

PLAINTIFF'S EXHIBIT

PP-77

<DOCUMENT>
 <TYPE>10-Q
 <SEQUENCE>1
 <FILENAME>a2062372z10-q.txt
 <DESCRIPTION>10-Q
 <TEXT>
 <PAGE>

UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
 SECURITIES EXCHANGE ACT OF 1934
 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF
 THE SECURITIES EXCHANGE ACT OF 1934
 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 333-59054-01

CHEVRON PHILLIPS CHEMICAL COMPANY LLC
 (EXACT NAME OF THE REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware
 (State or other jurisdiction of
 incorporation or organization)

73-1590261
 (I.R.S. Employer
 Identification No.)

Chevron Tower
 1301 McKinney Street
 Houston, TX 77010-3030
 (Address of principal executive offices, including zip code)

(713) 289-4100
 (Registrant's telephone number, including area code)

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 X No

<PAGE>

CHEVRON PHILLIPS CHEMICAL COMPANY LLC

Index

PAGE

Part I. Financial Information (Unaudited)

CHEVRON PHILLIPS CHEMICAL COMPANY LLC

Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2001, the three months ended September 30, 2000 and the period July 1, 2000 (inception) through September 30, 2000	3
Condensed Consolidated Balance Sheet at September 30, 2001 and December 31, 2000	4
Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2001 and the period July 1, 2000 (inception) through September 30, 2000	5
Notes to Condensed Consolidated Financial Statements	6

The following financial information of Phillips Petroleum Company's Chemicals Business and Chevron Chemical Company C Chem Business (the businesses contributed to form Chevron Phillips Chemical Company LLC) is presented for informational purposes only. The results of these contributed businesses presented, when combined, are not intended to and do not represent pro forma results of Chevron Phillips Chemical Company LLC, nor do the results necessarily reflect results that would have been achieved had the contributed businesses been combined for the periods presented.

PHILLIPS PETROLEUM COMPANY'S CHEMICALS BUSINESS

Combined Statement of Income for the six months ended June 30, 2000	18
Combined Statement of Cash Flows for the six months ended June 30, 2000	19
Notes to Combined Financial Statements	20

CHEVRON CHEMICAL COMPANY C CHEM BUSINESS

Combined Statement of Income for the six months ended June 30, 2000	23
Combined Statement of Cash Flows for the six months ended June 30, 2000	24
Notes to Combined Financial Statements	25

CHEVRON PHILLIPS CHEMICAL COMPANY LLC

Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Quantitative and Qualitative Disclosures about Market Risk	32
Part II. Other Information	32

2

<PAGE>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHEVRON PHILLIPS CHEMICAL COMPANY LLC
Condensed Consolidated Statement of Operations
(Unaudited)

<TABLE>

<CAPTION>

MILLIONS -----	Three months ended September 30,	
	2001	2000
<S>	<C>	<C>
Revenue		
Net sales	\$ 1,367	\$ 1,785
Equity in income (loss) of affiliates	(5)	1
Other income	12	23
	-----	-----
Total revenue	1,374	1,809
	-----	-----
Costs and Expenses		
Cost of goods sold	1,355	1,596
Selling, general and administrative	60	134
Asset impairments	42	--
Research and development	18	13
	-----	-----
Total costs and expenses	1,475	1,743
	-----	-----
Income (Loss) Before Interest and Taxes	(101)	66
Interest income	2	4
Interest expense	(23)	(32)
	-----	-----
Income (Loss) Before Taxes	(122)	38
Income tax benefit (expense)	(45)	9
	-----	-----

Net Income (Loss)	\$ (167)	\$ 47
	=====	=====

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

3

<PAGE>

CHEVRON PHILLIPS CHEMICAL COMPANY LLC
Condensed Consolidated Balance Sheet
(Unaudited)

<TABLE>
<CAPTION>

ASSETS

MILLIONS	September 30, 2001	Dec
-----	-----	-----
<S>	<C>	<
Current assets		
Cash and cash equivalents	\$ 101	\$
Accounts receivable	947	
Inventories	642	
Other current assets	31	
	-----	-
Total current assets	1,721	
Property, plant and equipment, net	4,073	
Investment in affiliates	301	
Other assets and deferred charges	73	
	-----	-
Total Assets	\$ 6,168	\$
	=====	=

LIABILITIES AND MEMBERS' CAPITAL

Current liabilities		
Accounts payable	\$ 497	\$
Accrued income and other taxes	57	
Secured borrowings	220	
Note payable to member	--	
Other current liabilities	110	
	-----	-
Total current liabilities	884	
Long-term debt	1,541	
Other liabilities and deferred credits	156	
	-----	-
Total liabilities	2,581	
Members' capital	3,597	
Accumulated other comprehensive loss	(10)	
	-----	-

Total Liabilities and Members' Capital	\$ 6,168	\$
	=====	=

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

4

<PAGE>

CHEVRON PHILLIPS CHEMICAL COMPANY LLC
Condensed Consolidated Statement of Cash Flows
(Unaudited)

<TABLE>
<CAPTION>

Nine
en
Septe
2

MILLIONS

<S>

<C>

Cash Flows From Operating Activities

Net income (loss) \$
Adjustments to reconcile net income (loss) to
net cash flows provided by operating activities
Depreciation, amortization and retirements
Asset impairments
Deferred income taxes
Undistributed equity in losses (earnings)
of affiliates, net
Changes in operating working capital
Other operating cash flow activity

Net cash provided by operating activities

Cash Flows From Investing Activities

Capital expenditures
Decrease in investments
Other

Net cash flows used in investing activities

Cash Flows From Financing Activities

Increase (decrease) in commercial paper, net
Proceeds from the issuance of other long-term debt
Increase in secured borrowings, net
Decrease in note payable to member, net
Advance from member
Contributions from members
Distributions to members
Post-closing adjustments to members

Net cash flows provided by (used in)
financing activities

Net Increase (Decrease) in Cash and Cash Equivalents
Cash and Cash Equivalents at Beginning of Period

Cash and Cash Equivalents at End of Period

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

5

<PAGE>

CHEVRON PHILLIPS CHEMICAL COMPANY LLC
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. General Information

On July 1, 2000 Chevron Corporation (Chevron) and Phillips Petroleum Company (Phillips) combined their worldwide chemicals and plastics businesses, excluding Chevron's Oronite additives business, into a new company, Chevron Phillips Chemical Company LLC. The company, through its subsidiaries, manufactures and markets a wide range of petrochemicals and plastics on a worldwide basis, with manufacturing facilities in existence or under construction in the United States, Puerto Rico, Singapore, China, South Korea, Saudi Arabia, Qatar, Mexico and Belgium. Chevron merged with Texaco Inc. on October 9, 2001 to form ChevronTexaco Corporation. Chevron Phillips Chemical Company LLC is a limited liability company formed under Delaware law, owned 50% each by ChevronTexaco Corporation and Phillips.

The unaudited condensed consolidated financial statements included herein include the accounts of Chevron Phillips Chemical Company LLC and its wholly-owned subsidiaries (collectively, "CPChem"), and should be read in conjunction with the consolidated financial statements for the period July 1, 2000 (inception) through December 31, 2000 that are included in its Securities and Exchange Commission (SEC) Form S-4, as amended, dated May 10, 2001. The financial statements and the accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations have been prepared pursuant to the rules and regulations of the SEC. The financial statements include all normal recurring adjustments that CPChem considers necessary for a fair presentation. Some information and footnote disclosures required by generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Certain amounts for prior periods have been reclassified in order to conform to the current reporting presentation.

Note 2. New Accounting Pronouncements

Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, was implemented effective January 1, 2001. Implementation of this standard had no material effect on consolidated results of operations, financial position or liquidity, as CPChem generally does not use derivative instruments.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses the accounting and reporting requirements for legal obligations associated with the retirement of long-lived assets. This standard requires that a liability for an asset retirement obligation, measured at fair value, be recognized in the period in which it is incurred if a reasonable estimate of fair value is determinable. That initial fair value is capitalized as part of the carrying amount of the long-lived asset and subsequently depreciated. The liability is adjusted each year for accretion, with a charge to the statement of operations. SFAS No. 143 will become effective for CPChem beginning January 1, 2003. CPChem is currently reviewing the new standard to determine what impact, if any, that implementation of this standard will have on consolidated results of operations and financial position.

6

<PAGE>

Note 3. Comprehensive Income (Loss)

<TABLE>

<CAPTION>

MILLIONS	Three months ended September 30,	
	2001	2000
<S>	<C>	<C>
Net income (loss)	\$ 167)	\$ 47
Foreign currency translation adjustments	9	(9)
	-----	-----
Comprehensive income (loss)	\$ (158)	\$ 38
	=====	=====

</TABLE>

Note 4. Asset Impairment

CPChem recorded before-tax asset impairment charges related to the Puerto Rico Core facility totaling \$42 million in the third quarter of 2001 as a result of the outlook for future margin conditions. The Puerto Rico Core facility is part of CPChem's Aromatics segment. Discounted net cash flows were used to determine the fair value of the facility.

Note 5. Income Taxes

CPChem is treated as a flow-through entity for U.S. income tax purposes whereby each member is taxable on its respective share of income and losses. However, CPChem and its subsidiaries are directly liable for U.S. and state income taxes and franchise taxes on certain separate legal entities and for any foreign taxes incurred.

In the third quarter of 2001, CPChem increased its valuation allowance related to Puerto Rico Core's deferred tax assets by \$44 million. The increase in the valuation allowance, charged to income tax expense, was necessitated, in part, by the Phillips merger with Tosco Corporation in September 2001, which triggered regulatory limitations on the future utilization of pre-merger Puerto Rico Core net operating losses. The valuation allowance was also increased as a result of a change in the outlook for future margin conditions. Deferred tax assets related to

Puerto Rico Core are now fully offset by valuation allowances.

Note 6. Investments

Aggregate summarized financial information for Phillips Sumika Polypropylene Company, a significant investment as defined by the SEC that is accounted for using the equity method of accounting, follows:

<TABLE>

<CAPTION>

MILLIONS	Three months ended September 30,		Nine months ended September 30,
	2001	2000	2001
<S>	<C>	<C>	<C>
Revenues	\$ 44	\$ 64	\$ 142
Loss before income taxes	(8)	(10)	(29)
Net loss	(8)	(10)	(29)

</TABLE>

7

<PAGE>

Aggregate summarized financial information for all other investments accounted for using the equity method of accounting follows:

<TABLE>

<CAPTION>

MILLIONS	Three months ended September 30,		Nine mont ended September
	2001	2000	2001
<S>	<C>	<C>	<C>
Revenues	\$ 145	\$ 208	\$ 478
Income (loss) before income taxes	(2)	25	(1)
Net income (loss)	(3)	24	(5)

</TABLE>

Note 7. Notes Payable and Long-Term Debt

Long-term debt, net of applicable debt discounts, as shown on the condensed consolidated balance sheet follows:

MILLIONS	September 30, 2001	December 31, 2000
Commercial paper	\$ 1,032	\$ 1,784
7 1/2 notes due 2011	497	-
Other	12	-
Total	\$ 1,541	\$ 1,784
	=====	=====

On February 14, 2001, CPCChem borrowed an additional \$50 million from

Chevron. The outstanding notes payable to Chevron, totaling \$100 million, were repaid on March 19, 2001 with proceeds from the issuance of the private placement notes described below, and the credit agreement with Chevron was terminated.

On March 19, 2001, Chevron Phillips Chemical Company LLC (the "LLC") and its wholly-owned subsidiary, Chevron Phillips Chemical Company LP (the "LP"), jointly and severally issued \$500 million of senior unsecured 7% notes in a private placement. The notes are due in March 2011 and interest is payable semiannually, with the first interest payment paid on September 15, 2001. The notes contain certain covenants such as limitations on liens, sale/leaseback transactions, sales of assets and business combinations that CPChem does not consider to be restrictive to normal operations. Proceeds from this debt issuance were used to repay the notes payable to Chevron, to retire a portion of outstanding commercial paper obligations and for general corporate purposes. The LLC and the LP subsequently filed a joint registration statement on Form S-4 with the SEC, as amended and declared effective May 10, 2001, to register exchange notes that have terms substantially identical to the private placement notes, except that the exchange notes are freely tradeable. Substantially all of the holders of the private placement notes have tendered their notes for the registered exchange notes.

In May 2001, CPChem entered into a 364-day trade receivables securitization agreement. The agreement allows CPChem to borrow up to \$300 million for which CPChem grants a security interest in certain of its trade receivables as collateral for any amounts outstanding. As collections of those trade receivables are made by CPChem, borrowings under the agreement are reduced or security interests in new trade receivables are granted. Proceeds from the initial borrowing were used to reduce outstanding commercial paper obligations. At September 30, 2001, \$220 million of borrowings, classified as short-term, were outstanding under the trade receivables securitization agreement, secured by \$357 million of trade receivables.

8

<PAGE>

CPChem's \$900 million 364-day revolving credit agreement expired on July 2, 2001 and was replaced by a \$700 million 364-day credit agreement, with substantially the same terms as the expired agreement. The new agreement expires on July 1, 2002 and provides that CPChem may, at its option, extend the date for repayment of any borrowings outstanding on July 1, 2002 by one year. CPChem continues to maintain the \$900 million three-year credit agreement that expires on July 2, 2003. Both facilities are used to support the commercial paper program. At September 30, 2001 and December 31, 2000, there were no borrowings outstanding under the respective credit agreements.

Note 3. Contingencies

In the case of all known contingencies, CPChem records an undiscounted liability when the loss is probable and the amount is reasonably estimable. These liabilities are not reduced for potential insurance recoveries. If applicable, undiscounted receivables are recorded for probable insurance or other third-party recoveries. Based on currently available information, CPChem believes it is unlikely that future costs related to known contingent liabilities will exceed current accruals by an amount that would have a material adverse effect on consolidated results of operations, financial position or liquidity.

As facts concerning contingencies become known, CPChem reassesses its position both with respect to accrued liabilities and other potential exposures. Estimates that are particularly sensitive to future change include legal matters and contingent liabilities for environmental remediation. Estimated future environmental remediation costs are subject to change due to such factors as the unknown magnitude of cleanup costs, prospective changes in laws and regulations, the unknown timing and extent of remedial actions that may be required, and the determination of CPChem's liability in proportion to other responsible parties. Estimated future costs related to legal matters are subject to change as events occur and as additional information becomes available during the administrative and litigation process.

CPChem is a party to a number of legal proceedings pending in various courts or agencies for which, in some instances, no provision has been made. While the final outcome of these proceedings cannot be predicted with certainty, CPChem believes that none of these proceedings, when resolved, will have a material adverse effect on consolidated results of operations, financial condition or liquidity.

Note 9. Employee Benefit Plans

Substantially all of CPChem's employees are former employees of Chevron or Phillips. These individuals provided services to CPChem from its inception on July 1, 2000 through December 31, 2000 pursuant to transition services agreements with Chevron and Phillips. These individuals were covered by their respective former employer's employee benefit plans through December 31, 2000. Effective January 1, 2001, they became employees of CPChem. Also effective January 1, 2001, CPChem established its own employee benefit plans, including a health care and income protection benefit plan, a savings plan, and retirement and retiree health care benefits plans. The retirement plans are defined benefit plans.

9

<PAGE>

Note 10. Segment Information

Financial information by segment for the periods presented on the condensed consolidated financial statements follows:

<TABLE>
<CAPTION>

MILLIONS -----	OLEFINS & POLYOLEFINS	AROMATICS	
	-----	-----	---
<S>	<C>	<C>	
THREE MONTHS ENDED SEPT. 30, 2001			
Net sales - external	\$ 778	\$ 316	
Net sales - inter-segment	99	62	
Income (loss) before interest & taxes	(32)	(70)	
THREE MONTHS ENDED SEPT. 30, 2000			
Net sales - external	1,009	516	
Net sales - inter-segment	119	62	
Income (loss) before interest & taxes	76	(9)	

NINE MONTHS ENDED SEPT. 30, 2001		
Net sales - external	2,766	1,112
Net sales - inter-segment	337	212
Income (loss) before interest & taxes	(63)	(167)
JULY 1, 2000 (INCEPTION) THROUGH SEPT. 30, 2000		
Net sales - external	1,009	516
Net sales - inter-segment	119	62
Income (loss) before interest & taxes	76	(9)
Total assets - SEPTEMBER 30, 2001		
	3,381	1,120
Total assets - DECEMBER 31, 2000		
	3,568	1,355

</TABLE>

Note 11. Business Interruption Insurance Settlement

In June 2001, agreement was reached among Phillips and various insurers to settle the business interruption insurance claim associated with the March 27, 2000 incident at CPChem's (formerly Phillips') Houston Chemical Complex K-Resin(R) styrene-butadiene copolymer plant. After adjusting for previously accrued claims, CPChem recognized \$118 million as Other Income in June 2001 as a special item in connection with the settlement. Proceeds from the settlement were received in the second and third quarters of 2001.

10

<PAGE>

Note 12. Condensed Consolidating Financial Statements

Condensed consolidating financial statements follow. This information is presented in accordance with the applicable rules and regulations prescribed by the SEC related to the debt jointly issued by Chevron Phillips Chemical Company LLC and Chevron Phillips Chemical Company LP. The LLC is the non-operating parent holding company. The LP is the primary U.S. operating company. "Other Entities" is principally comprised of foreign operations and the holding companies that have direct ownership of the LP. These condensed consolidating financial statements were prepared using the equity method of accounting for investments.

Chevron Phillips Chemical Company LLC
Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2001
(Unaudited)

<TABLE>

<CAPTION>

MILLIONS	LLC	LP
-----	-----	-----
<S>	<C>	<C>
Revenue		
Net sales	\$ --	\$ 1,236
Equity in income (loss) of affiliates	(149)	18
Other income	--	22
	-----	-----

Total revenue	(149)	1,276
Costs and Expenses		
Cost of goods sold	--	1,182
Selling, general and administrative	--	146
Asset impairments	--	--
Research and development	--	18
Total costs and expenses	--	1,346
Loss Before Interest and Taxes	(149)	(70)
Interest income	2	1
Interest expense	(20)	(2)
Loss Before Taxes	(167)	(71)
Income taxes	--	(1)
Net Loss	\$ (167)	\$ (72)

</TABLE>

11

<PAGE>

Note 12. Condensed Consolidating Financial Statements (continued)

Chevron Phillips Chemical Company LLC
Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2001
(Unaudited)

<TABLE>
<CAPTION>

MILLIONS	LLC	LP
-----	-----	-----
<S>	<C>	<C>
Revenue		
Net sales	\$ --	\$ 4,549
Equity in income (loss) of affiliates	(178)	7
Other income	--	189
Total revenue	(178)	4,745
Costs and Expenses		
Cost of goods sold	--	4,427
Selling, general and administrative	--	436
Asset impairments	--	--
Research and development	--	46
Total costs and expenses	--	4,909

Loss Before Interest and Taxes	(178)	(164)
Interest income	2	3
Interest expense	(79)	(3)
	-----	-----
Loss Before Taxes	(255)	(164)
Income taxes	--	(1)
	-----	-----
Net Loss	\$ (255)	\$ (165)
	=====	=====

</TABLE>

12

<PAGE>

Note 12. Condensed Consolidating Financial Statements (continued)

Chevron Phillips Chemical Company LLC
Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2000
and
July 1, 2000 (Inception) through September 30, 2000
(Unaudited)

<TABLE>

<CAPTION>

MILLIONS	LLC	LP	C EN
-----	-----	-----	-----
<S>	<C>	<C>	
Revenue			
Net sales	\$ --	\$ 1,787	
Equity in income (loss) of affiliates	79	(5)	
Other income	--	20	
	-----	-----	
Total revenue	79	1,802	
	-----	-----	
Costs and Expenses			
Cost of goods sold	--	1,637	
Selling, general and administrative	--	116	
Research and development	--	13	
	-----	-----	
Total costs and expenses	--	1,766	
	-----	-----	
Income Before Interest and Taxes	79	36	
Interest income	--	2	
Interest expense	(32)	--	
	-----	-----	
Income Before Taxes	47	38	
Income tax benefit	--	--	
	-----	-----	
Net Income	\$ 47	\$ 38	

</TABLE>

13

<PAGE>

Note 12. Condensed Consolidating Financial Statements (continued)

Chevron Phillips Chemical Company LLC
Condensed Consolidating Balance Sheet
September 30, 2001
(Unaudited)

<TABLE>

<CAPTION>

MILLIONS	LLC	LP	OT ENT
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Current assets			
Cash and cash equivalents	\$ 4	\$ 46	\$
Accounts receivable	28	1,078	
Inventories	--	532	
Other current assets	--	24	
	-----	-----	--
Total current assets	32	1,680	
Property, plant and equipment, net	--	3,761	
Investment in affiliates	5,538	116	
Other assets and deferred charges	5	47	
	-----	-----	--
Total Assets	\$ 5,625	\$ 5,604	\$
	=====	=====	==
Current liabilities			
Accounts payable	\$ 492	\$ 508	\$
Secured borrowings	--	--	
Other current liabilities	1	146	
	-----	-----	--
Total current liabilities	493	654	
Long-term debt	1,529	12	
Other liabilities and deferred credits	6	138	
	-----	-----	--
Total liabilities	2,028	804	
Members' capital	3,597	4,800	
Accumulated other comprehensive loss	--	--	
	-----	-----	--
Total Liabilities and Members' Capital	\$ 5,625	\$ 5,604	\$
	=====	=====	==

</TABLE>

14

<PAGE>

Note 12. Condensed Consolidating Financial Statements (continued)

Chevron Phillips Chemical Company LLC
Condensed Consolidating Balance Sheet
December 31, 2000
(Unaudited)

<TABLE>
<CAPTION>

MILLIONS	LLC	LP	OT ENT
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Current assets			
Cash and cash equivalents	\$ --	\$ 75	\$
Accounts receivable	12	1,017	
Inventories	--	736	
Other current assets	1	15	
	-----	-----	--
Total current assets	13	1,843	
Property, plant and equipment, net	--	3,464	
Investment in affiliates	5,776	76	
Other assets and deferred charges	1	81	
	-----	-----	--
Total Assets	\$ 5,790	\$ 5,464	\$
	=====	=====	==
Current liabilities			
Accounts and notes payable	\$ 72	\$ 774	\$
Note payable to member	50	--	
Other current liabilities	--	62	
	-----	-----	--
Total current liabilities	122	836	
Long-term debt	1,784	--	
Other liabilities and deferred credits	35	86	
	-----	-----	--
Total liabilities	1,941	922	
Members' capital	3,849	4,542	
Accumulated other comprehensive loss	--	--	
	-----	-----	--
Total Liabilities and Members' Capital	\$ 5,790	\$ 5,464	\$
	=====	=====	==

</TABLE>

<PAGE>

Note 12. Condensed Consolidating Financial Statements (continued)

Chevron Phillips Chemical Company LLC
Condensed Consolidating Statement of Cash Flows

For the Nine Months Ended September 30, 2001
(Unaudited)

<TABLE>
<CAPTION>

MILLIONS	LLC	I
-----	-----	-----
<S>	<C>	<C>
Cash Flows From Operating Activities		
Net loss	\$ (255)	\$ (
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities		
Depreciation, amortization and retirements	--	
Asset impairments	--	
Deferred income taxes	--	
Undistributed equity in losses (earnings) of affiliates, net	178	
Changes in operating working capital	414	
Other operating cash flow activity	144	
	-----	---
Net cash provided by (used in) operating activities	481	
	-----	---
Cash Flows From Investing Activities		
Capital expenditures	--	(
Decrease (increase) in investments in affiliates	(149)	
Other	--	
	-----	---
Net cash used in operating activities	(149)	(
	-----	---
Cash Flows From Financing Activities		
Decrease in commercial paper, net	(747)	
Proceeds from the issuance of other long-term debt	496	
Increase in secured borrowings, net	--	
Decrease in notes payable to member, net	(50)	
Contributions from parent / members	6	
Distributions to parent / members	(20)	
Post-closing adjustments to members	(13)	
	-----	---
Net cash provided by (used in) financing activities	(328)	
	-----	---
Net Increase (Decrease) in Cash and Cash Equivalents	4	
Cash and Cash Equivalents at Beginning of Period	--	
	-----	---
Cash and Cash Equivalents at End of Period	\$ 4	\$
	=====	===

</TABLE>

<PAGE>

Note 12. Condensed Consolidating Financial Statements (continued)

Chevron Phillips Chemical Company LLC

Condensed Consolidating Statement of Cash Flows
July 1, 2000 (Inception) through September 30, 2000
(Unaudited)

<TABLE>
<CAPTION>

MILLIONS	LLC	LP
-----	-----	-----
<S>	<C>	<C>
Cash Flows From Operating Activities		
Net income	\$ 47	\$ 38
Adjustments to reconcile net income to net cash flows provided by operating activities		
Depreciation, amortization and retirements	--	59
Deferred income taxes	--	--
Undistributed equity in losses (earnings) of affiliates, net	(79)	5
Changes in operating working capital	43	32
Other operating cash flow activity	--	(10)
	-----	-----
Net cash provided by operating activities	11	124
	-----	-----
Cash Flows From Investing Activities		
Capital expenditures	--	(39)
Increase in investments in affiliates	(83)	--
	-----	-----
Net cash used in investing activities	(83)	(39)
	-----	-----
Cash Flows From Financing Activities		
Increase in commercial paper, net	1,748	--
Advance from member	70	--
Contributions from parent	--	66
Distributions to members	(1,670)	--
Post-closing adjustments to members	(75)	--
	-----	-----
Net cash provided by financing activities	73	66
	-----	-----
Net Increase in Cash and Cash Equivalents	1	151
Cash and Cash Equivalents at Beginning of Period	--	3
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 1	\$ 154
	=====	=====

</TABLE>

17

<PAGE>

PHILLIPS PETROLEUM COMPANY'S CHEMICALS BUSINESS
Combined Statement of Income
For the Six Month Period ended June 30, 2000
(Unaudited)

MILLIONS OF DOLLARS
REVENUES

Sales and other operating revenues	\$ 2,238
Equity in earnings of affiliated companies	33
Other revenues	17

Total Revenues	2,288

COSTS AND EXPENSES	
Purchased products	1,620
Operating expenses	313
Selling, general and administrative expenses	144
Depreciation and amortization	57
Taxes other than income taxes	20
Foreign currency transaction losses	1

Total Costs and Expenses	2,155

Income before income taxes	133
Provision for income taxes	49

NET INCOME	\$ 84
	=====

SEE NOTES TO COMBINED FINANCIAL STATEMENTS.

18

<PAGE>

PHILLIPS PETROLEUM COMPANY'S CHEMICALS BUSINESS
Combined Statement of Cash Flows
For the Six Month Period ended June 30, 2000
(Unaudited)

MILLIONS OF DOLLARS

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 84
Adjustments to reconcile net income to net cash provided by operating activities	
Non-working capital adjustments	
Depreciation and amortization	57
Deferred taxes	7
Other	(33)
Working capital adjustments	
Increase in accounts receivable	(36)
Increase in inventories	(28)
Decrease in prepaid expenses and other current assets	7
Increase in accounts payable	81
Decrease in taxes and other accruals	(7)

Net Cash Provided by Operating Activities	132

CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(41)
Advances to affiliated companies	(64)
Investment purchases	(24)
Proceeds from asset dispositions	1
Proceeds from property insurance	14

Net Cash Used for Investing Activities	(114)

CASH FLOWS FROM FINANCING ACTIVITIES	
Net cash change in parent company advances	(18)

Net Cash Used for Financing Activities	(18)

NET CHANGE IN CASH AND CASH EQUIVALENTS	--
Cash and cash equivalents at beginning of period	--

Cash and Cash Equivalents at End of Period	\$ --
	=====

SEE NOTES TO COMBINED FINANCIAL STATEMENTS.

19

<PAGE>

PHILLIPS PETROLEUM COMPANY'S CHEMICALS BUSINESS
Notes to Combined Financial Statements

NOTE 1 - BASIS OF FINANCIAL STATEMENTS AND INTERIM FINANCIAL INFORMATION

These financial statements represent Phillips Petroleum Company's (Phillips or the parent company) worldwide chemicals business and include certain natural gas liquids and pipeline operations (hereinafter collectively referred to as Chemicals). The financial statements are presented as if Chemicals had existed as an entity separate from Phillips during the period presented although Chemicals was not a separate legal entity during that period. References to Chemicals are to "Phillips Petroleum Company, with respect to its chemicals business."

On February 7, 2000, Phillips announced that it had signed a letter of intent to form a 50/50 joint venture with Chevron Corporation (Chevron), combining the two companies' worldwide chemicals businesses, excluding Chevron's Oronite additives business. Definitive agreements were signed on May 23, 2000, and the transaction closed July 1, 2000, forming Chevron Phillips Chemical Company LLC (CPCChem).

The financial information for the period presented in the financial statements included in this report is unaudited and includes all known accruals and adjustments which Chemicals considered necessary for a fair presentation of its combined results of operations and cash flows for such period. All such adjustments are of a normal and recurring nature.

NOTE 2 - COMPREHENSIVE INCOME

Chemicals' comprehensive income follows:

MILLIONS OF DOLLARS	SIX MONTHS ENDED JUNE 30, 2000
-----	-----
Net income	\$ 84
Foreign currency translation adjustments	(5)

Comprehensive income	\$ 79
	=====

NOTE 3 - SWEENEY OLEFINS LIMITED PARTNERSHIP

On June 30, 2000, Sweeny Olefins Limited Partnership (SOLP) made a distribution to its partners that brought the total distribution to the other unrelated general partner to a target-specified after-tax internal rate of return on its investment. The partnership agreement states that once this general partner achieves the specified internal rate of return, its 49.49 percent general partnership interest is withdrawn in the subsequent month with no additional cash distribution required. Also, the remaining .51 percent limited partner investment interest converts to 1 percent following the withdrawal of the unrelated general partner. Accordingly, the other general partner withdrew from SOLP effective July 1, 2000, and its general partnership interest reverted to CPChem, giving CPChem a majority interest in SOLP. Also in July 2000, CPChem purchased, subject to the receipt of necessary approvals or clearances and the execution of required documentation, the combined remaining 1 percent limited partnership interests.

20

<PAGE>

PHILLIPS PETROLEUM COMPANY'S CHEMICALS BUSINESS
Notes to Combined Financial Statements
(continued)

SOLP was accounted for using the equity method and was a significant investment as defined by applicable U.S. Securities and Exchange Commission regulations. Summarized financial information for SOLP follows:

MILLIONS OF DOLLARS	SIX MONTHS ENDED JUNE 30, 2000
-----	-----
Revenues	\$ 380
Income before income taxes	67
Net income	67

NOTE 4 - CONTINGENCIES

In the case of all known contingencies, Chemicals accrued an undiscounted liability when a loss was probable and the amount was reasonably estimable. These liabilities were not reduced for potential insurance recoveries. If applicable, undiscounted receivables were accrued for probable insurance or other third-party recoveries. Based on available information at that time,

Chemicals believed that it was remote that future costs related to known contingent liability exposures would exceed current accruals by an amount that would have a material adverse impact on Chemicals' financial statements.

As facts concerning contingencies became known, Chemicals reassessed its position both with respect to accrued liabilities and other potential exposures. Estimates that were particularly sensitive to future change included contingent liabilities recorded for environmental remediation and legal matters.

Estimated future environmental remediation costs were subject to change due to such factors as the unknown magnitude of cleanup costs, the unknown time and extent of such remedial actions that might be required, and the determination of Chemicals' liability in proportion to other responsible parties. Estimated future costs related to legal matters were subject to change as events evolved, and as additional information became available during the administrative and litigation process.

ENVIRONMENTAL - Chemicals was subject to federal, state and local environmental laws and regulations, which may have resulted in obligations to remove or mitigate the effects on the environment of the placement, storage, disposal or release of certain chemical, mineral and petroleum substances at various sites.

OTHER LEGAL PROCEEDINGS - Chemicals was a party to a number of other legal proceedings pending in various courts or agencies for which, in some instances, no provision had been made.

21

<PAGE>

PHILLIPS PETROLEUM COMPANY'S CHEMICALS BUSINESS
Notes to Combined Financial Statements
(continued)

NOTE 5 - SEGMENT DISCLOSURES

<TABLE>

<CAPTION>

MILLIONS OF DOLLARS	OPERATING SEGMENTS		
	OLEFINS & POLYOLEFINS	SPECIALTY CHEMICALS & PLASTICS	ARC
SIX MONTHS ENDED JUNE 30, 2000			
<S>	<C>	<C>	
Sales and Other Operating Revenues			
External customers *	\$ 1,600	292	
	=====	=====	==
Net income (loss)	\$ 79	22	
	=====	=====	==

</TABLE>

*INCLUDES SALES TO PARENT COMPANY'S NON-CHEMICALS BUSINESSES.

22

<PAGE>

CHEVRON CHEMICAL COMPANY C CHEM BUSINESS
 Combined Statement of Income
 For the Six Month Period ended June 30, 2000
 (in millions of dollars)
 (Unaudited)

REVENUE	
Sales and other operating revenues	\$ 1,834
Other income	2

Total revenue and other income	1,836

COSTS AND OTHER DEDUCTIONS	
Purchased crude oil and products	1,130
Operating expenses	387
Selling, general and administrative expenses	97
Depreciation and amortization	54
Taxes other than income	18

Total costs and other deductions	1,686

Income before income tax expense	150
Income tax expense	54

Net income	\$ 96
	=====

The accompanying notes are an integral part of these financial statements.

23

<PAGE>

CHEVRON CHEMICAL COMPANY C CHEM BUSINESS
 Combined Statement of Cash Flows
 For the Six Month Period ended June 30, 2000
 (in millions of dollars)
 (Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 96
Add (deduct) adjustments to net income	
Depreciation and amortization	54
Deferred income taxes	35
Changes in working capital:	
Accounts receivable	(75)
Inventories	(7)
Prepaid expenses and other current assets	1
Accounts payable	85
Accrued liabilities	(11)
Deferred income and other taxes payable	(12)

Net cash provided by operating activities	166

CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(81)

Net cash used in investing activities	(81)

CASH FLOWS FROM FINANCING ACTIVITIES	
Net transfers to owner	(66)

Net cash used in financing activities	(66)

Net change in cash	19
Cash on December 31, 1999	13

Cash on June 30, 2000	\$ 32
	=====

The accompanying notes are an integral part of these financial statements.

24

<PAGE>

CHEVRON CHEMICAL COMPANY C CHEM BUSINESS
Notes to Combined Financial Statements
(in millions of dollars)

1. OVERVIEW AND BASIS OF PRESENTATION

On May 23, 2000, Chevron Corporation (Chevron), and Phillips Petroleum Company (Phillips) signed a Contribution Agreement to form a joint venture, Chevron Phillips Chemical Company LLC (the Venture), to combine certain chemical operations of Chevron and Phillips effective July 1, 2000.

These financial statements include the operating results and cash flows of the businesses of Chevron (the Business) that were contributed to the joint venture. The results of operations include revenues and costs directly attributable to the Business, including costs for certain functions and services performed by centralized Chevron organizations and charged to the Business. Also included are allocations of certain Chevron corporate expenses in such areas as legal, accounting, employee benefits, real estate, insurance, information technology, treasury and other corporate and infra-structure costs. The expense allocations were determined on bases that the Business considered to be a reasonable reflection of the utilization of services provided or the benefit received by the Business. Principle allocation methods included proportionate allocation on the basis of assets, usage, revenues and employees. However, the financial information included herein may not reflect the operating results and cash flows of the Business in the future or what would have resulted if the Business had operated as a separate, stand-alone entity during the period presented.

The accompanying combined financial statements of Chevron Chemical Company C Chem Business have not been audited by independent accountants. In the opinion of the Business' management, the interim data included all

adjustments necessary for a fair statement of the results for the period. These adjustments were of a normal recurring nature.

Certain notes and other information have been condensed or omitted from these financial statements, therefore, these financial statements should be read in conjunction with the Chevron Chemical Company C Chem Business financial statements as of June 30, 2000 and for the six month period then ended that are included in Chevron Phillips Chemical Company LLC's Securities and Exchange Commission Form S-4, as amended, dated May 10, 2001.

2. ENVIRONMENTAL LIABILITIES

Environmental expenditures that related to current ongoing operations or to conditions caused by past operations were expensed. Expenditures that created future benefits or contributed to future revenue generation were capitalized.

Liabilities related to future remediation costs were recorded when environmental assessments and/or cleanups were probable and the costs could be reasonably estimated. Other than for assessments, the timing and magnitude of these accruals were generally based on the Business' commitment to a formal plan of action, such as an approved remediation plan or the sale or disposal of an asset.

The Business recorded the gross amount of its liability based on its best estimate of future costs using available technology at that time and applying regulations in effect at that time as well as the Business' own internal environmental policies. Future amounts were not discounted. Recoveries or reimbursements were recorded as an asset when receipt was reasonably ensured.

3. SEGMENT DATA

The Business' primary country of operation was the United States. The Business operated in one segment, the manufacture and marketing of commodity petrochemicals and plastics.

25

<PAGE>

CHEVRON CHEMICAL COMPANY C CHEM BUSINESS Notes to Combined Financial Statements (continued) (in millions of dollars)

4. EQUITY INVESTMENT DATA

The Business owned a 50% interest in a joint venture, Saudi Chevron Petrochemical Company (SCPC), which began operations in late 1999.

Summarized financial information of SCPC is presented below. The Business' 50% share of the net loss of SCPC is included in operating expenses.

	SIX MONTHS ENDED JUNE 30, 2000

Net revenues	\$ 93
Net loss	5

	JUNE 30, 2000

Current assets	\$ 70

Non current assets	616
Current liabilities	75
Non current liabilities	453

5. INVENTORIES

The Business reduced certain inventory quantities which were valued at lower LIFO costs prevailing in prior periods. The effect of this reduction was to increase net income by approximately \$6 million for the six month period ended June 30, 2000.

6. EMPLOYEE TERMINATION BENEFITS

The Business recorded before-tax charges to income of \$8 million in 1999 for employee termination benefits as part of a Chevron corporatewide staff reduction program. The charge included severance and other termination benefits of \$14 million for 200 US-based employees. These charges were offset partly by \$6 million of restructuring-related net pension settlement/curtailment gains for payments made to terminated employees. All amounts were paid by June 30, 2000.

7. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Business was subject to various laws and regulations. In the opinion of management, compliance with laws and regulations existing at that time would not materially affect the financial position or results of operations of the Business. There were certain pending legal actions which arose in the ordinary course of business with respect to the assets and operations of the Business. Management believed that the ultimate disposition of these actions, either individually or in the aggregate, would not have a material, adverse effect on the financial position, cash flows or results of operations of the Business.

The Business was also subject to various environmental laws and regulations and incurred costs for preventive and corrective actions at facilities and waste disposal sites. Those environmental costs of operations and remediation activities were accrued on a basis consistent with accounting for contingencies as stipulated in FAS 5. The Business may have been obligated to take remedial action as a result of the enactment of laws or the issuance of new regulations or to correct the effects on the environment of disposal practices or release of chemical substances. Expensed environmental costs and related accruals at June 30, 2000 were not significant.

26

<PAGE>

CHEVRON PHILLIPS CHEMICAL COMPANY LLC

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with the financial statements and notes of CPChem, Phillips Petroleum Company's Chemicals Business and Chevron Chemical Company C Chem Business which precede this discussion, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in CPChem's SEC Form S-4, as amended, dated May 10, 2001.

OVERVIEW

CPChem was formed July 1, 2000. As such, the following discussion focuses on

CPChem's results of operations for the quarter ended September 30, 2001 compared with the same period in 2000. A similar discussion of the nine month period ended September 30, 2001 compared to the July 1, 2000 (inception) through September 30, 2000 period is generally not relevant due to the different durations of the respective periods. However, readers are encouraged to review the results of operations of Phillips Petroleum Company's Chemicals Business and Chevron Chemical Company C Chem Business (the businesses contributed to form CPChem) as presented in Part I, Item 1 - Financial Statements for indications of conditions that existed in the chemical industry during the first six months of 2000. The results of these contributed businesses presented, when combined, are not intended to and do not represent pro forma results of CPChem, nor do the results necessarily reflect results that would have been achieved had the contributed businesses been combined for the periods presented.

RESULTS OF OPERATIONS

The continued slowing of the U.S. economy that began in the second half of 2000 has resulted in reduced demand and excess capacity in the chemicals industry, negatively impacting margins and volumes. CPChem's net loss for the third quarter of 2001 was \$167 million compared with net income of \$47 million for the same period in 2000. The third quarter 2001 net loss included a \$42 million asset impairment charge and a \$44 million charge for an increase in the valuation allowance for deferred tax assets.

Selected data of CPChem follows:

<TABLE>

<CAPTION>

CONSOLIDATED MILLIONS	Three months ended September 30,		Nine Sep
	2001	2000	
<S>	<C>	<C>	
Income (loss) before interest & taxes	\$ (101)	\$ 66	
Less special items	(50) *	(15)	
Income (loss) before interest & taxes, as adjusted	\$ (51)	\$ 81	
	=====	=====	

</TABLE>

* Excludes a \$44 million charge for an increase in the valuation allowance for deferred tax assets.

Loss before interest and taxes for the third quarter of 2001 was \$101 million compared with income before interest and taxes of \$66 million during the same period in 2000. These results included net non-recurring charges, also referred to as "special items," totaling \$50 million in the 2001 quarter and \$15 million in the 2000 quarter. Special items in the 2001 period consisted primarily of a \$42 million asset impairment charge.

<PAGE>

<TABLE>

<CAPTION>

OLEFINS AND POLYOLEFINS	Three months ended September 30,		N S

MILLIONS	2001	2000
<S>	<C>	<C>
Income (loss) before interest & taxes	\$ (32)	\$ 76
Less special items	--	(7)
Income (loss) before interest & taxes, as adjusted	\$ (32)	\$ 83
	=====	=====

</TABLE>

Excluding special items, loss before interest and taxes for Olefins and Polyolefins totaled \$32 million for the three months ended September 30, 2001 compared with income before interest and taxes of \$83 million for the same period in 2000. Ethylene earnings decreased in the 2001 period as a result of lower sales prices and volumes, partially offset by lower feedstock and energy prices. Due to market conditions, production rates were reduced for inventory control. Polyethylene profit margins increased in the 2001 period due to lower ethylene transfer prices and lower fuel costs. Partially offsetting this benefit were lower polyethylene sales prices and volumes.

<TABLE>

<CAPTION>

AROMATICS	Three months ended September 30,	
MILLIONS	2001	2000
<S>	<C>	<C>
Loss before interest & taxes	\$ (73)	\$ (9)
Less special items	(42)	(1)
Loss before interest & taxes, as adjusted	\$ (28)	\$ (8)
	=====	=====

</TABLE>

Aromatics' loss before interest and taxes for the quarter, excluding special items, was \$28 million in 2001 compared with an \$8 million loss in 2000. Special items recorded in the 2001 quarter represented a \$42 million asset impairment charge related to the Puerto Rico Core facility. Discounted cash flows were used to determine the fair value of the facility. Significantly lower sales prices for styrene in the 2001 period, partially offset by lower feedstock and fuel prices, resulted in reduced margins. Styrene production was lower primarily due to a column fire at the St. James facility in February 2001. Production capacity at St. James was fully restored in October 2001.

In an effort to improve financial performance, production of gasoline at the Puerto Rico Core facility ceased in March 2001 and the motor fuels reformer was permanently shut down. As a result of this and other actions taken, approximately 45 positions at the facility were permanently eliminated. In addition, the other production units at the facility were temporarily shut down for economic reasons and plant modifications.

28

<PAGE>

<TABLE>

<CAPTION>

SPECIALTY CHEMICALS AND PLASTICS	Three months ended
----------------------------------	--------------------

MILLIONS	September 30, 2001	2000	\$
<S>	<C>	<C>	
Income before interest & taxes	\$ 6	\$ 13	
Less special items	(8)	(1)	
	----	----	
Income before interest & taxes, as adjusted	\$ 14	\$ 14	
	=====	=====	

</TABLE>

Excluding special items, income before interest and taxes for Specialty Chemicals and Plastics was \$14 million for each of the third quarters of 2001 and 2000. Earnings from normal alpha olefins were up in the 2001 quarter as a result of higher production and sales volumes, and lower feedstock and fuel costs, partially offset by lower sales prices. Lower earnings from K-Resin(R) and polystyrene offset the higher earnings from normal alpha olefins.

Special items for the nine months ended September 30, 2001 consisted primarily of a \$118 million benefit, recorded in the second quarter of 2001 as Other Income, in connection with the settlement of a business interruption insurance claim associated with the March 2000 incident at CPChem's (formerly Phillips') Houston Chemical Complex K-Resin(R) styrene-butadiene copolymer plant. The K-Resin(R) facility at the Houston Chemical Complex remains shut down. It is currently expected that the plant will begin a phased-in start-up in the fourth quarter of 2001. Production levels necessary to remove the product line from force majeure should be reached by the end of the second quarter of 2002.

<TABLE>

<CAPTION>

CORPORATE AND OTHER	Three months ended September 30, 2001	2000	Nine en Septe 2
MILLIONS			
<S>	<C>	<C>	<C>
Loss before interest & taxes	\$ (5)	\$ (14)	\$
Less special items	--	(6)	--
	----	-----	----
Loss before interest & taxes, as adjusted	\$ (5)	\$ (8)	\$
	=====	=====	==

</TABLE>

INTEREST EXPENSE. Interest expense was \$23 million for the three month period in 2001 compared to \$32 million for the same period in 2000. The \$9 million decrease resulted from lower average rates on outstanding variable-rate debt, primarily the commercial paper program.

INCOME TAXES. CPChem recorded income tax expense totaling \$45 million for the three months ended September 30, 2001 compared with a \$9 million income tax benefit recorded for the same period in 2000. Income tax expense in 2001 consisted primarily of a \$44 million increase in the valuation allowance related to Puerto Rico Core deferred tax assets. The increase in the valuation allowance was necessitated, in part, by the Phillips merger with Tosco Corporation in September 2001, which triggered regulatory limitations on the utilization of pre-merger Puerto Rico Core net operating losses. The valuation allowance was also increased as a result of a change in the outlook for future margin conditions. Deferred tax assets related to the Puerto Rico Core facility are now fully offset by valuation allowances.

<PAGE>

OUTLOOK

The overall decline in the chemicals industry that began in the second half of 2000 and the weakened U.S. economy have continued to negatively impact CPChem in 2001, resulting in excess capacity, reduced product demand and lower margins in most business lines. In addition, a strong dollar, which negatively affects exports, along with the higher-than-anticipated fuel and feedstock costs that were experienced throughout the first half of the year, also made conditions difficult. CPChem expects existing conditions to continue to be a challenge for the near term.

For its existing operations, CPChem expects to achieve in excess of \$200 million of net recurring merger synergies and cost savings in 2001, surpassing the previous estimate of \$150 million announced when CPChem was formed. Through the first nine months of 2001, CPChem is on pace to exceed the \$200 million synergy target.

LIQUIDITY AND CAPITAL RESOURCES

Cash balances declined \$55 million during the first nine months of 2001 as capital expenditures and net debt repayments, along with net member distributions and post-closing adjustments, exceeded cash provided by operating activities.

Operating Activities

Cash provided by operating activities, including net proceeds received from the business interruption insurance claim settlement, totaled \$220 million during the first nine months of 2001. Lower inventory and accounts receivable balances and higher other current liabilities were partially offset by reductions in accounts payable.

Investing Activities

Capital expenditures totaled \$200 million for the nine month period ended September 30, 2001. Approximately \$84 million was invested in Olefins and Polyolefins, \$49 million in Aromatics, \$52 million in Specialty Chemicals and Plastics, and the remaining \$15 million in corporate-level expenditures. CPChem currently expects to invest a total of approximately \$300 million for capital projects in 2001. In addition, CPChem expects to advance Qatar Chemical Company Ltd. (Q-Chem), a CPChem equity investment, approximately \$10 million in the fourth quarter of 2001 and approximately \$365 million in 2002 for the construction of the Qatar complex.

CPChem has announced several strategic initiatives in 2001. CPChem began a modernization of its styrene monomer plant in St. James, Louisiana, which will increase plant capacity by approximately 22% when completed in the summer of 2002. Also under way is the construction of a 700 million-pound-per-year, high-density polyethylene plant at the Cedar Bayou facility in Baytown, Texas, scheduled for start-up in the fourth quarter of 2002. CPChem and Solvay Polymers, Inc. will each own 50% of the plant. In addition, on July 24, 2001, a CPChem subsidiary and Qatar Petroleum of Qatar signed a joint venture agreement for the development of a second world-scale petrochemical project in the State of Qatar, scheduled for completion in 2006. On October 5, 2001, CPChem, Qatar Petroleum and other companies signed a further memorandum of understanding under which Atofina SA, a subsidiary of TotalFinaElf, will become an equity participant in the ethylene cracker portion of the project.

<PAGE>

Financing Activities

On February 14, 2001, CPChem borrowed an additional \$50 million from Chevron. The outstanding notes payable to Chevron, totaling \$100 million, were repaid on March 19, 2001 with proceeds from the issuance of the private placement notes described below, and the credit agreement with Chevron was terminated.

On March 19, 2001, Chevron Phillips Chemical Company LLC and Chevron Phillips Chemical Company LP jointly and severally issued \$500 million of senior unsecured 7% notes in a private placement. Proceeds from this debt issuance were used to repay the notes payable to Chevron, to retire a portion of outstanding commercial paper obligations and for general corporate purposes.

In May 2001, CPChem entered into a 364-day, trade receivables securitization agreement that allows CPChem to borrow up to \$300 million. Proceeds from the initial borrowing were used to reduce outstanding commercial paper obligations. At September 30, 2001, \$220 million of borrowings, classified as short-term, were outstanding under the agreement.

CPChem's \$900 million 364-day revolving credit agreement expired on July 2, 2001 and was replaced by a \$700 million 364-day credit agreement, with substantially the same terms as the expired agreement.

See Note 7 of Notes to Condensed Consolidated Financial Statements for further discussions related to the aforementioned debt issuance and trade receivables securitization and revolving credit agreements.

In accordance with the agreements under which CPChem received a cash advance from Phillips in 2000 related to the K-Resin(R) plant, \$29 million of the advance was classified as capital contributions during the first nine months of 2001. The remaining advance payable totaled \$6 million at September 30, 2001.

OTHER

FOREIGN CURRENCY RISK. Internationally, CPChem operates facilities in six foreign countries and sells product in many other countries, resulting in transactions denominated in various currencies. As such, CPChem is exposed to foreign currency risk to the extent there are fluctuations in the exchange rates of local currencies in those countries against the U.S. dollar and other foreign currencies. The potential foreign currency transaction gain or loss from a hypothetical 10% change in the exchange rates of those local currencies against the U.S. dollar at December 31, 2000 was approximately \$6 million in the aggregate.

INTEREST RATE RISK. Included in long-term debt are commercial paper obligations. As CPChem's commercial paper obligations have maturities of 90 days or less and are generally reissued upon maturity, this debt is considered variable-rate based. A hypothetical 100 basis point change (a one percentage point change) in the weighted average interest rate for the \$1.784 billion of commercial paper obligations outstanding at December 31, 2000 would impact interest expense by approximately \$18 million annually.

CONTINGENCIES. See Note 8 of Notes to Condensed Consolidated Financial Statements for a discussion of contingencies.

NEW ACCOUNTING PRONOUNCEMENTS. See Note 2 of Notes to Condensed Consolidated Financial Statements for a discussion of new accounting pronouncements.

<PAGE>

CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING INFORMATION

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains "forward-looking statements" within the meaning of the federal securities laws. Such statements can generally be identified with words and phrases such as "believes," "expects," "anticipates," "should," "estimates," "foresees" or other words and phrases of similar import. Where CPChem expresses an expectation or belief as to future results, there can be no assurance that the expectation or belief will result, be achieved or be accomplished. Where any such forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, CPChem believes such assumptions or bases to be reasonable and to be made in good faith. Assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material, depending on the circumstances. The more significant factors that, if erroneous, could cause actual results to differ materially from those expressed include, among others: the timing and duration of periods of expansion and contraction within the chemicals business, plans for the construction, modernization or de-bottlenecking of domestic and foreign chemical plants, prices of feedstocks and products, force majeure events, accidents, labor relations, political risks, changes in foreign and domestic laws, rules and regulations and the interpretation and enforcement thereof, regulatory decisions relating to taxes, the environment and human resources, the U.S. economy, results of financing efforts and overall financial market conditions. All forward-looking statements in this Form 10-Q are qualified in their entirety by the cautionary statements contained in this section. CPChem does not undertake to update, revise or correct any of the forward-looking information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Management's Discussion and Analysis of Financial Condition and Results of Operations - "Other" for a discussion.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K - none

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHEVRON PHILLIPS CHEMICAL COMPANY LLC

Date: November 7, 2001

/s/ Greg G. Maxwell

 Greg G. Maxwell
 Vice President and Controller
 (Chief Accounting Officer)

</TEXT>
</DOCUMENT>

<DOCUMENT>
<TYPE>EX-3.1
<SEQUENCE>3
<FILENAME>y47109ex3-1.txt
<DESCRIPTION>CERTIFICATE OF FORMATION
<TEXT>

<PAGE> 1

Exhibit 3.1

CERTIFICATE OF FORMATION

OF

CHEVRON PHILLIPS CHEMICAL COMPANY LLC

The undersigned authorized person hereby certifies as follows:

1. The name of the limited liability company is Chevron Phillips
Chemical Company LLC.

2. The address of its registered office in the State of Delaware is
1013 Centre Road in the City of Wilmington, County of New Castle. The name of
its registered agent at such address is Corporation Services Company.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of
Formation on the 23rd day of May, 2000.

/s/ G.W. Lea

G.W. Lea
Authorized Person

</TEXT>
</DOCUMENT>