

This announcement is neither an offer to buy nor a solicitation of an offer to sell Shares. The offer is made solely by the Offer to Purchase dated April 17, 1985, the related Letter of Transmittal and the Supplement to the Offer to Purchase dated April 24, 1985, and is not being made to, and tenders will not be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction.

## Important Notice To Shareholders Concerning A Supplement to The Offer to Purchase by

# UNOCAL 76

**Up to 87,200,000 Shares of Its Common Stock by Exchanging, Per Share,  
\$20 Principal Amount of Its 14% Senior Secured Notes Due 1990  
and  
\$32 Principal Amount of Its Floating Rate Senior Secured Notes Due 1991  
and  
\$20 Principal Amount of Its Senior Secured Extendible Notes Due 1997**

**THE PRORATION AND WITHDRAWAL DEADLINE REMAINS 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, APRIL 30, 1985. THE EXPIRATION DATE REMAINS 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, MAY 14, 1985, UNLESS THE COMPANY OFFER IS EXTENDED.**

On April 17, 1985, Unocal Corporation, a Delaware corporation (the "Company"), announced its offer to exchange, per share, the package of debt securities set forth above, with an aggregate principal amount of \$72 (collectively, the "Securities"), for up to 87,200,000 of its shares of Common Stock, par value \$1.00 per Share (the "Shares"), on the terms and conditions set forth in the Company's Offer to Purchase dated April 17, 1985 (the "Offer to Purchase") and the related Letter of Transmittal. The exchange offer, was made by the Company in response to the unsolicited tender offer for 64,000,000 Shares at \$54 per Share in cash (the "Mesa Offer") which was announced on April 8, 1985 by Mesa Partners II and its wholly-owned subsidiary Mesa Eastern, Inc. (collectively, "Mesa Bidders"). The exchange offer was conditioned on, among other things, acceptance for payment by the Mesa Bidders of 64,000,000 Shares pursuant to the Mesa Offer (the "Mesa Purchase Condition").

**BY ACTION OF ITS BOARD OF DIRECTORS, THE COMPANY HAS PARTIALLY WAIVED THE MESA PURCHASE CONDITION AND WILL NOW ACCEPT FOR EXCHANGE UP TO 50,000,000 PROPERLY TENDERED SHARES WHETHER OR NOT THE MESA PURCHASE CONDITION IS SATISFIED, SUBJECT TO THE REMAINING TERMS AND CONDITIONS SET FORTH IN THE OFFER TO PURCHASE, THE RELATED LETTER OF TRANSMITTAL AND A SUPPLEMENT, DATED APRIL 24, 1985 (THE "SUPPLEMENT"), TO THE OFFER TO PURCHASE (WHICH THREE DOCUMENTS NOW COLLECTIVELY CONSTITUTE THE "COMPANY OFFER").**

The Company's reason for the partial waiver of the Mesa Purchase Condition is to encourage shareholders to tender their Shares pursuant to the Company Offer by increasing the likelihood that a substantial portion of the Shares properly tendered to the Company will be accepted for exchange regardless of the outcome of the Mesa Offer.

**THE COMPANY'S BOARD OF DIRECTORS HAS REAFFIRMED ITS RECOMMENDATION THAT SHAREHOLDERS TENDER NONE OF THEIR SHARES PURSUANT TO THE MESA OFFER AND TENDER ALL OF THEIR SHARES TO THE COMPANY PURSUANT TO THE COMPANY OFFER.**

Without limiting its rights to amend the Company Offer and waive any of the conditions thereto in whole or in part, as set forth in the Offer to Purchase, the Company reserves the right to accept for exchange more than 87,200,000 Shares pursuant to the Company Offer, to increase the per Share consideration being offered pursuant to the Company Offer and/or to further waive the Mesa Purchase Condition, in whole or in part, as to the other 37,200,000 Shares for which the Company Offer is being made.

The Company reserves the right, at any time and from time to time, to extend the period of time during which the Company Offer is open by giving oral or written notice of such extension to the Exchange Agent.

As a result of the partial waiver of the Mesa Purchase Condition, the effect of the proration provisions contained in Section 1 of the Offer to Purchase is that, if fewer than all Shares properly tendered prior to the expiration date of the Company Offer are to be accepted for exchange pursuant to the Company Offer, the Company will accept Shares for exchange as follows: (a) subject to all conditions of the Company Offer other than the Mesa Purchase Condition, 50,000,000 Shares properly tendered prior to 12:00 Midnight, New York City time, on Tuesday, April 30, 1985 (the "Proration Date") will be accepted for exchange, on a pro rata basis if necessary; then (b) subject to all conditions of the Company Offer, including the Mesa Purchase Condition, (i) all other Shares properly tendered prior to the Proration Date, up to an aggregate of 87,200,000 Shares (including those accepted for exchange under clause (a) above), will be accepted for exchange, on a pro rata basis if necessary, and (ii) if all Shares properly tendered prior to the Proration Date are accepted for exchange and the aggregate number of such Shares is less than 87,200,000, Shares properly tendered after the Proration Date will be accepted for exchange in the order tendered up to 87,200,000.

As a result of the partial waiver of the Mesa Purchase Condition, the effect of the provisions contained in Section 4 of the Offer to Purchase with respect to the acceptance of Shares for exchange and the delivery of Securities in exchange for Shares is that, with respect to up to a maximum of 50,000,000 Shares properly tendered and not withdrawn, the Company will, upon the terms and subject to the conditions of the Company Offer other than the Mesa Purchase Condition, accept for exchange, and issue Securities in exchange for, such Shares as soon as practicable after the latest of (i) the Proration Date, (ii) the qualification, under the Trust Indenture Act of 1939, of the indenture pursuant to which the Securities are to be issued and (iii) as to any Shares not theretofore accepted for exchange, the expiration of any additional withdrawal period resulting from the making of a tender offer for Shares by another person as described in Section 3 of the Offer to Purchase.

The Supplement also contains information concerning the Board of Director's approval of detailed study and preparatory work for the creation of a master limited partnership to hold the oil and gas assets in the Company's Gulf Region.

#### PLEASE ALSO NOTE:

For the convenience of its shareholders, the Company has appointed Manufacturers Hanover Trust Company of California as Forwarding Agent in connection with the Company Offer. Shareholders may now tender Shares in Los Angeles by hand only at the following address:

**Forwarding Agent:  
Manufacturers Hanover Trust Company of California  
445 South Figueroa — 30th Floor  
Los Angeles, California**

In addition to tendering Shares by hand to the Forwarding Agent, Shares may be tendered in any other fashion described in the Offer to Purchase to Continental Illinois National Bank and Trust Company of Chicago as Exchange Agent.

Except as set forth in the Supplement, the Company Offer continues to be governed by the terms and conditions set forth in the Offer to Purchase and the related Letter of Transmittal, and the information contained in both of these documents continues to be important to each shareholder's decision with respect to the Company Offer. Accordingly, the Supplement should be carefully read, in conjunction with these documents. Copies of the Supplement are being mailed to shareholders of the Company and also may be obtained (together with the Offer to Purchase and the related Letter of Transmittal), at the expense of the Company, from the Information Agent, the Exchange Agent or the Forwarding Agent at any of the addresses set forth below.

**If you have any questions or need further assistance in connection with this Offer, please call  
Unocal Toll-Free at 1-800-252-2233, Los Angeles, or call collect (212) 582-2520, New York;**

#### The Exchange Agent:

**CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO**

##### By Mail or By Hand:

Continental Illinois National Bank  
and Trust Company of Chicago  
Corporate Depository Operations  
(30-16)  
30 North LaSalle Street  
Chicago, Illinois 60693

##### By Facsimile:

(312) 828-3820

##### By Telex:

25-3412

##### For Information:

(312) 828-5110  
(Call Collect)

#### The Forwarding Agent:

##### By Hand in Los Angeles:

Manufacturers Hanover Trust Company of California  
445 South Figueroa — 30th Floor  
Los Angeles, California

#### The Information Agent:

**D. F. King & Co., Inc.**

60 Broad Street  
New York, NY 10004  
(212) 269-5350  
(Call Collect)

9841 Airport Blvd.  
Los Angeles, CA 90045  
(213) 215-3860  
(Call Collect)

One North LaSalle Street  
Chicago, IL 60602  
(312) 236-5881  
(Call Collect)

400 Montgomery Street  
San Francisco, CA 94104  
(415) 774-1119  
(Call Collect)

**SUPPLEMENT DATED APRIL 24, 1985**

to

**Offer to Purchase**

by

**UNOCAL** 

**Up to 87,200,000 Shares of Its Common Stock**

**By Exchanging, Per Share,**

**\$20 Principal Amount of Its**

**14% Senior Secured Notes Due 1990**

**and**

**\$32 Principal Amount of Its Floating Rate**

**Senior Secured Notes Due 1991**

**and**

**\$20 Principal Amount of Its Senior Secured**

**Extendible Notes Due 1997**

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On April 17, 1985, Unocal Corporation, a Delaware corporation (the "Company"), announced its offer to exchange, per share, the package of debt securities set forth above, with an aggregate principal amount of \$72, for up to 87,200,000 shares of its Common Stock, par value \$1.00 per share (the "Shares"), on the terms and conditions set forth in the Company's Offer to Purchase dated April 17, 1985 (the "Offer to Purchase") and the related Letter of Transmittal. The exchange offer was conditioned (the "Mesa Purchase Condition") on, among other things, acceptance for payment by Mesa Partners II and Mesa Eastern, Inc. of 64,000,000 Shares pursuant to their unsolicited partial cash tender offer, announced on April 8, 1985, for 64,000,000 Shares at \$54 per Share. By action of its Board of Directors, the Company has partially waived the Mesa Purchase Condition and will now accept for exchange up to 50,000,000 properly tendered Shares whether or not the Mesa Purchase Condition is satisfied, subject to the remaining terms and conditions set forth in the Offer to Purchase, the Letter of Transmittal and this Supplement (which three documents now collectively constitute the "Company Offer"). The Company reserves the right to further waive the Mesa Purchase Condition, in whole or in part, as to the other 37,200,000 Shares for which the Company Offer is being made.

**THIS SUPPLEMENT CONTAINS IMPORTANT INFORMATION. SHAREHOLDERS ARE URGED TO REVIEW IT CAREFULLY.**

**THE COMPANY'S BOARD OF DIRECTORS HAS REAFFIRMED ITS RECOMMENDATION THAT SHAREHOLDERS TENDER NONE OF THEIR SHARES PURSUANT TO THE MESA OFFER AND TENDER ALL OF THEIR SHARES TO THE COMPANY PURSUANT TO THE COMPANY OFFER.**

**NEITHER THIS TRANSACTION NOR THESE SECURITIES HAVE BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION. THE COMMISSION HAS NOT PASSED UPON THE FAIRNESS OR MERITS OF SUCH TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.**

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For the convenience of shareholders who wish to tender their Shares pursuant to the Company Offer by hand delivery in Los Angeles, the Company has appointed a forwarding agent to receive hand deliveries of Letters of Transmittal, Notices of Guaranteed Delivery, certificates for Shares and other required documents. See "APPOINTMENT OF FORWARDING AGENT FOR THE COMPANY OFFER."

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*Except as set forth in this Supplement, the Company Offer continues to be governed by the terms and conditions set forth in the Offer to Purchase and the Letter of Transmittal, and the information contained in both of those documents continues to be important to each shareholder's decision with respect to the Company Offer. Accordingly, this Supplement should be carefully read in conjunction with the Offer to Purchase and the Letter of Transmittal. Both the Offer to Purchase and the Letter of Transmittal have previously been mailed to shareholders and additional copies are available from the Information Agent, the Exchange Agent and the Forwarding Agent, whose respective addresses are set forth on the back cover of this Supplement.*

*Shareholders who have previously properly tendered their Shares pursuant to the Company Offer should take no further action if they wish their Shares to remain so tendered. Shareholders who wish to tender their Shares may use any of the procedures set forth in the Offer to Purchase, including tender by use of the Letter of Transmittal and Notice of Guaranteed Delivery previously distributed (or a facsimile thereof).*

TO THE HOLDERS OF COMMON STOCK  
OF UNCCAL CORPORATION:

## INTRODUCTION

This Supplement contains important information concerning the offer made by Unccal Corporation, a Delaware corporation (the "Company"), on April 17, 1985, to purchase up to 37,200,000 shares of its Common Stock, par value \$1.00 per share (the "Shares"), by exchanging, per Share, a package of its debt securities with an aggregate principal amount of \$72 (collectively, the "Securities") consisting of (i) \$20 principal amount of 14% Senior Secured Notes Due 1990, (ii) \$32 principal amount of Floating Rate Senior Secured Notes Due 1991 and (iii) \$20 principal amount of Senior Secured Extendible Notes Due 1997. The exchange offer was made by the Company in response to the unsolicited partial cash tender offer for 64,000,000 Shares at \$54 per Share (the "Mesa Offer") which was announced on April 8, 1985 by Mesa Partners II ("Mesa Partnership") and its wholly-owned subsidiary, Mesa Eastern, Inc. ("Mesa Sub") and, collectively with Mesa Partnership, "Mesa Bidders").

The Company's exchange offer was conditioned on, among other things, acceptance for payment by Mesa Bidders of 64,000,000 Shares pursuant to the Mesa Offer (the "Mesa Purchase Condition"). By action of its Board of Directors, the Company has partially waived the Mesa Purchase Condition and will now accept for exchange up to 30,000,000 Shares whether or not the Mesa Purchase Condition is satisfied, subject to the remaining terms and conditions set forth in the Company's Offer to Purchase dated April 17, 1985 (the "Offer to Purchase") and the related Letter of Transmittal. The Offer to Purchase, the Letter of Transmittal and this Supplement now collectively constitute the "Company Offer".

As described under "CERTAIN RECENT DEVELOPMENTS," on April 23, 1985, subsequent to the Company's announcement of its partial waiver of the Mesa Purchase Condition, it was reported that the President of Mesa Petroleum Co. ("Mesa Petroleum") had, among other things, recommended that shareholders of the Company accept the Company Offer and also vote to adjourn the annual meeting of the Company's shareholders scheduled to be held on April 29, 1985 (the "Shareholders' Meeting"), and that Mesa Partnership had not decided whether it would tender its Shares pursuant to the Company Offer if permitted to do so as a result of its court challenge of the provision of the Company Offer whereby the Company will not accept for exchange any Shares tendered by or on behalf of (among others) Mesa Petroleum or Mesa Bidders.

Without limiting its rights to amend the Company Offer and waive any of the conditions thereto in whole or part, as set forth in the Offer to Purchase, the Company reserves the right to accept for exchange more than 37,200,000 Shares pursuant to the Company Offer, to increase the per Share consideration being offered pursuant to the Company Offer and/or to further waive the Mesa Purchase Condition, in whole or in part, as to the other 37,200,000 Shares for which the Company Offer is being made.

As a result of the partial waiver of the Mesa Purchase Condition, 30,000,000 Shares properly tendered prior to 12:00 Midnight, New York City time, on April 30, 1985 (the "Proration Date") will be accepted for exchange, on a pro rata basis if necessary, regardless of whether or not the Mesa Purchase Condition is satisfied, subject to the remaining terms and conditions of the Company Offer. For further discussion of the effect of such partial waiver on the proration provisions of the Company Offer, see "PARTIAL WAIVER OF MESA PURCHASE CONDITION—Effect of Partial Waiver on Proration."

This Supplement also contains information concerning the Board of Directors' approval of detailed study and preparatory work for the creation of a master limited partnership to hold the oil and gas assets in the Company's Gulf Region.

## PARTIAL WAIVER OF MESA PURCHASE CONDITION

### Purpose of Partial Waiver

The Mesa Purchase Condition (the full terms of which are set forth in Section 5 on pages 40-41 of the Offer to Purchase) provides that it is a condition to the obligation of the Company to accept any Shares for

exchange pursuant to the Company Offer that 64,000,000 Shares shall have first been accepted for payment pursuant to the Mesa Offer. By action of its Board of Directors, the Company has partially waived the Mesa Purchase Condition and will now accept for exchange up to 50,000,000 properly tendered Shares whether or not the Mesa Purchase Condition is satisfied, subject to the remaining terms and conditions set forth in the Offer to Purchase. However, as to the remaining 37,200,000 Shares covered by the Company Offer, the Mesa Purchase Condition remains in effect. The Company's reason for the partial waiver is to encourage shareholders to tender their Shares pursuant to the Company Offer by increasing the likelihood that a substantial portion of the Shares properly tendered to the Company will be accepted for exchange regardless of the outcome of the Mesa Offer.

#### **Recommendation of the Board of Directors**

At a meeting of the Board of Directors of the Company held on April 22, 1985, the Board, with the assistance of the Company's financial and legal advisors, reviewed the status of the Mesa Offer and the Company Offer, and took account of developments that had occurred since the Board's unanimous authorization of the Company Offer on April 15, 1985.

The Board concluded that nothing had occurred since its prior meeting to change its conclusions reached thereat (as set forth under "SPECIAL FACTS—Recommendations of the Board of Directors: Fairness of the Company Offer" on pages 8-9 of the Offer to Purchase). By the unanimous vote of all thirteen directors participating, the Board reaffirmed its recommendation that shareholders tender none of their Shares pursuant to the Mesa Offer and tender all of their Shares to the Company pursuant to the Company Offer. The Board, for the reason stated in "Purpose of Partial Waiver," also authorized the Company to waive the Mesa Purchase Condition as to a maximum of 50,000,000 Shares properly tendered pursuant to the Company Offer.

All of the directors participated in the April 22, 1985 Board meeting, except Mr. Tatum, who was out of the country.

#### **Effect of Partial Waiver on Proration**

As a result of the partial waiver of the Mesa Purchase Condition, the effect of the proration provisions of the Company Offer set forth in Section 1 on pages 35-36 of the Offer to Purchase is that, if fewer than all Shares properly tendered prior to the Expiration Date (as defined in said Section 1 on page 35 of the Offer to Purchase) are to be accepted for exchange pursuant to the Company Offer, the Company will accept Shares for exchange as follows: (a) subject to all conditions of the Company Offer *other than* the Mesa Purchase Condition, 50,000,000 Shares properly tendered prior to the Proration Date will be accepted for exchange, on a pro rata basis if necessary; then (b) subject to all the conditions of the Company Offer, *including* the Mesa Purchase Condition, (i) all other Shares properly tendered prior to the Proration Date, up to an aggregate of 37,200,000 Shares (including those Shares accepted for exchange under clause (a) above), will be accepted for exchange, on a pro rata basis if necessary, and (ii) if all Shares properly tendered prior to the Proration Date are accepted for exchange and the aggregate number of such Shares is less than 37,200,000, Shares properly tendered after the Proration Date will be accepted for exchange in the order tendered, up to 37,200,000 Shares.

As described under "CERTAIN RECENT DEVELOPMENTS," in an action in the Delaware Chancery Court Mesa Bidders are challenging the Company Offer on the basis of, among other things, the provision of the Company Offer which states that the Company will not accept Mesa Shares (as defined in the Offer to Purchase) for exchange, and the Company has reason to believe that Mesa Bidders may also challenge such provision under federal law in the pending litigation in federal district court. The Company's right to amend the terms of the Company Offer includes, without limitation, its right to extend the Company Offer to all or a portion of the Mesa Shares if they are properly and timely tendered pursuant thereto. If, as a result of a court order in such Delaware action or otherwise, the Company were to so extend the Company Offer, the acceptance for exchange of Mesa Shares could—depending upon the number of Mesa Shares and other Shares properly tendered by the Proration Date and thereafter—significantly reduce the number of other Shares accepted for exchange by reason of the proration provisions of the Company Offer.

### **Effect of Partial Waiver on the Time of Acceptance of Shares for Exchange**

As a result of the partial waiver of the Mesa Purchase Condition, the effect of the provisions contained in Section 4 on pages 38-40 of the Offer to Purchase with respect to the acceptance of Shares for exchange and the delivery of Securities in exchange for Shares is that, with respect to up to a maximum of 30,000,000 Shares properly tendered and not withdrawn, the Company will, upon the terms and subject to the conditions of the Company Offer *either than the Mesa Purchase Condition*, accept for exchange, and issue Securities in exchange for, such Shares as soon as practicable after the latest of (i) the Proration Date, (ii) the qualification, under the Trust Indenture Act of 1939, of the Indenture pursuant to which the Securities are to be issued (the "Indenture") and (iii) as to any Shares not theretofore accepted for exchange, the expiration of any additional withdrawal period resulting from the making of a tender offer for Shares by another person as described in Section 3 on page 38 of the Offer to Purchase.

### **HISTORICAL AND PRO FORMA CONDENSED FINANCIAL DATA OF THE COMPANY**

The following condensed consolidated historical financial data of the Company and its consolidated subsidiary at December 31, 1983 and 1984 and for the three years ended December 31, 1984 have been derived from the audited financial statements of the Company set forth in Annex D to the Offer to Purchase and are qualified in their entirety by reference to such audited financial statements and related notes contained therein. The following pro forma condensed consolidated financial information of the Company and its consolidated subsidiary illustrates certain unaudited pro forma effects of (A) the exchange of 87,200,000 Shares for Securities pursuant to the Company Offer ("Case A") and (B) the exchange of 30,000,000 Shares (the number of Shares with respect to which the Company has waived the Mesa Purchase Condition) for Securities pursuant to the Company Offer ("Case B"), in each case as though such exchange had occurred on January 1, 1984 with respect to the condensed consolidated earnings statement and as of December 31, 1984 with respect to the condensed consolidated balance sheet. Such unaudited pro forma data should be read in conjunction with the notes accompanying such pro forma data in this Supplement and with the audited financial statements and related notes set forth in Annex D to the Offer to Purchase.

The following unaudited pro forma financial information does not give effect to the proposed formation of the master limited partnership described in this Supplement under "PROPOSED MASTER LIMITED PARTNERSHIP."

**UNOCAL CORPORATION**  
**CONDENSED CONSOLIDATED EARNINGS STATEMENT**

For the year ended December 31.

|   | 1992       | 1993       | 1994  |                                    |                                |                                    |                                |
|---|------------|------------|---|------------------------------------|--------------------------------|------------------------------------|--------------------------------|
|   |            | Historical |   | Case A<br>Pro Forma<br>Adjustments | Case A<br>Pro Forma<br>Results | Case B<br>Pro Forma<br>Adjustments | Case B<br>Pro Forma<br>Results |
|   |            |            | (Dollar Amounts in Millions Except Per Share Amounts) |                                    |                                |                                    |                                |
| Revenues.....   | \$10,899.1 | \$10,690.5 | \$11,537.7  |                                    | \$11,537.7                     |                                    | \$11,537.7                     |
| Cost of products sold and<br>operating expense.....           | 6,204.7    | 6,932.6    | 7,579.9   |                                    | 7,579.9                        |                                    | 7,579.9                        |
| Selling, administrative and<br>general expense.....           | 481.5      | 440.1      | 419.0   |                                    | 419.0                          |                                    | 419.0                          |
| Depreciation and amortization..                               | 723.8      | 796.7      | 836.4   |                                    | 836.4                          |                                    | 836.4                          |
| Dry hole costs.....   | 273.3      | 252.2      | 196.2   |                                    | 196.2                          |                                    | 196.2                          |
| Exploration operations expense..                              | 158.4      | 158.1      | 170.6   |                                    | 170.6                          |                                    | 170.6                          |
| Interest expense.....   | 130.6      | 123.2      | 131.8   | \$ 317.9(1)                        | 949.7                          | \$ 469.0(1)                        | 620.7                          |
| Excise, property and other<br>operating taxes.....            | 920.3      | 919.2      | 965.1   |                                    | 965.1                          |                                    | 965.1                          |
| Total costs and other<br>deductions.....                      | 9,492.6    | 9,622.1    | 10,299.0  | 817.9                              | 11,116.9                       | 469.0                              | 10,768.9                       |
| Earnings before taxes on<br>income.....                       | 1,406.5    | 1,068.4    | 1,238.7   | (317.9)                            | 420.8                          | (469.0)                            | 769.7                          |
| Federal and other taxes on<br>income.....                     | 602.5      | 442.5      | 538.3   | (409.0)(2)                         | 129.3                          | (234.5)(2)                         | 303.8                          |
| Net earnings.....   | \$ 804.0   | \$ 625.9   | \$ 700.4  | \$ (409.0)                         | \$ 291.4                       | \$ (234.5)                         | \$ 465.9                       |
| Net earnings per<br>Share.....                                | \$ 4.63    | \$ 3.60    | \$ 4.03   |                                    | \$ 3.32                        |                                    | \$ 3.77                        |
| Weighted average<br>Shares outstanding<br>(in thousands)..... | 173,636    | 173,677    | 173,696   | (55,996)                           | 87,700                         | (49,981)                           | 123,715                        |

See accompanying notes

UNOCAL CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEET

At December 31,

|  | 1983       |            | 1984                               |                                |                                    |                                |
|--|------------|------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|
|  | Historical | Historical | Case A<br>Pro Forma<br>Adjustments | Case A<br>Pro Forma<br>Results | Case B<br>Pro Forma<br>Adjustments | Case B<br>Pro Forma<br>Results |
| (Dollar Amounts in Millions Except Per Share Amounts)      |            |            |                                    |                                |                                    |                                |
| <b>ASSETS</b>  |            |            |                                    |                                |                                    |                                |
| Accounts and notes receivable.....                         | \$ 925.0   | \$ 976.0   |                                    | \$ 976.0                       |                                    | \$ 976.0                       |
| Inventories.....   | 611.1      | 629.1      |                                    | 629.1                          |                                    | 629.1                          |
| Other current assets.....                                  | 360.3      | 324.3      |                                    | 324.3                          |                                    | 324.3                          |
| Total current assets.....                                  | 1,896.4    | 1,929.4    |                                    | 1,929.4                        |                                    | 1,929.4                        |
| Properties—net.....  | 7,068.4    | 7,906.1    |                                    | 7,906.1                        |                                    | 7,906.1                        |
| Other assets.....  | 263.2      | 367.3      |                                    | 367.3                          |                                    | 367.3                          |
| Total assets.....  | \$9,228.0  | \$10,202.8 |                                    | \$10,202.8                     |                                    | \$10,202.8                     |
| <b>LIABILITIES</b>   |            |            |                                    |                                |                                    |                                |
| Accounts payable.....                                      | \$1,033.7  | \$ 1,069.8 |                                    | \$ 1,069.8                     |                                    | \$ 1,069.8                     |
| Other current liabilities.....                             | 405.9      | 555.8      |                                    | 555.8                          |                                    | 555.8                          |
| Total current liabilities.....                             | 1,439.6    | 1,625.6    |                                    | 1,625.6                        |                                    | 1,625.6                        |
| Long-term debt.....  | 1,140.3    | 1,122.0    | \$6,278.4 (1)                      | 7,400.4                        | \$ 3,600.0 (1)                     | 4,722.4                        |
| Deferred income taxes.....                                 | 1,047.5    | 1,333.4    |                                    | 1,333.4                        |                                    | 1,333.4                        |
| Other non-current liabilities.....                         | 420.5      | 427.5      |                                    | 427.5                          |                                    | 427.5                          |
| Total liabilities.....                                     | 4,047.9    | 4,508.5    | 6,278.4                            | 10,786.9                       | 3,600.0                            | 8,108.9                        |
| <b>SHAREOWNERS' EQUITY<br/>(DEFICIENCY)</b>                |            |            |                                    |                                |                                    |                                |
| Common Shares (\$1 par value).....                         | 173.7      | 173.7      | (36.0)                             | 37.7                           | (50.0)                             | 123.7                          |
| Shares authorized: 260,000,000                             |            |            |                                    |                                |                                    |                                |
| Shares outstanding:  |            |            |                                    |                                |                                    |                                |
| 173,686,198 (1983 Historical)                              |            |            |                                    |                                |                                    |                                |
| 173,714,999 (1984 Historical)                              |            |            |                                    |                                |                                    |                                |
| 87,700,000 (Case A Pro Forma)                              |            |            |                                    |                                |                                    |                                |
| 123,714,999 (Case B Pro Forma)                             |            |            |                                    |                                |                                    |                                |
| Capital in excess of par value of<br>Shares issued.....    | 352.2      | 351.8      | (351.8)                            | —                              | (351.8)                            | —                              |
| Foreign currency translation<br>adjustment.....            | (8.2)      | (20.3)     |                                    | (20.3)                         |                                    | (20.3)                         |
| Retained earnings (deficit).....                           | 4,662.4    | 5,189.1    | (5,240.6)                          | (651.5)                        | (3,198.2)                          | 1,990.9                        |
| Total shareowners' equity (deficiency).....                | 5,180.1    | 5,694.3    | (6,278.4)                          | (584.1)                        | (3,600.0)                          | 2,094.9                        |
| Total liabilities and shareowners' equity.....             | \$9,228.0  | \$10,202.8 | \$ —                               | \$10,202.8                     | \$ —                               | \$10,202.8                     |
| Average shareowners' equity (deficiency)<br>per Share..... | \$ 29.82   | \$ 32.78   |                                    | \$ (6.66)                      |                                    | \$ 16.9                        |

See accompanying notes



# UNOCAL CORPORATION

## HISTORICAL AND PRO FORMA CAPITALIZATION

|  | December 31, 1984            |   |   |   |   |
|--|------------------------------|---|---|---|---|
|  | <u>Historical</u>            | <u>Case A<br/>Pro Forma<br/>Adjustments</u> | <u>Case A<br/>Pro Forma<br/>Results</u> | <u>Case B<br/>Pro Forma<br/>Adjustments</u> | <u>Case B<br/>Pro Forma<br/>Results</u> |
|  | (Dollar Amounts in Millions) |   |   |   |   |
| <b>Long-term debt</b>  |                              |   |   |   |   |
| Notes payable (3¼% to 11¼%) .....                                    | \$ 101.1                     |   | \$ 101.1                                |   | \$ 101.1                                |
| Debentures (4¼% to 10¼%) .....                                       | 528.3                        |   | 528.3                                   |   | 528.3                                   |
| Floating Rate Senior Notes .....                                     | 490.3                        |   | 490.3                                   |   | 490.3                                   |
| 14% Senior Secured Notes .....                                       |                              | \$ 1,744.0                                  | 1,744.0                                 | \$ 1,000.0                                  | 1,000.0                                 |
| Floating Rate Senior Secured Notes .....                             |                              | 2,790.4                                     | 2,790.4                                 | 1,600.0                                     | 1,600.0                                 |
| Senior Secured Extendible Notes .....                                |                              | 1,744.0                                     | 1,744.0                                 | 1,000.0                                     | 1,000.0                                 |
| Other .....  | 2.3                          |   | 2.3                                     |   | 2.3                                     |
| <b>Total long-term debt .....</b>                                    | <b>\$1,122.0</b>             | <b>\$ 6,278.4</b>                           | <b>\$7,400.4</b>                        | <b>\$3,600.0</b>                            | <b>\$4,722.0</b>                        |
| <b>Shareowners' equity (deficiency):</b>                             |                              |   |   |   |   |
| Common Shares, par value \$1,<br>authorized—260,000,000 shares.....  | \$ 173.7                     | \$ (86.0)                                   | \$ 87.7                                 | \$ (50.0)                                   | \$ 123.7                                |
| Capital in excess of par value of Shares<br>issued .....             | 351.8                        | (351.8)                                     | —                                       | (351.8)                                     | —                                       |
| Foreign currency translation adjustments ...                         | (20.3)                       |   | (20.3)                                  |   | (20.3)                                  |
| Retained earnings (deficit) .....                                    | \$189.1                      | (5,840.6)                                   | (651.5)                                 | (3,198.2)                                   | 1,990.9                                 |
| <b>Total shareowners' equity<br/>(deficiency) .....</b>              | <b>\$5,694.3</b>             | <b>\$ (6,278.4)</b>                         | <b>\$ (584.1)</b>                       | <b>\$ (3,600.0)</b>                         | <b>\$2,094.3</b>                        |
| <b>Total .....</b>   | <b>\$6,816.3</b>             | <b>\$ —</b>                                 | <b>\$6,816.3</b>                        | <b>\$ —</b>                                 | <b>\$6,816.3</b>                        |
| <b>Common Shares issued and outstanding<br/>(in thousands) .....</b> | <b>173,715</b>               | <b>86,015</b>                               | <b>87,700</b>                           | <b>50,000</b>                               | <b>123,715</b>                          |

See accompanying notes

## NOTES TO PRO FORMA CONDENSED FINANCIAL INFORMATION

1. For purposes of Case A of these pro forma condensed financial statements, it is assumed that 87,200,000 Shares are exchanged for \$6,278.4 million principal amount of Securities, and for purposes of Case B of these pro forma condensed financial statements, it is assumed that 50,000,000 Shares are exchanged for \$3,600.0 million principal amount of Securities. For earnings statement purposes, it is assumed that each exchange took place on January 1, 1984. For balance sheet purposes, it is assumed that each exchange took place on December 31, 1984. The exchange in Case A results in a reduction of \$86.0 million in common shares (par value \$1.00), a reduction of \$351.8 million in capital in excess of par value (the total value in that account at December 31, 1984) and a reduction of \$5,840.6 million in retained earnings. The exchange in Case B results in a reduction of \$50.0 million in common shares, a reduction of \$351.8 million in capital in excess of par value and a reduction of \$3,198.2 million in retained earnings. Interest expense is increased due to the issuance of the Securities in the following principal amounts, at the following assumed rates of interest:

| <u>Security</u>                         | <u>Assumed<br/>Rate of<br/>Interest</u> | <u>Case A</u>               |   | <u>Case B</u>               |   |
|---|---|-----------------------------|---|-----------------------------|---|
|   |   | <u>Principal<br/>Amount</u> | <u>Pro Forma<br/>Interest<br/>Charge<br/>for 1984</u> | <u>Principal<br/>Amount</u> | <u>Pro Forma<br/>Interest<br/>Charge<br/>for 1984</u> |
|   |   |                             |   |                             |   |
| (Dollars in Millions)                   |   |                             |   |                             |   |
| 14% Senior Secured Notes.....           | 14.000%                                 | \$1,744.0                   | \$244.2   | \$1,000.0                   | \$140.0   |
| Floating Rate Senior Secured Notes..... | 12.125                                  | 2,790.4                     | 338.3   | 1,600.0                     | 194.0   |
| Senior Secured Extendible Notes.....    | 13.500                                  | <u>1,744.0</u>              | <u>235.4</u>  | <u>1,000.0</u>              | <u>135.0</u>  |
| Total.....                              |   | <u>\$6,278.4</u>            | <u>\$817.9</u>  | <u>\$3,600.0</u>            | <u>\$469.0</u>  |

The interest rate on the 14% Senior Secured Notes is fixed at 14.00%. The interest rate on the Senior Secured Extendible Notes is fixed at 13.50% for the first three years of the Security. The interest rate on the Floating Rate Senior Secured Notes floats at 325 basis points over the London Interbank Offered Rate and is assumed to be 12.125% during 1984 (the initial quarterly interest rate). See "DESCRIPTION OF THE SECURITIES" in the Offer to Purchase.

The interest rates on the Securities are adjusted in certain events by the amounts shown in the following table; the table also indicates the pro forma interest (in millions) which would have accrued on the Securities if such Securities had been outstanding for all of 1984 and such increased interest rates had been in effect the entire period:

| <u>Security</u>                         | <u>Increase in<br/>Interest Rate</u> | <u>Pro Forma Interest Charge<br/>for 1984</u> |                |
|---|--------------------------------------|---|----------------|
|   |                                      | <u>Case A</u>                                 | <u>Case B</u>  |
| 14% Senior Secured Notes.....           | 200 basis points                     | \$279.0                                       | \$160.0        |
| Floating Rate Senior Secured Notes..... | 200                                  | 394.1   | 226.0          |
| Senior Secured Extendible Notes.....    | 175                                  | 266.0   | 152.5          |
| Total.....                              |                                      | <u>\$939.1</u>                                | <u>\$538.5</u> |

The Indenture contains various restrictions (see "DESCRIPTION OF THE SECURITIES" in the Offer to Purchase) which include restrictions as to dividend payments and limitations as to future debt.

2. The increased interest expense due to the Securities is assumed to result in a reduction in federal and other taxes on income at the rate of 50%, which is approximately the Company's marginal tax rate. To the extent the Company does not have sufficient current taxable income to fully utilize the assumed interest deductions, it plans to utilize the carryback provisions of the Internal Revenue Code.

## UNOCAL CORPORATION

## RATIO OF EARNINGS (PRE-TAX) TO FIXED CHARGES

For the years ended December 31.

|  | 1982                         | 1983      | 1984      | 1984 Pro Forma |             |
|--|------------------------------|-----------|-----------|----------------|-------------|
|  |                              |           |           | Case A         | Case B      |
|  | (Dollar Amounts in Millions) |           |           |                |             |
| Net earnings .....                                     | \$ 804.0                     | \$ 625.9  | \$ 700.4  | \$ 291.4(1)    | \$ 465.9(1) |
| Taxes on consolidated income .....                     | 602.5                        | 442.5     | 538.3     | 129.3          | 303.8       |
| Taxes on nonconsolidated subsidiary .....              | 14.5                         | 6.2       | 4.7       | 4.7            | 4.7         |
| (A) Total pre-tax earnings .....                       | 1,421.0                      | 1,074.6   | 1,243.4   | 425.5          | 774.4       |
| Fixed charges  |                              |           |           |                |             |
| Interest expense .....                                 | 130.6                        | 123.2     | 131.8     | 949.7(1)       | 600.8(1)    |
| Operating lease rental—interest expense .....          | 34.3                         | 40.0      | 38.8      | 38.8           | 38.8        |
| Interest expense of related entities(2) ....           | 60.3                         | 27.8      | 17.4      | 17.4           | 17.4        |
| (B) Total fixed charges .....                          | 225.2                        | 191.0     | 188.0     | 1,005.9        | 657.0       |
| Pre-tax earnings plus fixed charges (A + B)            | \$1,646.2                    | \$1,265.6 | \$1,431.4 | \$1,431.4      | \$1,431.4   |
| Ratio of earnings to fixed charges (A + B)/B (3) ..... | 7.3                          | 6.6       | 7.6       | 1.4            | 2.2         |

1. The pro forma data for Case A reflect the increase in interest expense of \$817.9 million (less the \$409.0 million adjustment to federal and other taxes on income) as a result of the issuance of Securities aggregating \$6,278.4 million in exchange for 87,200,000 Shares as described elsewhere herein. The pro forma data for Case B reflect the increase in interest expense of \$469.0 million (less the \$234.5 million adjustment to federal and other taxes on income) as a result of the issuance of Securities aggregating \$3,600.0 million in exchange for 50,000,000 Shares as described elsewhere herein.
2. Includes a nonconsolidated subsidiary and an affiliate which are accounted for on the equity basis. Does not include fixed charges related to guarantees of the debt obligations of others, which are not significant.
3. For the purpose of this ratio, earnings consist of net earnings before fixed charges and taxes on income. Fixed charges consist of interest on indebtedness and capital lease obligations, amortization of debt discount and issuance expense and that portion of operating lease rental expense which is representative of the interest factor (assumed to be one-third).

## PROPOSED MASTER LIMITED PARTNERSHIP

### General Description of the Proposed Master Limited Partnership

On April 22, 1985, the Company's Board of Directors approved detailed study and preparatory work for the creation of a limited partnership to be known as Union Exploration Partners, Ltd. ("UXP") to succeed to the oil and gas exploration and production operations of Union Oil Company of California ("Union Oil") in its Gulf Region. Such operations are primarily offshore in the Gulf of Mexico and onshore in portions of Texas, Louisiana, Alabama, Mississippi and Arkansas. Union Oil would convey, or cause to be conveyed, to UXP substantially all of the exploration and production assets of the Gulf Region in return for units of limited partnership interests, and UXP would assume substantially all of the related liabilities of the Gulf Region. Thereupon, UXP would hold properties with net proved reserves, estimated as of December 31, 1984 by the Company, of approximately 178 million barrels of crude oil and condensate and approximately 2,600 billion cubic feet of natural gas (wet gas). During 1984, net production from these properties was 16 million barrels of crude oil and condensate and 152 billion cubic feet of natural gas. The Company estimates that the future net cash flow of these proved developed and undeveloped reserves had a present value at December 31, 1984 of \$3,891 million (before income taxes and discounted at 10% per annum). UXP would also hold approximately 900,000 net undeveloped acres primarily offshore in the Gulf of Mexico and onshore in Texas, Louisiana, Alabama, Mississippi and Arkansas.

UXP would continue to explore for and develop oil and gas on these properties and acquire offshore and onshore properties in the Gulf Region. Expenditures for exploration and development for the Gulf Region during 1984 were in excess of \$300 million.

It is expected that Union Oil and one or more wholly-owned subsidiaries of Union Oil would be the general partners of UXP and Union Oil would be the managing general partner of UXP. It is also expected that not more than 10% of the initial limited partnership units would be sold to the public in an underwritten public offering, with the remaining initial limited partnership units to be issued to and retained by Union Oil. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any units which may be sold by UXP. The issuance of such units would be registered under the Securities Act of 1933, and such securities would be offered only by means of a prospectus. The Company anticipates that a Registration Statement with respect to the limited partnership units would be filed by mid-June 1985 if formation of UXP is authorized by the Company's Board of Directors.

It is expected that UXP would operate through UXP Operating Company ("UXPO"), a limited partnership in which it is expected UXP would be the sole limited partner and Union Oil and one or more of its wholly-owned subsidiaries would be the general partners.

The Company anticipates that UXP would be able to distribute to its partners a substantial portion of the net cash flow generated by its operations, subject to the continuing evaluation of the needs of UXP's business. Under such circumstances, the Company presently anticipates that it would fund the exploration and development activities of UXP for the foreseeable future by purchasing for cash newly issued limited partnership interests in UXP. Some portion of the partnership interests so purchased would potentially be available for distribution to the Company's shareholders as dividends if the Company's Board of Directors so determines in the future. Any such distributions would be subject to the restrictions of the Indenture on Restricted Payments and Investments. See "Certain Revisions to the Terms of the Securities."

Counsel to the Company believes that distribution of these newly issued units to its shareholders would not result in taxable gain to the Company. Distributions by the Company of these units would be taxable as a dividend to the Company's shareholders. The taxable amount of such distribution, for both an individual shareholder and a domestic corporate shareholder, would be the fair market value of the units received by such shareholder. UXP would be classified as a partnership for federal income tax purposes and as such would not be a tax paying entity. Rather, each unit holder would take into account in computing his taxable income or loss such unit holder's share of UXP's income, gain, loss, deduction or credit. The tax basis of one of these new units distributed by the Company to a shareholder would initially be the fair market value of such units when distributed and thereafter such basis would be adjusted for a

unit holder's share of UXP's income, gain, loss, and deductions and distributions of cash. A sale of units by a unit holder would usually result in capital gain or loss equal to the difference between the unit's sales price and the unit holder's tax basis therein as adjusted, except that certain of UXP's deductions or credits would be recaptured as ordinary income or as an increase in tax liability, respectively, by the selling unit holder. Certain tax reform proposals of the United States Treasury Department, which were released in 1984 and are currently under revision, and others being considered by Congress, would have a significant adverse impact on UXP if such proposals were enacted.

Shareholders are cautioned that implementation of the proposed limited partnership is subject to the completion of detailed study and preparatory work, decisions on important issues as to the structure and details of the partnership and further action of the Board of Directors. Further, the timing and amount of distributions, if any, of limited partnership interests by the Company to its shareholders, and of cash by UXP to its limited partners, will be subject to the continuing evaluation of the business and financial needs in future years of the Company and UXP, respectively.

#### Certain Revisions to the Terms of the Securities

The terms of the Securities have been revised in several respects, in order to permit the formation of UXP and UXPO, and the purchases and distributions of limited partnership units of UXP and UXPO described above and to revise certain of the covenants. A revised form of the Indenture reflecting the revisions has been filed with the Commission in an amendment to the Company's application on Form T-3 for the qualification of the Indenture and may be obtained in the manner set forth under "THE COMPANY OFFER—Additional Information Concerning the Company Offer" on page 43 of the Offer to Purchase. The following are revisions to certain of the descriptions of the Indenture and the Securities contained in the Offer to Purchase under the caption "DESCRIPTION OF THE SECURITIES." Such summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture and the Securities. Except as noted below the description of the Indenture and Securities in the Offer to Purchase remains unchanged. Certain defined terms in the Indenture are capitalized herein.

*Limitation on Liens.* So long as any of the Debt Securities are Outstanding, the Company will not, and will not permit any Subsidiary to, incur, issue, assume, become liable for or guarantee any Debt secured by a Mortgage on any Restricted Property or on any shares of stock or Debt of a Subsidiary unless, after giving effect thereto, the aggregate principal amount of all such secured Debt (excluding any Debt secured by excepted Mortgages referred to in the following sentence) plus all Attributable Debt of the Company and its Subsidiaries in respect of sale and leaseback transactions involving Restricted Property, would not exceed 5% of Consolidated Adjusted Net Assets. This restriction will not apply to (a) Mortgages on property of, or on any shares of stock or Debt of, any corporation (other than a Restricted Affiliate) existing at the time such corporation becomes a Subsidiary, (b) Mortgages on property (other than property of a Restricted Affiliate) existing at the time of acquisition thereof (including acquisition through merger or consolidation) or to secure the payment of all or any part of the purchase price or construction costs thereof or to secure any Debt (other than Debt of a Restricted Affiliate) incurred prior to, at the time of, or within six months after, the acquisition or completion of construction of such property for the purpose of financing all or any part of the purchase price or construction costs thereof, (c) Mortgages to secure the cost of exploration, drilling or development of, or the cost of improvements to, such property as is, in the opinion of the Board of Directors, substantially unimproved, or to secure Debt incurred for the purpose of financing any such costs, (d) the Mortgage on the Trust Estate created by the Indenture, (e) the Mortgage of any property of the Company or any Subsidiary in favor of governmental bodies of the United States or any State thereof to secure partial, progress, advance or other similar payments to the Company or any Subsidiary pursuant to any contract or statute, and (f) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Debt secured by a Mortgage referred to in the foregoing clauses (a) through (e), inclusive, provided, that the Mortgage securing such extended, renewed or replaced Debt is limited to all or part of the same

property (plus improvements on such property) that secured the Debt extended, renewed or replaced and the Debt secured thereby then outstanding is not increased. (Section 1010)

**Limitation on Sales and Leasebacks.** So long as any of the Debt Securities are Outstanding, neither the Company nor any Subsidiary may enter into any sale and leaseback transaction, including sale and leaseback transactions between the Company and a Subsidiary or between Subsidiaries, involving any Restricted Property unless (a) the Company or such Subsidiary could create Debt secured by a Mortgage on such property in an amount equal to the Attributable Debt with respect to the sale and leaseback transaction or (b) since the date of the Indenture and within a period commencing 12 months prior to the consummation of the sale and leaseback transaction and ending 12 months after the consummation of such sale and leaseback transaction, the Company or any Subsidiary has expended or will expend for the Restricted Property which is the subject of such sale and leaseback transaction an amount equal to the greater of (x) the net proceeds of such sale and leaseback transaction and (y) the fair market value of the Restricted Property so leased at the time of entering into such transaction, as determined by the Board of Directors of the Company. (Section 1011)

**Limitation on Debt.** So long as any of the Debt Securities are Outstanding, the Company will not, and will not permit any Subsidiary to, incur, issue, assume, become liable for, guarantee or suffer to exist any Debt except: (a) Debt Securities issued under the Indenture; (b) Debt of the Company if such Debt was an obligation of the Company on the date of the first issue of Debt Securities under the Indenture; (c) Debt of a Subsidiary if such Debt was an obligation of such Subsidiary on the date of the first issue of Debt Securities under the Indenture and such Subsidiary was a Subsidiary on such date; (d) Debt of the Company or any Subsidiary the proceeds of which are used exclusively by the Company or such Subsidiary for working capital, provided that the aggregate principal amount of such Debt at any time outstanding shall not exceed 8% of Consolidated Adjusted Net Assets; (e) Debt permitted as described under "Limitation on Liens" (including Debt secured by Mortgages permitted under clauses (a) through (e) thereof) and "Limitation on Sales and Leasebacks" above; (f) Subordinated Debt of the Company; (g) Debt of the Company incurred for the purpose of extending, renewing or refunding any outstanding Debt of the Company or any Subsidiary, provided that the aggregate amount of Debt of the Company and its Subsidiaries on a consolidated basis is not thereby increased; (h) Debt of any Subsidiary incurred for the purpose of extending, renewing or refunding any outstanding Debt of such Subsidiary, provided that the aggregate amount of Debt of the Company and its Subsidiaries on a consolidated basis is not thereby increased; (i) Debt of the Company to the extent that the proceeds thereof are, immediately after the incurrence thereof, applied to the redemption (other than pursuant to the provisions of Article Twelve of the Indenture) of Debt Securities; (j) Debt of a limited partnership which may be created as described in "Limitation on Restricted Payments and Investments" below, which Debt is assumed by such limited partnership as therein described; and (k) Debt of Union Oil or any wholly-owned Subsidiary of Union Oil which consists solely of a contingent liability for the Debt referred to in clause (j) above resulting from being a general partner of a limited partnership which may be created as described in "Limitation on Restricted Payments and Investments" below. (Section 1012)

**Limitation on Restricted Payments and Investments.** So long as any of the Debt Securities are Outstanding, the Company will not, and will not permit any Subsidiary to, make any Restricted Payment or make any Investment in any Person (other than a wholly-owned Subsidiary) unless, immediately after giving effect to any such Restricted Payment or any such Investment, the aggregate of all Restricted Payments and all such Investments which, after the date on which Debt Securities are first issued under the Indenture, shall have been made shall not exceed \$100,000,000 plus 50% of consolidated net income and minus 100% of consolidated net losses of the Company and its Subsidiaries, determined in accordance with generally accepted accounting principles, accrued subsequent to July 1, 1983. (Section 1013(a))

Notwithstanding the foregoing limitations, (i) if authorized by an Independent Director Resolution (a) Union Oil and any other Subsidiary may assign, sell or otherwise transfer substantially all of the properties and assets of the oil and gas exploration and production business conducted by the Gulf Region of the Company and its Subsidiaries (which operations are conducted primarily in the States of Texas, Louisiana, Alabama, Mississippi and Arkansas) to UXP in consideration for (x) the assumption by UXP of Debt of Union Oil and such Subsidiary related to the properties and assets so assigned, sold or

transferred to UXP and (y) the issuance to Union Oil and any such Subsidiary of all of the limited partnership interests in UXP, other than limited partnership interests which may be sold by UXP in a public offering to other Persons as described in "Limitation Upon Issue of Capital Stock or Other Equity Interests and Consolidation, Etc. by Subsidiaries" below, and (b) Union Oil and/or one or more wholly-owned Subsidiaries of Union Oil may pay to UXP up to an aggregate of \$200,000,000 in cash in exchange for the issuance to Union Oil and/or such Subsidiaries of all of the general partnership interests in UXP, (ii) if UXP is so established, the Company may from time to time acquire newly issued limited partnership interests in UXP if and only if (a) it contemporaneously makes distributions of all such limited partnership interests to the holders of its Common Stock and (b) such distributions are permitted by the preceding paragraph and (iii) if UXP is so established, (a) UXP may assign, sell or otherwise transfer all or any portion of the cash, properties and assets that it may receive in exchange for the general and the limited partnership interests in UXP pursuant to clauses (i) and (ii) of this sentence to UXPO in exchange for (x) the assumption by UXPO of all or any portion of the Debt assumed by UXP pursuant to clause (i)(a)(x) of this sentence and (y) the issuance to UXPO of all of the limited partnership interests in UXPO, and (b) Union Oil and/or one or more wholly-owned Subsidiaries of Union Oil may pay to UXPO up to an aggregate of \$200,000,000 in cash in exchange for the issuance to Union Oil and/or such Subsidiaries of all of the general partnership interests in UXPO. (Section 1013(b))

*Limitation on Sales of Assets.* Except for permitted sale and leaseback transactions and except for permitted transactions involving the limited partnerships described under "Limitation on Restricted Payments and Investments" above, so long as any of the Debt Securities are Outstanding, the Company will not, and will not permit any Subsidiary to, in a single transaction or series of related transactions, (a) assign, sell or otherwise transfer any shares of capital stock or any equity interest of a Subsidiary, any Debt of the Company owned by a Subsidiary or any Debt of a Subsidiary owned by the Company or another Subsidiary or (b), except in the ordinary course of business as heretofore conducted by the Company and its Subsidiaries, assign, sell, transfer or lease any property or asset of the Company or any Subsidiary unless the greater of the book value, determined in accordance with generally accepted accounting principles, and the fair market value of such property or asset being assigned, sold, transferred or leased does not exceed 10% of Consolidated Adjusted Net Assets and the Company immediately thereafter applies the proceeds therefrom to the redemption (other than pursuant to the provisions of Article Twelve of the Indenture) of the Debt Securities. (Section 1014)

*Limitation Upon Issue of Capital Stock or Other Equity Interests and Consolidation, Etc. by Subsidiaries.* So long as any of the Debt Securities are Outstanding, the Company will not permit any Subsidiary to (a) issue any shares of its capital stock, except for directors' qualifying shares, or other equity interests in it, except for limited partnership interests which may be sold by UXP for cash in a public offering for up to an aggregate of \$600,000,000 as soon as practicable after the transfer contemplated by clause (i) of the second paragraph under "Limitation on Restricted Payments and Investments" above and except for the limited partnerships which may be created thereafter as described under "Limitation on Restricted Payments and Investments" above or (b) consolidate or merge with any Person, except that any wholly-owned Subsidiary of Union Oil may consolidate with or merge into Union Oil or any wholly-owned Subsidiary of Union Oil. (Section 1016)

Restricted Property is defined to mean (i) any interest in land (including underwater land and any interest in property located off the coast of any land operated pursuant to leases from any governmental body) which is capable of producing crude oil, natural gas, geothermal energy or other hydrocarbons in paying quantities and any interest in the crude oil, natural gas, geothermal energy or other hydrocarbons produced or to be produced (or the proceeds thereof) from such lands, including any exploration or production facilities or other improvements on such lands as well as any drilling or producing platform or (ii) any refining or manufacturing plant or transportation or marketing facilities or equipment. (Section 101)

Subordinated Debt is defined to mean any issue of Debt of the Company not secured by a Mortgage which is expressly made subordinate and junior in right of payment to the Debt Securities of any series and such other indebtedness of the Company (except other Subordinated Debt) as may be specified in the instruments evidencing the Subordinated Debt or the indenture or other similar instrument under which it is issued (which indenture or other instrument shall be binding on all holders of such Subordinated Debt) (the Debt Securities and such other indebtedness to which the Subordinated Debt is subordinate and

junior being hereinafter in this paragraph called "Superior Debt"), by provisions not more favorable to the holders of the Subordinated Debt than the following: "(i) No payment or prepayment of any principal or premium (if any) on account of, and no repurchase, redemption or other retirement (whether at the option of the holder or otherwise) of, Subordinated Debt shall be made, and no holder of Subordinated Debt shall ask, demand, sue for, take or receive from the Company, directly or indirectly, in cash or other property or by set-off or in any other manner (including without limitation from or by way of collateral) any such payment or prepayment, in any such case prior to January 1, 1992; (ii) no payment or prepayment of any principal, premium (if any) or interest on account of, and no repurchase, redemption or other retirement (whether at the option of the holder or otherwise) of, Subordinated Debt shall be made, if at the time of such payment, prepayment, repurchase, redemption or retirement or immediately after giving effect thereto (A) there shall exist a default in the payment or prepayment of any principal, premium (if any) or interest on account of any Superior Debt or (B) there shall have occurred an event (other than a default in the payment or prepayment of principal, premium (if any) or interest with respect to any Superior Debt) permitting the holder or holders thereof to accelerate the maturity thereof (with notice, lapse of time, or both) and such event shall not have been cured or waived; (iii) in the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Company or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy, then the holders of the Superior Debt shall be entitled to receive payment in full of all principal and interest on all Superior Debt (including interest thereon accruing after the commencement of any such proceedings) before the holders of the Subordinated Debt are entitled to receive any payment on account of principal or interest upon the Subordinated Debt, and to that end (but subject to the power of a court of competent jurisdiction to make other equitable provision reflecting the rights conferred by the provisions of the Subordinated Debt upon the Superior Debt and the holders thereof with respect to the Subordinated Debt and the holders thereof by a lawful plan of reorganization under applicable bankruptcy law) the holders of Superior Debt shall be entitled to receive any payment or distribution of any kind or character, whether in cash or property or securities, which may be payable or deliverable in any such proceedings in respect of the Subordinated Debt, except securities which are subordinate and junior in right of payment to the payment of all Superior Debt then outstanding; (iv) in the event that any Subordinated Debt is declared due and payable before its expressed maturity because of the occurrence of an event (under circumstances when the provisions of the foregoing clauses (ii) or (iii) shall not be applicable), the holders of the Superior Debt outstanding at the time such Subordinated Debt so becomes due and payable because of such occurrence of such an event shall be entitled to receive payment in full of all principal and interest on all Superior Debt before the holders of the Subordinated Debt are entitled to receive any payment on account of the principal or interest upon the Subordinated Debt; (v) in the event that, notwithstanding the foregoing clauses (i), (ii), (iii) and (iv), any such payment or distribution of assets of the Company of any kind or character prohibited by such clauses, whether in cash, property or securities, shall be received by the holders of Subordinated Debt before all Superior Debt is paid in full, or provision made for such payment in accordance with its terms, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of such Superior Debt or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Superior Debt may have been issued, as their respective interests may appear, for application to the payment of all Superior Debt remaining unpaid to the extent necessary to pay off such Superior Debt in full in accordance with its terms, after giving effect to any concurrent payment or distribution to the holders of such Superior Debt; and (vi) no holder of Superior Debt shall be prejudiced in his right to enforce subordination of the Subordinated Debt by any act or failure to act on the part of the Company." (Section 101)

Subsidiary is defined to mean (i) a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries and (ii) the limited partnerships which may be created as described under "Limitation on Restricted Payments and Investments" above. (Section 101)



### CERTAIN RECENT DEVELOPMENTS

*The following information supplements the material contained under the caption "SPECIAL FACTORS — Background of the Company Offer" on pages 3 through 7 of the Offer to Purchase. Certain capitalized terms used below have the meanings set forth in the Offer to Purchase.*

On April 15, 1985, Mesa Petroleum announced that Mesa Bidders had accepted financing commitments for an aggregate of \$3.9 billion in connection with the Mesa Offer, comprised of commitments to invest in \$0.6 billion of Mesa Petroleum securities, \$2.4 billion of Mesa Sub securities and \$0.9 billion of Mesa Petroleum commercial bank credit. On April 16, 1985, Mesa Bidders filed with the Commission an amendment to their Tender Offer Statement on Schedule 14D-1 attaching certain documents relating to the proposed financing of the Mesa Offer and the terms upon which the commitments to invest in the securities of Mesa Petroleum and Mesa Sub had been obtained.

On April 18, 1985, Mesa Partnership wrote a letter to the Company's Board of Directors in which it stated that, to eliminate what the Board claimed are the uncertainties in the Mesa Second-Step Transaction, Mesa Partnership is prepared to agree to have the \$54 value of the securities to be issued in the Mesa Second-Step Transaction determined by an independent investment banker chosen jointly by the Company and Mesa Petroleum. The letter stated that, under the circumstances, Mesa Partnership was requesting the Board to examine the Company Offer (which it referred to as a "poison pill action"), characterizing it as "not only unwarranted but also illegal." The letter asserted that, since the announcement of the Company Offer, the Company's shareholders "have lost \$400 million in market value." The letter also alleged that the Board had "chosen to provide that your investment bankers will receive a greater fee if Unocal remains independent for one year than they will receive if Unocal is acquired—at any price."

On April 22, 1985, the plaintiffs in the action instituted on April 12, 1985 in the Delaware Chancery Court by Mesa Petroleum, Mesa Asset and Mesa Bidders against the Company and its directors (the "Delaware Action") filed an amended complaint. The Delaware Action originally sought a declaratory judgment that the February 25, 1985 amendments to the Company's Bylaws concerning the procedures for nominating directors and bringing items of business before an annual meeting of shareholders (the "Bylaw Amendments") violate Delaware law and are unenforceable. The amended complaint adds eight new claims challenging the Company Offer. The plaintiffs allege that the Company Offer unlawfully discriminates against the plaintiffs by providing that the Company will not accept for exchange, or issue Securities in exchange for, Mesa Shares, breaches the fiduciary duties of the Company's directors to shareholders, provides shareholders who tender their Shares to the Company with compensation in excess of the fair value of the Shares, and is an improper attempt by the Company's directors and management to entrench themselves and burden the Company with debt. The plaintiffs seek injunctive relief and damages. The Company and the other defendants deny all allegations of wrongdoing and maintain that the Company Offer is proper and lawful.

On April 22, 1985, the Delaware Court of Chancery rendered a decision on an application by the plaintiffs in the Delaware Action seeking interlocutory injunctive relief with respect to the Bylaw Amendments. The decision granted the plaintiffs' application for a temporary restraining order enjoining the defendants from enforcing the Bylaw Amendments in accordance with the defendants' interpretation to the effect that if the shareholders of the Company, at the Shareholders' Meeting scheduled for April 29, 1985, were to adopt the Adjournment Proposals proposed by Mesa Partnership and thereby adjourn the Shareholders' Meeting until June 28, 1985, Mesa Partnership would not be entitled to bring any other item of business before the adjourned meeting because no written notice to submit any such item was submitted within thirty days of the original April 29, 1985 date of the Shareholders' Meeting. According to the court, there is a reasonable basis both for this interpretation of the Bylaw Amendments and for the interpretation of Mesa Partnership whereby, if the Shareholders' Meeting were adjourned, the Bylaw Amendments would permit Mesa Partnership to submit, for consideration at the adjourned meeting, any item of business they wished to present. However, in the court's view, because the Company's interpretation was not announced until after the thirty-day notice period had run with respect to the originally-scheduled date of the Shareholders' Meeting, and would preclude the submission of an item of business in the event of an adjournment, such interpretation would be invalid.

The court stated that the plaintiffs had not met their burden of demonstrating immediate irreparable harm with respect to the overall validity of the Bylaw Amendments and that, if the shareholders were to adopt the Adjournment Proposals, it appeared to the court that the plaintiffs would have an opportunity to give the notice required by the Bylaw Amendments and present, at the adjourned meeting, any item of business they might wish to submit. Accordingly, the court declined to address the merits of that portion of the plaintiffs' application that sought temporarily to restrain, generally, the thirty-day notice requirement of the Bylaw Amendments. Inasmuch as the court's opinion related to an application for interlocutory relief, the issues raised in the opinion may be subject to further consideration at trial.

On April 23, 1985, following the Company's public announcement of its partial waiver of the Mesa Purchase Condition, the plaintiffs in the Delaware Action gave notice of their intention to present to the Delaware Chancery Court, at the earliest convenient time, a motion for a temporary restraining order enjoining the Company from making the Company Offer, soliciting tenders pursuant thereto and buying Shares thereunder. The plaintiffs allege that, as a result of the partial waiver, the Company Offer is a "completely different exchange offer" from that announced by the Company on April 17, 1985 and that, inasmuch as the Company Offer is not being made for Mesa Shares while the director defendants plan to tender their Shares pursuant to the Company Offer, the Company Offer is discriminatory and illegal under Delaware law. A hearing on the plaintiffs' motion has been scheduled for 3:30 P.M., Eastern Standard time, on Friday April 26, 1985. The Company has reason to believe that Mesa Bidders may also challenge the provision of the Company Offer with respect to Mesa Shares under federal law in the litigation pending in the United States District Court for the Central District of California.

On April 23, 1985, subsequent to the Company's announcement of its partial waiver of the Mesa Purchase Condition, the Dow Jones news service reported that, in a meeting of analysts, T. Boone Pickens, President of Mesa Petroleum, had, among other things, recommended that shareholders of the Company accept the Company Offer and also vote to adjourn the Shareholders' Meeting, and that Mesa Partnership had not decided whether it would tender its Shares pursuant to the Company Offer if permitted to do so as a result of its challenge of the provision of the Company Offer relating to Mesa Shares. Shareholders are urged to seek current information as to the status of the Mesa Offer.

The Company's right to amend the terms of the Company Offer includes, without limitation, its right to extend the Company Offer to all or a portion of the Mesa Shares if they are properly and timely tendered pursuant thereto. If, as a result of a court order in the Delaware Action or otherwise, the Company were to so extend the Company Offer, the acceptance for exchange of Mesa Shares could—depending upon the number of Mesa Shares and other Shares properly tendered by the Proportion Date and thereafter—significantly reduce the number of other Shares accepted for exchange by reason of the pro-rata provisions of the Company Offer. See "PARTIAL WAIVER OF MESA PURCHASE CONDITION—Effect of Partial Waiver on Pro-rata," and the material in the Offer to Purchase referred to therein.

#### APPOINTMENT OF FORWARDING AGENT FOR THE COMPANY OFFER

For the convenience of those shareholders who wish to tender Shares pursuant to the Company Offer by hand delivery in Los Angeles, the Company has appointed Manufacturers Hanover Trust Company of California as Forwarding Agent for tendering shareholders in connection with the Company Offer (the "Forwarding Agent").

A hand delivery of a Letter Transmittal, Notice of Guaranteed Delivery, certificate for Shares or any other required document made to the Forwarding Agent at its address set forth on the back of this Supplement, if otherwise timely and in proper form in accordance with the procedures for tendering Shares set forth in Section 2 on pages 36 through 38 of the Offer to Purchase and in the Letter of Transmittal, will for all purposes of the Company Offer have the same effect as a timely and proper tender of such document to Continental Illinois National Bank and Trust Company of Chicago, as Exchange Agent in connection with the Company Offer (the "Exchange Agent").

Hand deliveries of Letters of Transmittal, Notices of Guaranteed Delivery, certificates for Shares and other required documents may also continue to be made, and deliveries of such documents by mail,

facsimile transmission or telex can only be made, to the Exchange Agent at one of its addresses set forth on the back cover of this Supplement.

The Company will not pay any fees or commissions to the Forwarding Agent for soliciting tenders of Shares pursuant to the Company Offer. The Forwarding Agent, as well as the Information Agent and the Exchange Agent, will assist shareholders in obtaining copies of the Company's offering materials. The Forwarding Agent will receive reasonable and customary compensation for its services in connection with the Company Offer, will be reimbursed for its reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including liabilities under the federal securities laws.

Shareholders who have previously properly tendered their Shares to the Company pursuant to the procedures set forth in the Offer to Purchase and the Letter of Transmittal should take no further action if they wish their Shares to remain so tendered.

Facsimile copies of the Letter of Transmittal will be accepted. The Letter of Transmittal and certificates for Shares should be sent or delivered by each shareholder or such shareholder's broker, dealer, commercial bank, trust company or other nominee to the Exchange Agent (or by hand to the Forwarding Agent) as follows:

*Exchange Agent*

**CONTINENTAL ILLINOIS NATIONAL BANK  
AND TRUST COMPANY OF CHICAGO**

*By Mail or By Hand:*

Continental Illinois National Bank  
and Trust Company of Chicago  
Corporate Depository Operations  
(30-16)  
30 North LaSalle Street  
Chicago, Illinois 60693

*By Facsimile:*

(312) 828-3820  
*By Telex:*  
25-3412  
*For Information:*  
(312) 828-5110  
(Call Collect)

*By Hand in New York:*

Continental Illinois National Bank  
and Trust Company of Chicago  
c/o J. Henry Schroder  
Bank & Trust Company  
Corporate Agencies Department  
One State Street, Subcellar 1  
New York, New York

*The Forwarding Agent:*

**MANUFACTURERS HANOVER TRUST  
COMPANY OF CALIFORNIA**

*By Hand in Los Angeles Only:*

Manufacturers Hanover Trust  
Company of California, Forwarding Agent  
445 South Figueroa  
30th Floor  
Los Angeles, California

Any questions or requests for assistance may be directed to the Information Agent or your broker, dealer, commercial bank, trust company or other nominee.

*Information Agent*

**D. F. King & Co., Inc.**

One North LaSalle St.  
Chicago, IL 60602  
(312) 236-5881  
(Call Collect)

60 Broad St.  
New York, NY 10004  
(212) 269-5550  
(Call Collect)

400 Montgomery St.  
San Francisco, CA 94104  
(415) 788-1119  
(Call Collect)

9841 Airport Blvd. Ste. 520  
Los Angeles, CA 90048  
(213) 215-3860  
(Call Collect)

or

Toll-Free 1-800-223-3604 Except in New York call Toll-Free 1-800-522-5001

Any questions or requests for assistance may also be directed to the  
Company at one of the following telephone numbers:

Toll-Free: 1-800-252-2233  
Collect in New York: 212-582-2520