevron would become concerned about being able to continue to replace reserves?

51:58 MR. RYAN: Yeah, kind of what I said earlier – I'd prefer not to talk about prices, because, you know, there's so many different components of our business, from the base business to the major-capital projects to exploration. They all have – you know, as I mentioned earlier, exploration is so long term, price tends to have less of an influence, other than the current cash flow-type thing. So I'd stay away from a number, other than to say that we are in a long-term business and while, yes, we have to look at price and understand price, a lot of the decisions we make in, particularly, major-capital projects and exploration, are very long term and so we have to keep those balls rolling forward.

52:43 MR. NELDER: Thank you.

52:44 MR. HIGGS: Jane, can we take one more question?

52:46 MS. VAN RYAN: Absolutely.

52:48 MR. HIGGS: Okay.

52:49 MR. MCQUAIN: Bruce McQuain here with "QandO." Speaking of all those capital projects, how many does Chevron have ongoing right now, or under development right now around the world?

53:00 MR. RYAN: Yeah, that's something, as a shareholder, I'm quite proud of, to tell you the truth. We've got forty, plus or minus, over a billion dollars our share. So that's quite a queue, and I guess what puts a smile on my face is the fact that those things come from – well, not all of them, of course, from recent exploration – but in general, where does a new field come

from? It comes from exploration. So it's really nice to look at that list and check off how many have come from success that we've had in exploration in the past eight years, since we revamped our approach to exploration. And so that forty is – keeps us busy.

53:43 MR. HIGGS: Great.

53:45 MS. VAN RYAN: All right, Bobby, have you run out of time?

53:51 MR. HIGGS: Yeah, I think we're all set on this end, here.

53:53 MS. VAN RYAN: All right. Well, some of you were very kind and sent me some additional questions. One of them relates directly to Tahiti. I'll be sending that along to Chevron, and hopefully, you'll get an answer back soon. It has to do with ultimate recoverable reserves. I also will be putting up the audio file and the transcript as quickly as we can – it will be sometime early next week, hopefully Monday, perhaps late Monday afternoon. And I'll be sending out a link to all of you so you can double-check sound bites, check your quotes. And always feel free to submit more questions. We're happy to help any way we can.

54:28 MR. HIGGS: Yeah, Jane, if anybody has any additional follow-up questions, you can either e-mail them to Jane and she'll forward them on to us over here at Chevron. We'd be more than happy to answer those and get those answers back to you relatively quickly. So please do – if you have any follow-up – we apologize for having to jump off here – but definitely follow up if you have any additional questions.

54:48 MR. RYAN: Jane, it's Bobby. Can I make just a comment?

54:50 MS. VAN RYAN: Oh, absolutely.

54:52 MR. RYAN: Yeah, first of all I'd just second that. I know an hour is tough to get everybody's questions in, so please feel free, as Justin and Jane said, to forward your questions and we'll work to get back to you quickly. I just would like to thank you for your interest. You know, I'm impressed with the list of participants. As I stated in my opening comments, exploration is a piece of that value chain that's not quite well-understood.

And I appreciate – your questions were really good. And the more we can do to help, with your help, you know, educate your readers on how we do exploration, what it costs, the risks we take, to essentially feed the pipelines with new oil and gas supplies in the U.S. and around the world, then you guys and us on this side are all successful. So I appreciate your help in getting that message out.

55:45 MS. VAN RYAN: And Bobby, thank you for your time today. We appreciate it.

55:49 MR. RYAN: I'm happy to help.

55:50 MS. VAN RYAN: Okay. And thanks everybody for participating. Again, if you have any questions, let me know. I'll pass them along and we'll try to get answers for you. Take care. I'll be in touch soon with that audio file and transcript. Bye now.

56:04 MR. RYAN: Thanks, everyone.

(END)