

# Unocal Corporation

2001

ANNUAL REPORT

# Unocal at a Glance

Unocal is one of the world's leading independent natural gas and crude oil exploration and production companies, with principal operations in North America and Asia. A strong base of sustaining businesses is the foundation for near- and mid-term earnings and growth. High-potential, longer-term opportunities are keys to significant future success. These include a well-balanced, focused exploration portfolio and, for future development in Asia, discoveries of more than 13 trillion cubic feet of natural gas (gross resource potential), in which Unocal's working interests average about 60 percent.

## SUSTAINING BUSINESSES (OIL AND GAS PRODUCTION)

### North America

- Gulf Region USA (shelf and onshore Gulf of Mexico)
- Pure Resources, Inc. (65% owned subsidiary)
- Alaska
- Canada

### Asia

- Thailand
- Indonesia shelf
- Myanmar
- Caspian Sea (Azerbaijan)
- Bangladesh

### Europe

- Netherlands

### Africa

- Democratic Republic of the Congo

### South America

- Brazil

## MAJOR FIELD DEVELOPMENTS UNDER WAY

- West Seno — Indonesia deep water
- Mad Dog — Gulf of Mexico deep water
- AIOC Phase I — Caspian Sea, Azerbaijan
- Plamuk, Yala, Surat — Gulf of Thailand
- Pailin II — Gulf of Thailand

## MID- TO LONG-TERM OPPORTUNITIES

Three major deepwater exploration plays

Gulf of Mexico

Indonesia

Brazil

Natural gas exploration and development, South Central Alaska

Longer-term natural gas development

Bangladesh

China

Indonesia

Thailand

Vietnam

## TRADE

Responsible for trading, risk management, and marketing of the major portion of the company's hydrocarbon resources

## MIDSTREAM AND PIPELINES

Manages the company's growing base of natural gas storage assets, interests in more than 14,000 miles of oil, natural gas and product pipelines, and associated terminals

## GEOTHERMAL RESOURCES/POWER PROJECTS

Indonesia — geothermal resource production and power generation

Philippines — geothermal resource production

Thailand — natural gas-fired power plants

## MINING OPERATIONS/CARBON

Mines, produces and markets molybdenum and specialty minerals, including the lanthanide elements; manages an equity interest in a Brazilian niobium producer; produces and markets petroleum coke



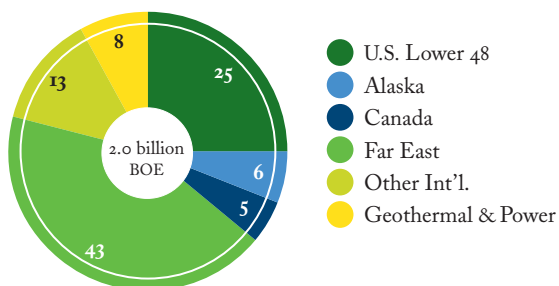
## ON THE COVER: GRAYLING PLATFORM

Alaska has been a land of opportunity for Unocal since 1959, when the company made its first discovery on the Kenai Peninsula. Today, Unocal is applying new technologies to expand oil and gas production in the Cook Inlet — and is building the foundation for a new natural gas business to serve the communities of South Central Alaska.

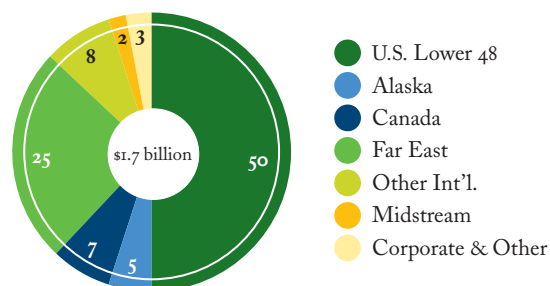
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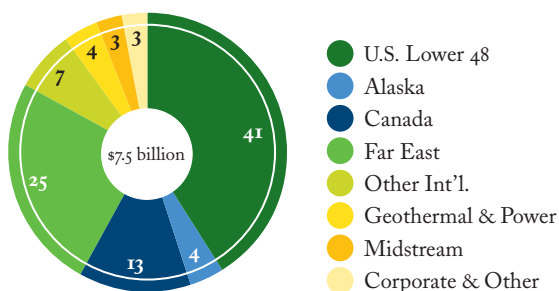
### 2001 Estimated Proved Reserves By Geographic Area (by percentage)



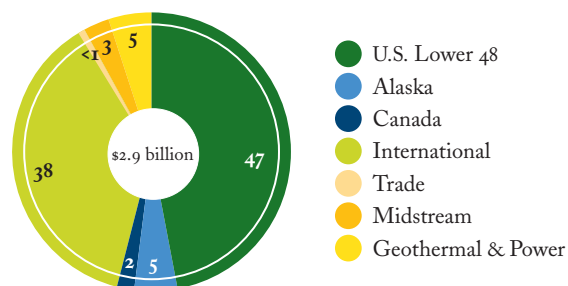
### 2001 Capital Expenditures<sup>(a)</sup> (by percentage)



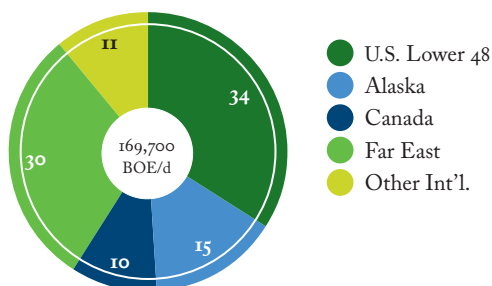
### 2001 Net Properties (by percentage)



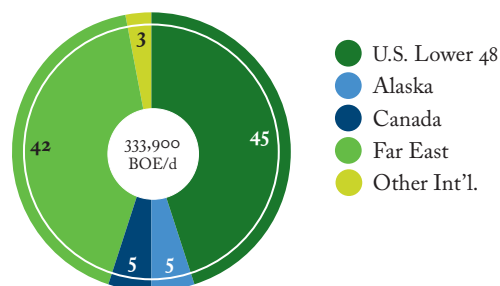
### 2001 Operating Cash Flow from Continuing Operations<sup>(b, c)</sup> (by percentage)



### 2001 Worldwide Crude Oil/NGL Production (by percentage)



### 2001 Worldwide Gas Production (by percentage)



(a) Excludes major acquisitions

(b) Excludes corporate and other expenses, income taxes, interest and working capital changes

(c) Does not reflect significant uses of cash and should only be considered in conjunction with the full Statement of Consolidated Cash Flows on page 65, together with the discussion thereof in Management's Discussion and Analysis of Financial Condition and Results of Operations commencing on page 36, of Unocal's 2001 Annual Report on Form 10-K, which is bound into this document.



# Highlights



	Years ended December 31,		
	2001	2000	1999
<b>Financial</b> (millions of dollars except per share amounts)			
Total revenues from continuing operations	\$ 6,752	\$ 9,202	\$ 5,961
Earnings from continuing operations	\$ 599	\$ 723	\$ 113
Earnings from discontinued operations (net of tax)	\$ 17	\$ 37	\$ 24
Cumulative effect of accounting change (net of tax)	\$ (1)	\$ —	\$ —
Net earnings	\$ 615	\$ 760	\$ 137
Basic earnings per share of common stock:			
Continuing operations	\$ 2.45	\$ 2.98	\$ 0.47
Discontinued operations	\$ 0.07	\$ 0.15	\$ 0.10
Net earnings	\$ 2.52	\$ 3.13	\$ 0.57
Diluted earnings per share of common stock:			
Continuing operations	\$ 2.43	\$ 2.93	\$ 0.46
Discontinued operations	\$ 0.07	\$ 0.15	\$ 0.10
Net earnings	\$ 2.50	\$ 3.08	\$ 0.56
Adjusted earnings from continuing operations <sup>(a)</sup>	\$ 753	\$ 798	\$ 149
Return on average stockholders' equity:			
Continuing operations	20.5%	29.5%	5.2%
Net earnings	21.1%	31.0%	6.2%
Cash dividends declared per common share	\$ 0.80	\$ 0.80	\$ 0.80
Capital expenditures for continuing operations <sup>(b)</sup>	\$ 1,727	\$ 1,288	\$ 1,161
Total assets	\$ 10,425	\$ 10,010	\$ 8,967
Total debt and capital leases	\$ 2,906	\$ 2,506	\$ 2,854
Trust convertible preferred securities	\$ 522	\$ 522	\$ 522
Stockholders' equity	\$ 3,124	\$ 2,719	\$ 2,184
Per common share outstanding	\$ 12.80	\$ 11.19	\$ 9.01
<b>Operations</b>			
Net proved reserves			
Crude oil, condensate and natural gas liquids (million barrels) <sup>(c)</sup>	693	572	523
Natural gas — dry basis (billion cubic feet) <sup>(c)</sup>	6,749	6,039	6,118
Geothermal resources — (billion kilowatt-hours) <sup>(d)</sup>	108	114	120
— (equivalent million barrels) <sup>(d)</sup>	162	170	179
Net daily production			
Crude oil, condensate and natural gas liquids (thousand barrels) <sup>(c)</sup>	170	160	168
Natural gas — dry basis (million cubic feet) <sup>(c)</sup>	2,003	1,843	1,704
Geothermal resources (million kilowatt-hours)	14	16	17

(a) Special items are detailed in Management's Discussion and Analysis of Financial Condition and Results of operations on page 28 of Unocal's 2001 Annual Report on Form 10-K, which is bound into this document.

(b) Excludes major acquisitions totaling \$646 million, \$318 million and \$205 million in 2001, 2000 and 1999, respectively.

(c) Includes the company's proportional shares of equity investees and 100% of reserves of consolidated subsidiaries. See the Supplemental Information on Oil and Gas Exploration and Production Activities and the Operating Summary in Unocal's 2001 Form 10-K for further information.

(d) Includes reserves underlying a service fee arrangement in the Philippines.

# Report to Stockholders

2001 was an important year for Unocal. Worldwide crude oil and natural gas production was up 8 percent. Reserves grew by 15 percent, a result of our highest reserve replacement rate in a decade. We advanced several major development projects and made two significant deepwater discoveries.

Unocal employees around the world turned in a strong, safe and efficient operating performance in 2001. We remain on track for growth in production and reserves over the next five years, although we face a more difficult operating environment in 2002. At the beginning of 2001, commodity prices — and Unocal’s cash flow and earnings — were at near-record highs. By year-end, economic slowdown was worldwide, deepened by the terrorist attacks on September 11. We live in a different world today than we did six months ago. As a global company, Unocal has new resolve to continue strengthening relationships in every country where we invest, to improve the lives of people wherever we work, and to provide an outstanding example of good corporate governance and citizenship.

Dramatic declines during the second half of 2001 in worldwide oil prices and North American natural gas prices had a major impact on Unocal’s earnings. For the full year, net earnings were \$615 million, compared with \$760 million for 2000. Adjusted after-tax earnings from continuing operations — which excluded special items, earnings from discontinued operations, and the cumulative effect of an accounting change — were \$753 million for 2001, compared with \$798 million for 2000. We maintained the ratio of total debt to total capitalization at 44 percent.

The cycle of lower oil and gas prices is continuing into 2002, and we are adjusting our projected capital expenditures and production forecasts accordingly. We will shift \$300 million from near-term exploration and exploitation activities to major development spending. We continue to look for 6 percent or greater average annual production growth through 2004.

We made real progress on a number of fronts during 2001:

- We increased our worldwide production to 504,000 barrels of oil equivalent (BOE) per day, up 8 percent from 2000.
- We grew our hydrocarbon reserve base to more than 1.8 billion BOE, replacing 222 percent of worldwide crude oil and natural gas production with new proved reserves.
- Our finding and development costs of \$5.37 per BOE were the lowest in seven years. Our finding, development and acquisition costs were \$6.11 per BOE.
- We announced two major deepwater discoveries: Ranggas in Indonesia’s Makassar Strait and Trident in the Gulf of Mexico.
- Negotiating parties made progress on engineering work for construction of the Baku-Tbilisi-Ceyhan pipeline from the Caspian Sea to the Mediterranean, allowing significant

new oil development offshore Azerbaijan in fields in which Unocal holds a 10.28 percent working interest.

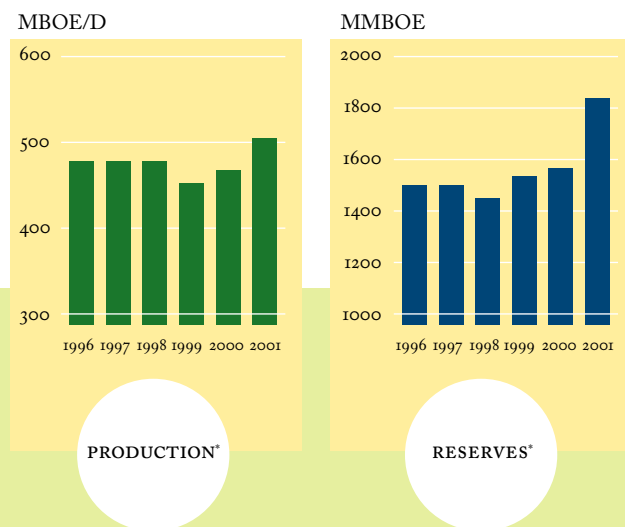
- The Mad Dog deepwater project in the Gulf of Mexico, sanctioned by the operator in 2001, is scheduled to begin production in 2004. Unocal holds a 15.6 percent working interest.
- With new natural gas discoveries, and pipeline plans and sales contracts in place, we’ve built the foundation for an expanded natural gas business in South Central Alaska.
- Longer term, we continue to work toward the development of extensive additional gas resources in Bangladesh, China, Indonesia, Thailand and Vietnam.

## INCREASING ‘LOWER 48’ PRODUCTION

Unocal is a major player on the Gulf of Mexico shelf, producing more than 1.5 billion cubic feet of gas equivalent per day in 2001 (approximately 700 million cubic feet per day net). In the last three years, we have been successful in increasing production in some of our existing fields through the application of new technologies and resource management techniques. Fields that were steady producers for decades achieved new records. These relatively low-risk projects offered quick returns and helped Unocal benefit from high natural gas prices.

In today’s lower price cycle, we are shifting our investment toward new “deep shelf” opportunities — such as the Muni discovery, drilled to 14,000 feet in late 1999. Muni (Ship Shoal block 295) reached a production peak of 235 million cubic feet of gas equivalent per day gross in 2001 and was a

## Oil and Gas Production and Reserves



\* Includes minority interest shares



**Where do we expect our 2002-2007 production growth to come from?**

<b>Gulf of Mexico deep shelf:</b>	Mustang Island, other deep Miocene
<b>Gulf of Thailand:</b>	Yala, Surat, Plamuk crude oil and North Pailin natural gas
<b>Indonesia deep water:</b>	West Seno, Ranggag
<b>Alaska:</b>	South Kenai gas
<b>Gulf of Mexico deep water:</b>	Mad Dog, Trident, Mirage, K2
<b>Caspian Sea:</b>	AIOC Phases 1 and 2
<b>China:</b>	Xihu Trough

key factor in Unocal's production increases in the "lower 48" in 2000 and 2001. Muni's production has declined, but we are well positioned to replace it through deep-shelf exploration and other growth programs. (Unocal's working interest in Muni is 100 percent.)

Until fairly recently, 15,000 feet was considered the general depth limit for economic production on the Gulf of Mexico shelf. Deeper Miocene prospects — up to 25,000 feet below the sea floor — present a higher risk, higher potential reward scenario. We believe that Unocal's proprietary geologic and geophysical data, relatively early start in the deep shelf, and low-cost drilling and completion capability in high-pressure, high-temperature reservoirs, give us a competitive advantage. We have developed a long list of deep-shelf prospects and expect to participate in 8 to 10 wells in 2002.

In December 2001, we announced a 50-50 venture with Forest Oil Corporation that will allow us to leverage our proven operating expertise in the Gulf of Mexico into expanded presence and production on the shelf. As a result of this transaction, which we believe will be a model for future ventures, Unocal is the operator for 22 of Forest Oil's producing properties and 20 seismic option blocks in the central gulf. We plan to drill 10 new wells and 12 workovers beginning early in 2002. We expect to more than double the current gross production rate of 8,500 BOE per day from these properties by the end of the year.

Pure Resources, Inc., formed about two years ago, operates principally in the Permian and San Juan basins (in West Texas and New Mexico) and the Gulf Coast area. Unocal, with a 65 percent interest, benefits from Pure's ability to exploit the potential of its properties in these historic oil and gas areas. Pure has also been aggressive in acquiring new holdings to boost its production and exploration portfolios.

Unocal holds various interests in other North American exploration and production companies with strong regional focuses, including 15 percent of Denver-based Tom Brown, Inc., and 34 percent of Dallas-based Matador Petroleum Corporation.

**NEW OPPORTUNITY IN ALASKA**

Unocal's discovery of significant gas resources on Alaska's Kenai Peninsula, announced in January 2002, will support the establishment of a new gas business to serve commercial and utility customers in south central Alaska. In addition to current commitments, Unocal has signed a new long-term contract to sell up to 450 billion cubic feet of natural gas, starting in 2003. Unocal holds a 40 percent working interest in the discovery well and in the 25,000-acre Ninilchik Exploration Unit. In total, Unocal has an 80,000-acre position (net) on the Kenai Peninsula where drilling is under way. By the end of 2002, we expect to have drilled or participated in eight wells. Plans are in place for a gas pipeline.

Unocal is also looking to increase production from its oil and gas fields in the Cook Inlet, where we operate 10 platforms. In 2002 we plan to apply the advanced analytical and precision-drilling techniques that were used in 2001 to turn the King Salmon platform from a marginally economic operation into the highest-rate oil production facility in southern Alaska. Two extended-reach wells tapped new areas that were previously inaccessible. The new wells came on production at 2,100 barrels and 7,500 barrels of crude oil per day. Current combined production is about 5,500 barrels per day. Unocal's working interest is 53.2 percent. The 2002 drilling program calls for additional wells from the Monopod and Grayling platforms, also located in the Cook Inlet.

**FIRST OIL, MORE GAS IN THAILAND**

Unocal worked with the government of Thailand to build an indigenous hydrocarbon industry in the 1970s and 1980s, ushering in economic growth. Natural gas production began in 1981. Today, Unocal operates 14 gas and oil fields in the Gulf of Thailand. Average production (net to Unocal) of 576 million cubic feet (MMCF) of gas per day in 2001 was down 7 percent from 2000 but still well above Unocal's sales contract quantities. The decline was caused by Thailand's need to balance its purchases among various gas sales contracts. Gross production from Unocal's operations averaged about 970 MMCF per day in 2001, supporting about 30 percent of Thailand's total electricity generation and making a major contribution to the kingdom's ongoing rebound from the 1997 economic downturn.

In August 2001, Unocal produced its first crude oil in the gulf — from the Plamuk field. Current production of about 8,000 barrels of crude oil per day is expected to rise as new

wells in the Plamuk, Yala and Surat fields are completed. Production is expected to increase to about 18,000 barrels of oil per day in 2003. Unocal's working interest is 71.25 percent.

Additional natural gas production from the Pailin field is due on stream in mid-2002. Gross production from the North Pailin area is expected to reach 165 MMCF per day and 8,000 barrels of condensate per day by the third quarter. Unocal has a 35 percent working interest.

**WEST SENO ON STREAM IN 2003**

The West Seno project marks the opening of the deep-water frontier for the Indonesia oil and gas industry, as well as Unocal's first deepwater development as operator. We discovered the field offshore East Kalimantan in 1998 and expect to begin production in the second quarter of 2003. Fabricators are "cutting steel" now for the first tension-leg platform. West Seno gross production is expected to reach 60,000 barrels of oil per day and 150 MMCF of gas per day in early 2005, following completion of the second phase of development. Unocal holds a 90 percent working interest in the Makassar Strait production-sharing-contract (PSC) area where the West Seno field is located.

**MAD DOG'S DAY IN 2004**

The Mad Dog field, a 1999 deepwater discovery in the Gulf of Mexico, is scheduled to begin production in late 2004 with a capacity of 80,000 barrels of oil and 40 MMCF of gas

per day. Unocal owns a 15.6 percent working interest. The appraisal program identified risked recovery potential of 200 to 450 million barrels of oil equivalent (MMBOE).

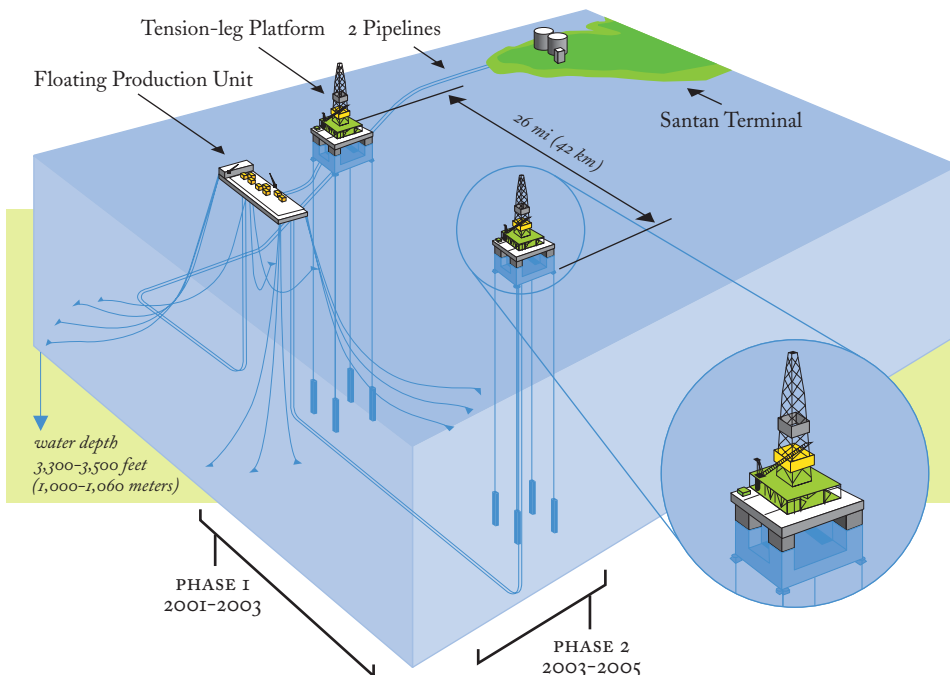
**AIOC TO INCREASE EXPORTS**

Unocal holds a 10.28 percent working interest in the Azerbaijan International Operating Company (AIOC), an international consortium working to develop and produce oil from three fields in the Caspian Sea. Currently, one field is producing more than 125,000 barrels of crude oil per day. With negotiations now concluded for the Baku-Tbilisi-Ceyhan pipeline route — and formal signing of an agreement scheduled for May 2002 — field development is gaining momentum. AIOC expects to produce 200,000 barrels per day when the new pipeline begins operation, scheduled for early 2005. By 2007, AIOC production is expected to rise to 650,000 barrels of crude oil per day.

**LONGER-TERM GROWTH OPPORTUNITIES**

Trident is the first Unocal-operated deepwater discovery in the Gulf of Mexico. The discovery well, completed in July 2001, encountered 300 feet of hydrocarbon-bearing pay section. Results of the first appraisal well, announced in January 2002, confirmed the quality of the reservoir and the crude oil. We are very encouraged by these results. We estimate unrisked gross resource potential at 200 to 600 MMBOE. Unocal's working interest is 59.5 percent.

**Two Phase Construction Project, Deep Water, Indonesia**



**West Seno Field Development**

**Capacity:** 60,000 barrels of oil per day/150 MMCF of gas per day

**Start of production:** 2Q 2003

**Project Scope:**

- 48 to 52 development wells
- 2 tension-leg platforms
- 1 floating production unit
- Pipeline to storage terminal at Santan
- Natural gas tie-in to Bontang LNG (liquefied natural gas) complex

A tension-leg platform (TLP) is a floating structure attached to the seabed with steel tethers. Production wells are drilled from the TLP and are completed at the surface.

Trident was drilled in nearly 10,000 feet of water by the *Discoverer Spirit* drillship. We have a remaining three-year commitment for this rig and have now subleased it to another operator for a minimum 200-day term. This reduces Unocal's exploration costs while we analyze the data we have on Trident to prepare for another appraisal well late in the year. We are also reviewing additional opportunities to drill new prospects.

In Indonesia's deep water, we are extremely encouraged by the Ranggas discovery, which we announced in January 2001. Ranggas will allow commercialization of the Rapak PSC, in which Unocal holds an 80 percent working interest. We drilled two appraisal wells in 2001 and plan three more for 2002. We estimate an unrisks discovery volume of 350 to 650 MMBOE, with a significant amount of crude oil in the mix. We believe this could be Unocal's second large oil field offshore East Kalimantan, following Attaka, our first discovery in Indonesia. Attaka started production in 1972 and, early in 2001, passed its 600-million-barrel cumulative gross production milestone. (Unocal's working interest is 50 percent.)

We have identified several additional prospects on trend with the Ranggas discovery in the Kutei Basin deep water. We expect to test three of these prospects in 2002 and may drill in one of two additional deepwater PSC areas we added to our Indonesian portfolio in 2001.

We also plan to participate in three deepwater wells offshore Brazil in 2002.

## AIOC Development Project



Proposed Pipeline		AIOC Contract Area	
<b>Route</b>	Baku—Tbilisi—Ceyhan	<b>•</b>	3.5 to 5.3 billion barrels of oil recoverable by 2024
<b>Length</b>	1,080 miles (1,740 km)	<b>•</b>	"Early oil" project now producing 125,000 barrels of oil per day
<b>Capacity</b>	1 million barrels per day	<b>•</b>	Unocal has 10.28% interest
	First oil delivery planned 1Q 2005	<b>•</b>	650,000 barrels of oil per day expected by 2007

## PROGRESS ON MAJOR ASIAN GAS PROJECTS

Unocal has interests in several extensive natural gas resource opportunities in Bangladesh, Indonesia, Thailand and Vietnam that either await market development or require further negotiation and agreement before they can go forward. We estimate gross resource potential of more than 13 trillion cubic feet of natural gas, in which Unocal's working interests average about 60 percent.

- In Bangladesh, Unocal produces natural gas for the domestic market. We are working toward supplying markets in neighboring India once export agreements can be reached with the government.
- In Vietnam, we conducted a successful drilling campaign offshore in 2001. In 2002, we will begin the reserves certification process with the government of Vietnam. Preliminary commercial discussions with the government are under way, along with feasibility studies to bring the gas to market.
- Development of gas resources in the deep water of Indonesia and in new areas in the Gulf of Thailand will be timed to meet future market demand.

In addition, Unocal is negotiating for a 20 percent participation in the Xihu Trough development offshore China in 2002. This project would provide natural gas to supply energy for Shanghai and surrounding areas.

## RFG PATENT UPDATE

Under the Federal Clean Air Act, reformulated gasoline (RFG) is now required in many parts of the United States and comprises about one-third of all gasoline sold. Unocal holds five patents for RFG formulations that were developed from Unocal's extensive original research into the emission characteristics of automobile fuels. Major refiners have continued to challenge Unocal's patents in the Federal courts since 1995, and the validity of Unocal's original patent has been upheld repeatedly by those courts that have reached a final decision. More recently, these refiners have directed their challenges to the Patent and Trademark Office and the Federal Trade Commission.

Unocal has granted eight licenses for production of RFG based on our patented formulations and is currently in negotiations with another refiner. The company's uniform licensing schedule specifies a range from 1.2 to 3.4 cents per gallon for volumes that fall under the Unocal patents. As the licensee uses our compositions more frequently, the rate per gallon is reduced. This should add less than a penny per gallon to the costs of RFG nationwide, a cost-effective alternative that provides cleaner-burning gasolines to benefit both consumers and refiners.



## PUTTING OUR VALUES INTO ACTION

Fundamental to our vision “to improve the lives of people wherever we work” is the management of risk – to human life, the environment, our operations, and our business. At Unocal, we introduced the Operations Management System (OMS) in 1999 to place more emphasis on the management of risk and make it an integral part of how we work day-to-day.

The frequency of lost or restricted workday incidents and medical-treatment cases for employees, one of our performance measurement tools, declined in 2000 and 2001. This indicates that our efforts placed on safety and environmental programs and on OMS are getting results. Several of our business units had no lost workday cases in 2001, including our oil and gas operations in Indonesia. Our operations in Thailand have experienced only one lost workday case since November of 1998.

Employees in our oil and gas business in Indonesia received national recognition for their safety record, as did employees in our geothermal business in the Philippines. Also in 2001, our operations in the Central Gulf of Mexico received the U.S. Minerals Management Service Safe Award; Unocal Alaska and its drilling partner were honored by the International Association of Drilling Contractors for safe offshore operations; and four Unocal-operated pipeline companies received 15 American Petroleum Institute safety awards.

Over the past two years, we have also worked to enhance how we practice corporate responsibility throughout company operations. In 2001, we expanded the Unocal Foundation’s funding focus to allow a more global range of grant-making, support the company’s community relationships and foster sustainable economic development. We are working to provide more behind-the-scenes support for the many Unocal employees who lend a hand in their own communities in diverse ways, including building homes for the homeless, mentoring young people, and helping victims of natural disasters.

We are also building relationships with communities and stakeholders in alignment with Unocal’s business strategies. Various multi-year projects were launched in 2001 with skilled partners in areas where we operate around the world. Through these partnerships we seek to strengthen communities by providing public health services, improving education, preserving habitat and species, encouraging entrepreneurship, and offering technical assistance.

## LEADERSHIP TEAM CHANGES

At the end of October 2001, I succeeded John W. (Jack) Creighton, Jr., as Chairman of Unocal’s Board of Directors. As non-executive chairman, Jack provided invaluable leadership to help Unocal capture value from its growth portfolio. The other directors and I are pleased that Jack remains on the board to give us the benefit of his counsel and experience.

In May 2001, Charles R. Larson was elected to the board. We welcome his 40 years of experience in the United States Navy, including service as Commander-in-Chief of the U.S. Pacific Command and as Superintendent of the U.S. Naval Academy at Annapolis.

## LOOKING FORWARD

Unocal’s Management Committee seeks to set a high standard of collaborative leadership for the company. I serve on this committee with Tim Ling, President and Chief Operating Officer, and Terry Dallas, Executive Vice President and Chief Financial Officer. As we begin our second year in our current roles for Unocal, we believe even more deeply that the team-based, knowledge-sharing work environment is the right fit for our multi-faceted, multi-national company. At all levels in our company, teamwork allows us to benefit from a broad combination of experience, knowledge and perspectives on the dynamic enterprise of finding and developing the world’s energy resources.

It’s been an exciting year for Unocal. The company’s 112-year legacy of innovation and determination has provided us with a solid asset base to build on. Major new projects are beginning to add to our production and reserves after years of effort. Unocal employees are developing new ideas and putting them into action to keep our company on track for profitable growth. We are working to make Unocal the premier exploration and production company in the global energy industry.



Charles R. Williamson  
Chairman and Chief Executive Officer  
March 15, 2002



From left to right: Tim Ling, Chuck Williamson and Terry Dallas

## Corporate Governance

Unocal's system of corporate governance emphasizes the Board of Directors' effectiveness, independence and ability to evaluate corporate and management performance. It includes the following:

1. Eight of ten directors are independent.
2. The Board Governance Committee, composed of non-employee directors only, is charged with the responsibility of advising the board on all board governance matters, including: recommending the composition, role, structure and procedures of the board; recommending the appointment, composition and responsibilities of the committees of the board; and identifying and presenting qualified candidates for election and re-election as directors.
3. The Accounting and Auditing Committee, the Corporate Responsibility Committee, and the Management Development and Compensation Committee also consist entirely of non-employee directors.
4. The Management Development and Compensation Committee annually evaluates the performance of the CEO and senior management.
5. The board reviews succession planning and management development at least annually.
6. Compensation for executive officers is linked to share-price performance, operating objectives and other factors including adherence to the company's code of conduct.
7. The schedule and length of board meetings allow sufficient time for in-depth discussions, analysis and strategic planning.
8. Non-employee directors meet privately at least once a year.
9. The board meeting format is designed to allow interaction between directors and the company's management.
10. The company ensures the confidentiality of stockholder votes.
11. The board reviews its performance periodically.
12. The board sets the corporate governance principles and reviews them at least annually.
13. The board has the right to hire its own outside advisors.
14. Directors must retire from the board on the day of the Annual Meeting of Stockholders following their 72<sup>nd</sup> birthday.

## Board of Directors

**Charles R. Williamson**, Director since 2000  
Chairman and Chief Executive Officer, Unocal Corporation

**John W. Amerman**, Director since 1991  
Former Chairman and Chief Executive Officer, Mattel, Inc. (children's toys)

**John W. Creighton, Jr.**, Director since 1995  
Chairman and Chief Executive Officer, UAL, Inc. (United Airlines)

Former President and Chief Executive Officer, Weyerhaeuser Company (forest products)

**James W. Crownover**, Director since 1998  
Former Director, McKinsey & Company, Inc. (management consulting)

**Frank C. Herringer**, Director since 1989  
Chairman of Transamerica Corporation (financial services)

**Charles R. Larson**, Director since 2001  
Former Commander-In-Chief, U.S. Pacific Command, United States Navy

**Timothy H. Ling**, Director since 2000  
President and Chief Operating Officer, Unocal Corporation

**Donald B. Rice**, Director since 1998  
Chairman, President, Chief Executive Officer and Co-Founder, Agensys, Inc. (biotechnology)

**Kevin W. Sharer**, Director since 1997  
Chairman, Chief Executive Officer and President, Amgen, Inc. (biotechnology)

**Marina v.N. Whitman**, Director since 1993  
Professor of Business Administration and Public Policy, University of Michigan

## Executive Officers

**Charles R. Williamson**, Chief Executive Officer

**Timothy H. Ling**, President and Chief Operating Officer

**Terry G. Dallas**, Executive Vice President and Chief Financial Officer

**Dennis P. R. Codon**, Senior Vice President, Chief Legal Officer and General Counsel

**Joe D. Cecil**, Vice President and Comptroller

**Douglas M. Miller**, Vice President, Corporate Development

## STOCK AND TRANSFER AGENT

Please contact Mellon Investor Services for information about:

- the Dividend Reinvestment and Common Stock Purchase Plan
- direct deposit of dividends
- consolidation of multiple accounts
- lost certificates
- change of address
- other matters regarding your stock ownership

Mellon Investor Services LLC  
85 Challenger Road  
Ridgefield Park, NJ 07660  
www.melloninvestor.com

U.S. Stockholders: (800) 279-1249  
TDD for Hearing Impaired: (800) 231-5469  
Foreign Stockholders: (201) 329-8660  
TDD Foreign Stockholders: (201) 329-8354

## PRINCIPAL STOCK EXCHANGES

Unocal's Common Stock is listed on the New York and Swiss stock exchanges.



## INVESTOR RELATIONS

Unocal's contacts with the security analyst community are through:

Robert E. Wright in El Segundo  
Vice President, Investor Relations  
Telephone: (310) 726-7665  
Fax: (310) 726-7818  
investor\_relations@unocal.com

Ron J. Morin in New York  
Manager, Investor Relations  
Telephone: (212) 582-2520  
Fax: (212) 582-2670  
ronaldm@unocal.com

Nancy A. Murachanian in El Segundo  
Senior Analyst, Investor Relations  
Telephone: (310) 726-7717  
Fax: (310) 726-7818  
nmurachanian@unocal.com

## STOCKHOLDER SERVICES

To request printed copies of company reports, earnings news releases or other information, contact:

Unocal Stockholder Services  
2141 Rosecrans Avenue, Suite 4000  
El Segundo, California 90245  
Telephone: (800) 252-2233  
Fax: (310) 726-7682  
E-mail: stockholder\_services@unocal.com

## COMPANY DESCRIPTION

Unocal Corporation is the parent of Union Oil Company of California. Virtually all operations are conducted by Union Oil Company of California, which does business as Unocal, and its subsidiaries. The name Unocal is used for Unocal Corporation and its subsidiaries in this report.

## CORPORATE RESPONSIBILITY AT UNOCAL

A Progress Report: 2000-2001

This new brochure has been posted on our web site and is also available by request to Stockholder Services.

## WWW.UNOCAL.COM

Unocal's web site provides frequently updated information about the company and its activities.

- Unocal news releases, including quarterly earnings results
- Unocal Annual Report
- Unocal Proxy Statement
- Quarterly Fact Book
- Production Forecast
- Webcasts and transcripts of quarterly earnings conference calls
- Investment community presentations
- Links to the company's SEC filings
- Profiles of company activities around the world
- Investor calendar
- E-mail subscription news service

## NOTE RE PRODUCTION SHARING CONTRACTS

Under the terms of production sharing contracts in Indonesia, Bangladesh, Myanmar, Vietnam and Azerbaijan, Unocal subsidiaries, as contractors to the national oil companies, are entitled to varying shares of the oil and gas produced from commercial discoveries.

## FORWARD-LOOKING STATEMENTS

Forward-looking statements and estimates of oil and gas production, reserves, discovery volumes, resource potential, exploration and development activities, and other future financial and operating results in this report are based on assumptions concerning operating, market, competitive, regulatory, environmental and other considerations. Actual results could differ materially, as a result of factors discussed on pages 51-53 of the 2001 Annual Report on Form 10-K, which is bound into this document.

## DEFINITIONS OF DISCOVERY VOLUMES, RECOVERY POTENTIAL AND RESOURCE POTENTIAL

The terms "discovery volumes," "recovery potential" and "resource potential," which may be modified as "risky" or "unrisky," represent speculative estimates of the ultimate recovery of crude oil and/or natural gas and natural gas liquids, including non-proved resources and exploration potential, based on engineering, geophysical and geological studies, and may include market risk.

## CAUTIONARY NOTE TO U.S. INVESTORS

The U.S. Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. Unocal uses certain terms in the CEO's "Report to Stockholders," such as "discovery volumes," "recovery potential," and "resource potential," that the SEC's guidelines strictly prohibit us from including in filings with the SEC. U.S. investors are urged to consider closely the disclosure in Unocal's 2001 Annual Report on Form 10-K, which is bound into this document.



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El Segundo, California 90245  
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