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Refining Chief Pledges To Rally ChevronTexaco

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As head of ChevronTexaco Corp.'s refining and marketing business, Patricia A. Woertz is responsible for an $80 billion business that includes 20 refineries producing 2.2 million barrels of petroleum products a day, 25,000 retail outlets and 26,000 employees. All of that adds up to a Texas-size problem, and it is up to Ms. Woertz to solve it.

Ms. Woertz took over the refining and marketing operation in October 2001, when Texaco Inc. merged with Chevron Corp., where she had been a corporate vice president and president of Chevron Products Co. In the first nine months of 2002, operating earnings from refining and marketing fell a staggering 92%, compared with the same period a year earlier.

"It's a difficult period for us," concedes Ms. Woertz, who is 49 years old and an accountant by training. But she vows to turn things around, boldly promising profit margins of 12% for U.S. refining and marketing, and 10% internationally.

With current returns about 5% at home and 8% abroad, analysts say that is a stretch. But Ms. Woertz says she can wring out $700 million in savings this year thanks to the merger.

The stakes are huge for ChevronTexaco and Ms. Woertz herself. If she succeeds, she could be a successor to Chief Executive Dave O'Reilly, 56. As it is, she is a hot corporate prospect. Last September, her name came up as a candidate for the job of chief executive at UAL Corp., a job ChevronTexaco Vice Chairman Glenn Tilton eventually took. "She exudes leadership," says one corporate headhunter. "She's dynamic without being flashy." Ms. Woertz herself says that she gets as many as three calls a week from search firms but that she has no plans to leave ChevronTexaco.

She has already identified more than $100 million in refining savings. For example, she has transferred Texaco's technology for refining inexpensive high-acid crude used at its plant in Wales to Chevron's refinery in Capetown, South Africa. The savings: $10 million.

Ms. Woertz is part old-fashioned cost cutter, part populist team builder. She relies on her experience as an auditor with Ernst & Young, her first job out of Pennsylvania State University, "to focus on what's bringing it home and what isn't," says Lance Gyorfi, retired vice president of...
refining and marketing.

Her success largely depends on the company's refinery workers, and she knows it. This was evident one morning last fall when she strode into the cafeteria at ChevronTexaco's El Segundo refinery in Southern California to address a room of mostly men dressed in blue coveralls. Working the room as if she were running for office, she pressed her platform: no injuries, no environmental accidents, no nonmaintenance shutdowns. Push the company's stock price up, she told the refinery workers, "then we can all retire a little early."

The gathering, which culminated in a barbecue lunch, included a PowerPoint presentation by Ms. Woertz similar to one she had previously delivered to Wall Street analysts. After fielding questions, she praised El Segundo's overall performance. "You are living examples of how you can do it all," she said. The workers cheered.

"They used to never listen to us guys in coveralls," says Tony Holmquist, the plant's head operator and a member of the Paper, Allied-Industrial, Chemical and Energy Workers International Union, which represents most of ChevronTexaco's West Coast refinery workers. Yet later that day, Ms. Woertz exhibited a testier side, for which she is also known, cutting off a colleague who fumbled with the details of a story about her husband's health. "I've got to go," Ms. Woertz said. (She says she didn't mean to be rude.)

Ms. Woertz began her career in the oil industry at Gulf Oil Co., but her breakthrough came as president of Chevron Canada Ltd., where she jump-started Chevron's tiny refining and marketing business. "She asked us to stretch for targets," says Mike Burnside, ChevronTexaco's manager for strategic planning, North America products, who served as chief financial officer under Ms. Woertz in Canada. "And she held us accountable."

Ms. Woertz is something of an anomaly in the male-dominated oil industry. She recalls the advice she got when she was starting out in the business. An industry veteran told her that having children would ruin her career. "Get yourself fixed," he said, "and expense it."

She went on to have three children, all now grown, while climbing ever higher up the corporate ladder. Today, she is the highest-ranking woman in the oil business.

Ms. Woertz allows that merger savings aren't going to be enough to turn around refining and marketing. She is already looking at the business's soft underbelly -- Asia -- where Chevron and Texaco for years participated in a lackluster joint venture known as Caltex. Ms. Woertz says the region's overcapacity has dragged down earnings. But stock-pooling restrictions currently prevent the company from selling assets in Asia. "Does it mean [eventually] selling refineries?" she asks. "Probably."

Even if Ms. Woertz succeeds with her current goals, that in itself won't cure all the company's ills. Since the merger, ChevronTexaco has suffered some spectacular setbacks, notably a $2 billion write-down associated with its stake in energy trader Dynegy Corp. For Ms. Woertz, the situation is not unlike a decade ago, when she managed to use the uncertainty surrounding Chevron's acquisition of Gulf to launch her career at Chevron. "Almost everyone around me chafed at what was happening," she recalls. "But what others saw as a threat, I saw as an opportunity."

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