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Memorandum
Molycorp, Inc.

UNOCAL 76

MOLYCORP

August 31, 1994

US Nuclear Regulatory Commission
Mail Stop TWFN 7F27
Washington, DC 20555

Attention: Mr. John H. Austin

RE: GUARANTEE TO DEMONSTRATE FINANCIAL RESPONSIBILITY FOR DECOMMISSIONING ACTIVITIES
US NRC LICENSE NO. 5MB-1393

Dear Mr. Austin:

Enclosed is documentation from Molycorp, Inc.'s parent company, Union Oil Company of California, demonstrating financial responsibility for decommissioning activities at the Washington, Pennsylvania site. The guaranteed amount of $8 million covers four possible decommissioning scenarios. Attached is a three page report briefly describing these decommissioning alternatives and their associated costs.

Sincerely,

Barbara K. Dankmyer
Resident Manager

xc: C. Glenn
J.M. Beath (w/o attach)
D.R. Shoemaker (w/o attach)

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Decommissioning Alternatives and Associated Costs for Unocal Molycorp's Washington, PA Site

This report estimates costs for four decommissioning alternatives Molycorp is considering for its Washington, PA plant. Site characterization is currently underway at the facility. Field work will be completed by September 1994 and results will be forwarded to the United States Nuclear Regulatory Commission (US NRC) by December 1, 1994. Costs listed in this report are based on incomplete site characterization data and will be revised after the results of the characterization have been analyzed.

The decommissioning alternatives in this report should not be construed as the only options Molycorp is considering or is willing to consider. Molycorp will submit its decommissioning plan with revised cost estimates to the US NRC on or before April 1, 1995.

Assumptions

The following assumptions were used to estimate costs for decommissioning alternatives:

- The volume of low level radioactive waste (LLRW) on site is 500,000 cu. ft. The pile on the southern area of the property contains 250,000 cu. ft.; there is an additional 250,000 cu. ft. spread throughout the soil of the operating site.

- The level of clean up is assumed to meet Option 1 of the Branch Technical Position (BTP) "Disposal or Onsite Storage of Thorium or Uranium Wastes from Past Operations" (46 FR 52601; October 23, 1981) from the surface to a depth of one foot and to meet Option 2 of the BTP at depths below one foot.

- Clean up costs will be nominally the same for each disposal option.

Clean-up Costs

Clean up costs will be incurred when the 250,000 cu. ft. of LLRW spread throughout the soil of the operating site is collected for disposal. Clean up will include removal of the soil from the contaminated areas defined by the site characterization. The soil and other non-radioactive slags will be separated from the LLRW by an automatic or manual system utilizing the differences in gamma emission. Clean-up is estimated to cost $3,000,000.

Disposal Options

Molycorp is studying the following disposal options:

- disposal in an Unocal owned mine in the western United States;
- disposal in an Unocal owned mine in Pennsylvania;
- export as a raw material to Brazil;
- engineered closure on site.

Molycorp has not listed a commercial site as an option at this time because of the concern for being included in a radioactive superfund site in the future. However, commercial sites will be investigated for liability and potential future use prior to the submittal of the decommissioning plan for the US NRC in April, 1995.

The costs estimated for disposal in a mine in the western United States will include preparation of the mine, transportation to the mine, unloading and storage in the mine, and mine closure. Preparation and closure of the mine are estimated to cost $500,000. Transportation to the mine in the western United States from Washington, PA is estimated to cost $2,500,000. This estimate is based on transporting the slag in 1,250 truckloads at a charge of $2,000 per truckload. Costs for unloading the material are estimated at $250,000. The total estimate for this option including clean up costs is $6,250,000.

The costs estimated for disposal of a mine in Pennsylvania will include the purchase, preparation, and closure of the mine, as well as transportation and unloading charges. Mineral rights and surface land will probably have to be purchased from separate parties. Purchasing, preparing, and closing a mine in Pennsylvania is estimated to cost $1,500,000. Transportation to the mine should not exceed $1,000,000. Costs for unloading and placing the material in to storage will be approximately $250,000. The total decommissioning costs for this option including clean up are $5,750,000. An environmental impact study may need to be completed prior to using this option. This study would add approximately $1,000,000 to $1,500,000 to decommissioning costs.

Bench scale tests have successfully extracted thorium and columbium compounds from the low level radioactive slag. If the process is economically viable, a Brazilian company may wish to receive the slag for processing.

Transportation to Brazil would include truck shipment to a port for ocean transfer to Brazil. Transportation costs from Washington, PA to Araxa, MG, Brazil are estimated at $4,500,000. Costs for pilot testing and assisting a Brazilian company to set up processing facilities are estimated at $500,000. The total estimate for this option including clean up costs is $8,000,000.

The final disposal option in this report involves seeking engineered closure on site. This would include public hearings and preparation of an environmental impact statement costing $1,000,000. An engineered closure is estimated at $2,500,000. The total costs for this option are estimated at $6,500,000.

Union Oil Company of California 22B

Union Oil Center, Box 7600, Los Angeles, California 90051

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August 31, 1994

Nuclear Regulatory Commission
Mail Stop 5E2
Washington, DC 20555

Attention: Mr. John H. Austin

RE: LETTER FROM CHIEF FINANCIAL OFFICER AND GUARANTEE TO DEMONSTRATE FINANCIAL RESPONSIBILITY FOR DECOMMISSIONING ACTIVITIES, LICENSE NO. 5MB-1393

Dear Mr. Austin:

I am the Chief Financial Officer of Union Oil Company of California ("Union Oil" or the "Parent"), 1201 West 5th Street, P.O. Box 7600, Los Angeles, California 90051. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage for decommissioning activities as specified in the Nuclear Regulatory Commission (the "Commission") regulations 10 C.F.R. Section 40.36 and Appendix A of 10 C.F.R. Part 30.

Union Oil guarantees, through the guarantee specified in Appendix A, 10 C.F.R. Part 30, liability coverage for decommissioning activities at the following facility operated by Molycorp Inc. (the "Licensee"), a direct subsidiary of Union Oil:

Molycorp, Inc., Washington Plant
P. O. Box 500, Washington, PA 15301
Decommissioning Activities: $8 million

The guarantee will remain in force unless the Union Oil sends notice of cancellation by certified mail to Molycorp and the Commission. Union Oil agrees that the cancellation may not occur during the 120 days beginning on the date of receipt of the notice of cancellation by both Molycorp and the Commission, as evidenced by the return receipts.

If Molycorp fails to provide alternate financial assurance as specified in the Commission's regulations within 90 days after receipt by Molycorp and the Commission of a notice of cancellation of the parent company guarantee from Union Oil, Union Oil will provide such alternative financial assurance in the name of the licensee.

The parent company guarantee and financial test provisions will remain in effect until the Commission has terminated the license or the guarantor cancels its guarantee as specified herein.

The financial test criteria as specified in Appendix A, 10 C.F.R. Part 30, II Financial Test, paragraph A.2 is shown below:

Amount of liability coverage for decommissioning costs to be demonstrated $ 8,000,000

The Parent must have:

1. A current rating for its most recent bond issuance of AAA, AA, A, or BBB as issued by Standard and Poor's or Aaa, Aa, A, or Baa as issued by Moody's.

   Standard and Poor's rating for the most recent bond issues is BBB.

2. Tangible net worth must be at least six times the current decommissioning cost estimates. (Must be at least $48 million)

   Tangible net worth $3,114 million

3. Tangible net worth of at least $10 million.

   Tangible net worth $3,114 million

4. Assets located in the United States must be at least 90 percent of total assets or at least six times the current decommissioning cost estimates.

   Total assets $9,267 million

   Are at least 90 percent of assets located in the U.S.? Yes___ No _X_

   Total assets in the U.S. (Must be at least $48 million) $7,726 million

Union Oil meets the financial test criteria and qualifies as a parent guarantor.

Sincerely,

Neal E. Schmale
Chief Financial Officer

RAJ/word: FA-NRC94.doc

Attachments:

1. Copy of Specified Report from Independent Certified Public Accountant.

2. Union Oil Company of California 1993 Form 10-K, which includes the Audit Report from Independent Certified Public Accountant on audit of financial statements for the latest completed fiscal year, ended December 31, 1993.

Coopers & Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

350 South Grand Avenue
Los Angeles, California
90071-3405

telephone (213) 356-6000

facsimile (213) 356-6363

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REPORT OF INDEPENDENT ACCOUNTANTS

August 31, 1994

Union Oil Company of California
1201 West Fifth Street
Los Angeles, California 90017

We have audited the consolidated balance sheet of Union Oil Company of California and its subsidiaries (the "Company") as of December 31, 1993, and the related consolidated statements of earnings, cash flows and shareholder's equity for the year then ended, and have issued our report thereon dated February 14, 1994, which report appears on page 27 of the accompanying Annual Report on Form 10-K.

The Company has prepared documents in support of its use of the financial test to demonstrate financial responsibility for liability coverage for decommissioning activities as specified in the Nuclear Regulatory Commission regulations 10 C.F.R. Section 40.36 and Appendix A of 10 C.F.R. Part 30.

At your request, we performed the following agreed-upon procedures:

1. Read Appendix A of 10 C.F.R. Part 30. Such section sets forth the reporting requirements of the auditors of the Company pursuant to the Nuclear Regulatory Commission rules and regulations.

2. As to the following selected financial data required by Appendix A, 10 C.F.R. Part 30, II. Financial Test, paragraph A.2:

   A. We compared the amounts listed below as of December 31, 1993, to the aforementioned audited consolidated financial statements and related notes or to a schedule reconciling the amounts to the aforementioned consolidated financial statements and related notes.

   B. We compared the amounts as listed below to the Company's letter dated August 31, 1994.

Selected Financial Data
December 31, 1993
(Millions of Dollars)

Tangible net worth	$3,114
Total assets in the United States	$7,726

In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the above amounts should be adjusted.

It is understood that this report is solely for your information and is not to be referred to or distributed for any purpose to anyone who is not a member of management of the Company or its parent, Unocal Corporation, or the Nuclear Regulatory Commission.

Very truly yours,

Coopers & Lybrand L.L.P.

1993

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

_X_ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended December 31, 1993

or

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from _______ to _______.

Commission file number 1-554

UNION OIL COMPANY OF CALIFORNIA

(Exact name of registrant as specified in its charter)

CALIFORNIA (State or other jurisdiction of incorporation or organization)	95-1315450 (I.R.S. Employer Identification No.)
1201 West 5th Street, Los Angeles, California (Address of Principal Executive Offices)	90017 (Zip Code)

Registrant's Telephone Number, Including Area Code: (213) 977-7600

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes_X_ No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Shares of Common Stock outstanding as of March 15, 1994: 1,000

Registrant meets the conditions set forth in General Instruction J(1)(a) and (b) of Form 10-K and is, therefore, filing this form with the reduced disclosure format.

PART I

ITEMS 1 AND 2 - BUSINESS AND PROPERTIES

Union Oil Company of California (Union Oil) was incorporated in California on October 17, 1890, and is a wholly owned subsidiary of Unocal Corporation (Unocal or the Parent). Virtually all operations of Unocal are conducted by Union Oil which does business as Unocal. The terms "Union Oil" and "the company" as used in this report mean Union Oil Company of California and its consolidated subsidiaries except where the context indicates otherwise.

Union Oil is a fully integrated, high-technology energy resources company whose worldwide operations comprise many aspects of energy production. The company is principally engaged in the exploration for, and the production, transportation and sale of, crude oil and natural gas in the United States and foreign countries; and the manufacture, purchase, transportation and marketing of petroleum and selected chemical products. The company is also engaged in the exploration for, and the production and sale of, geothermal resources. Other operations include the production and marketing of specialty minerals, and real estate development and sales. In addition, the company conducts research programs in support of the above businesses.

Union Oil competes in a challenging business environment of global competition, political instability, rapid technological developments, volatile oil and gas prices, and rising costs of environmental regulations. In order to meet these challenges, the company has gone through many changes in recent years. The company has sold or shut down most businesses that were marginally related to its core activities or that were not a good strategic fit for Union Oil.

In 1993, management developed and implemented a ten-year plan for growth with a strategy firmly focused on Union Oil's basic business and core competitive strengths. The plan focuses on improving cash flow from operations and strengthening profitability. Union Oil expects to accomplish this plan primarily by increasing energy resource production and continuing to emphasize cost control and improvement in all areas of operations. During 1993, the company launched a three-year development program to accelerate the production of proved undeveloped reserves in the United States, primarily in the Gulf of Mexico. Union Oil's long-term growth strategy is to expand its extensive oil, gas and geothermal operations in Southeast Asia. Union Oil also expects to help develop the energy resources potential in the greater Middle East, including the Caspian Sea.

The company initiated the above plan as a result of significant progress made toward meeting the three goals management established in early 1992. These goals were: reducing total debt by $1.5 billion by May 1997; generating $700 million in after-tax proceeds from sales of nonstrategic assets by May 1994; and increasing annual after-tax contributions to cash flow by $200 million, also by May 1994. Since then, Union Oil has reduced its total debt by $1.2 billion, about 80 percent of the way toward the goal. The company is also 80 percent of the way toward meeting its two-year asset sales goal. At year-end 1993, $560 million in after-tax proceeds were generated from asset sales. The third goal has been accomplished by streamlining business organization and continuing to cut costs, reducing staff, consolidating offices and eliminating nonessential activities.

During 1993, the company sold its geothermal operations in the Imperial Valley of California, its national auto/truckstop system and its retail agricultural products business. Planned asset sales in 1994 primarily include oil and gas properties.

Union Oil's operations are principally divided into two divisions: the Energy Resources Division and the Petroleum Products and Chemicals Division.

The Energy Resources Division produces crude oil and natural gas, and its largest operations are located in Thailand and the Louisiana/Gulf of Mexico region. Other foreign producing locations include Indonesia, Canada and the Netherlands. Union Oil also produces geothermal fluids and steam to generate power in The Geysers in northern California, the Philippines, and soon on the island of Java in Indonesia. The company's current business developments include a gas development project offshore Myanmar and geothermal projects on the islands of Java and Sumatra in Indonesia. Union Oil is also pursuing an interest in a Caspian Sea oil development project offshore Azerbaijan.

The Petroleum Products and Chemicals Division principally converts basic energy resources into higher-value products. Union Oil operates three refineries in California and markets petroleum products in the western United States, Alaska and Hawaii. Union Oil holds a 50 percent interest in The UNO-VEN Company (UNO-VEN), a Midwestern refining and marketing company. Using natural gas as feedstock, the company manufactures nitrogen-based fertilizers in southern Alaska to supply markets in the western United States and Pacific Rim countries. Union Oil also produces and markets petroleum coke, lanthanides (rare earths), and specialty graphites.

Union Oil's net earnings, excluding the effects of accounting changes, were $344 million in 1993, up significantly from $197 million in 1992. The earnings increase was primarily due to higher domestic natural gas prices and production, improved margins for refining and marketing operations, lower exploration expenses, continued cost reductions, and lower interest expense. These gains were partially offset by lower crude oil prices. For a more detailed analysis of the company's financial results and information on capital expenditures, see Management's Discussion and Analysis under Item 7 of this report. Financial information relating to the company's business segments, geographic areas of operations, and sales revenues by classes of products is presented under Item 8 of this report.

PETROLEUM OPERATIONS

Oil and Gas Exploration and Production Activities

United States

The company holds approximately 1.1 million net acres of proven lands in 21 states. Most of these lands are located in Texas, Louisiana, California, Alaska, Oklahoma, New Mexico, and Montana. The company also holds approximately 1.8 million net acres of unproved lands in 26 states. Most of these lands are located in Alaska, Texas, Louisiana, California, Colorado, Michigan, Florida and Wyoming. Proved and unproved acreage in federal offshore exploration and production areas are included in the contiguous states.

Union Oil's domestic crude oil production comes principally from fields in Alaska (27%), California (25%), Texas (19%) and Louisiana (18%). Approximately 42% of domestic natural gas production is from offshore and onshore fields in Louisiana, with most of the balance coming from Texas (22%), Alaska (13%), California (8%), and Oklahoma (4%).

Union Oil has varying ownership interests in 26 natural gas processing plants located near major gas fields in the United States. The company operates 12 of these plants and has full ownership in four. At December 31, 1993, one plant operated by Union Oil and two plants operated by other companies were idle.

Most of the company's crude oil produced in the United States is either delivered to or exchanged for crude oil that is processed in the company's refineries. A substantial portion of the natural gas produced domestically is sold to third parties under contracts having a term of at least one year. Another large portion of the domestic gas production is sold to third parties in the spot market. The remainder is primarily used in the company's chemicals operations or as fuel in its refineries.

The following are highlights of Union Oil's domestic exploration and development activities in 1993:

Exploration Activities. Union Oil's exploration success rate in the Gulf of Mexico was 74 percent in 1993, with commercial hydrocarbons found in 20 of the 27 wells drilled in either unproved areas or untested formation within proved areas. The company has been active in the Gulf of Mexico for more than 50 years. In recent years, improved exploration techniques have revealed new oil and gas resources. In 1993, Union Oil completed extensive 3-D seismic coverage of its oil and gas fields along the Gulf Coast, yielding new finds in new fault blocks and deeper zones.

Offshore Texas, Union Oil development in the Brazos A-105 Block has brought new life to a field that, after 20 years on production, was nearing depletion. Development in a new, deeper zone is expected to increase field production to 150 million cubic feet of gas per day by April 1994. Union Oil is the operator with a 56.25 percent working interest.

Onshore, Union Oil logged new gas reserves in Fresh Water Bayou in Louisiana in January 1994. The discovery well, Louisiana Furs C-16, tested at a daily rate of 30.3 million cubic feet of gas and 192 barrels of condensate. The well was drilled to a total depth of 19,260 feet and was completed in a producing horizon below 17,500 feet. Production is expected to begin in mid-April once natural gas handling facilities are completed. Union Oil is the operator and holds a 50 percent working interest in the well.

Union Oil discovered gas at Felicia Creek in Liberty County, Texas, in January 1993 and brought a second well on production in December. The field's daily production averaged 8.8 million cubic feet of gas and 660 barrels of condensate in February 1994. Union Oil, the operator, holds a 50 percent interest in the 2,800-acre Area of Mutual Interest in which the field is located.

Development Activities. In 1993, the company launched a three-year accelerated drilling program to increase production of its extensive inventory of proven undeveloped oil and gas resources, primarily in North America. In the fourth quarter 1993, the drilling program began to pay off, with U.S. gas volumes up 10 percent compared with the fourth quarter 1992. Increased gas production in the Gulf of Mexico helped push Union Oil's U.S. production above 1 billion cubic feet per day in the fourth quarter 1993. Gulf operations account for more than a third of the company's worldwide gas production. In February, daily Gulf production of more than 664 million cubic feet of gas was the highest in 12 years.

In December 1993, Union Oil started production from a well on Mobile Block 904 offshore Mississippi. This is the company's first production from the Norphlet trend, a prolific deep gas play. At 22,400 feet, the well is one of the deepest Union Oil has drilled in the Gulf of Mexico. Daily production averaged 23 million cubic feet of natural gas in January 1994 and is expected to increase above 30 million cubic feet. Union Oil's interest is 100 percent. Nearby Mobile Block 861, brought on stream in February 1994, could add 30 million cubic feet per day. The company holds a 25 percent interest. Vermilion block 328 (50 percent interest), also brought on stream in February, is expected to produce 24 million cubic feet per day by June 1994.

Offshore Louisiana, Union Oil has a 50 percent interest in Garden Banks 191, on stream since November 1993. This field is expected to produce 160 million cubic feet of gas per day by October 1994. Union Oil also holds a 50 percent interest in Garden Banks 189, which achieved peak gas production of 69 million cubic feet per day in January 1994.

Development drilling will continue in the Chakachatna area of the Cook Inlet (Alaska). In 1994, four wells are planned to be drilled.

In central California, three 1992 natural gas discovery wells were placed on production after the completion of a pipeline. Union Oil's two 100 percent-owned wells produced at a combined rate of 10.7 million cubic feet per day after production began during December 1993. The other well, a farmout, produced at a rate of 3.2 million cubic feet per day. Union Oil's interest in the farmout well will be 34 percent after payout.

Foreign

Union Oil conducts production operations in six foreign countries: Thailand, Indonesia, Netherlands, United Kingdom, Canada and Zaire. The company sells most of the natural gas it produces overseas to third parties under long-term contracts. The crude oil and condensate produced overseas are primarily sold at spot market prices.

Thailand. Union Oil began natural gas production in Thailand in 1981 which has become a major operation of the company. In February 1994, Union Oil's cumulative gas sales from the Gulf of Thailand topped two trillion cubic feet.

The company's fields in the Gulf achieved record production – above 800 million cubic feet per day – in the first half of 1993. However, that level was reduced in July when another company began production from the Bongkot gas field, which also feeds into the main pipeline that carries gas from the offshore gas fields to Rayong on the country's eastern seaboard.

The Petroleum Authority of Thailand owns and operates the pipeline. The decrease in Union Oil production has been offset somewhat by the smaller Khanom pipeline, which started regular deliveries of gas to southern Thailand in February 1994. The reduced delivery levels will be eliminated after a second major pipeline to Rayong begins operation. The new pipeline is scheduled for completion in 1996.

The company's gross production averaged 747 million cubic feet of gas per day and 27,000 barrels of condensate per day in December 1993, and that rate is expected to increase slightly in 1994. Union Oil's working interests in the three contract areas in the Gulf of Thailand average 75 percent. The company's operations in Thailand currently have more than 1,100 employees and an average of 1,500 employees of contractors in its natural gas operation. Union Oil and its partners have spent more than $3.6 billion developing the offshore gas fields. Spending estimates for 1994 are approximately $280 million.

Union Oil will continue to develop its natural gas fields in the Gulf of Thailand to sustain production and prepare for future increases. The Jakrawan field came on production in December 1993, bringing to eight the number of gas fields Union Oil operates in the Gulf. Initial tests from the first production platform indicate that Jakrawan's daily production could peak at 60 million cubic feet of gas and 1,500 barrels of condensate. Development of a second platform should begin in late 1994 when the construction of a pipeline is underway.

New drilling platforms have been installed in the Erawan and Platong fields. Appraisal drilling in the Pailin field in the Gulf and exploration onshore in northeast Thailand continue.

Gas demand in Thailand is expected to continue its active growth over the next 10 to 15 years, providing a market for increased production from the Gulf and new supplies from neighboring countries. Union Oil and Total, the operator, have completed successful appraisal drilling in the Yadana gas field offshore Myanmar. Negotiations are under way to construct a pipeline and sell the gas to markets in both Myanmar and Thailand.

Indonesia. Union Oil began oil production in Indonesia in 1972 after the discovery of the Attaka field. The field's cumulative oil production reached 500 million barrels in May 1993. Through field extensions and new discoveries, Union Oil continues to increase the field's oil and gas production. In August 1993, a new platform was set in the Attaka field. Daily production from the platform averaged 12,000 barrels of oil and 8 million cubic feet of gas by January 1994, boosting Attaka's total daily production by more than 30 percent. The company's interest in Attaka is 50 percent.

The new Serang field, 12 miles from Attaka, began production in December 1993. The platform was set in 328 feet of water, a record depth for Indonesia. Production is expected to reach 16,000 barrels of oil per day and 30 million cubic feet of gas per day in 1994. Union Oil's interest in Serang is 100 percent.

Exploratory drilling is planned in the southeastern end of the Indonesian archipelago during 1994.

Canada. Net crude oil production averaged 16,500 barrels per day in 1993, down from 17,900 barrels per day in 1992. Daily production of natural gas was 42 million cubic feet, a 36 percent decrease from the 1992 level. The decreases were primarily the result of property sales.

Expansion of the gas storage facility at Aitken Creek in Northern British Columbia continued in 1993. The facility, the largest producer-owned gas storage in Canada, stores gas for delivery when needed to British Columbia, the Pacific Northwest and California. The facility can now deliver 250 million cubic feet of gas per day, up from 150 million cubic feet per day in 1992. Aitken Creek handled 36 billion cubic feet of gas in 1993, and the company's share was 16 billion cubic feet.

Netherlands. Offshore the Netherlands, the new Horizon oil field is now producing a total of 12,700 barrels (gross) daily from three wells. Daily production is expected to exceed 20,000 barrels in 1994 once three additional wells are drilled. Located in the Dutch North Sea's Block P/9, the Horizon platform began production in August 1993. The field was discovered in 1982. Union Oil's advances in horizontal drilling technology made field development economically possible. Horizontal wells are more productive than conventional wells because they can access more of the oil-bearing zones.

Gross production from the other four fields averaged 8,800 barrels per day in 1993, down from 10,600 barrels per day in 1992. The decrease reflects continued natural decline of the fields.

Union Oil holds an 80 percent working interest in all five fields.

United Kingdom. Gross production from the Heather field averaged 8,100 barrels of oil per day in 1993, a 16 percent decrease from a year ago. The field is in natural decline and is expected to cease production in 1995. Union Oil holds a 31.25 percent interest in this field.

Zaire. Gross production from five fields averaged 16,200 barrels of oil per day in 1993, compared with 18,900 barrels per day in 1992. The decrease was mainly due to natural decline. Union Oil holds a 17.7 percent interest in these fields.

Foreign Exploration and Other

Union Oil pursues exploration opportunities and business development projects to sustain the long-term growth of the company. The company's exploration activity in high-risk, high-potential wildcat areas is limited to projects that pass rigorous geo-technical and economic review. Union Oil has focused its exploration activities on about 15 trends worldwide. This assures concentration of technical talent and resources on the most promising trends with the highest potential value to the company.

Union Oil's business development group has focused on other opportunities where commercially attractive resources are known to exist and the challenge is to develop them effectively. Current activities to market confirmed gas resources offshore Myanmar and to seek a role in the development of significant oil and gas resources in the Caspian Sea reflect this strategy.

Negotiations are ongoing between the Republic of Azerbaijan and an international consortium of oil companies of which Union Oil is a member. These negotiations, if successfully concluded, represent major resource potential late in the decade. Although the geologic risk of the project is minimal and the technical challenges of development seem manageable, the political situation in the Caucasus region has not yet completely stabilized. Nevertheless, the region has clear interests in developing its major energy resources and offers many opportunities for Western expertise and capital to share the risks and economic rewards. Union Oil is prepared to join its partners in the preliminary stages of development once a firm, commercially attractive agreement with the government is reached.

In early 1993, Union Oil signed a petroleum exploration agreement with the Republic of Trinidad and Tobago for a frontier block 45 miles off the east coast of Trinidad. Later the company completed an extensive 3-D seismic survey. The company expects to spend at least $12 million in 1994 to explore the block. Union Oil currently holds a 100 percent interest in the block, which covers 486 square miles, with an average water depth of 300 feet. Under the terms of the agreement, the company will drill three wells. The company is currently seeking a partner to jointly explore the block.

In Syria the company plans to spend $9 million to drill two exploratory wells in 1994.

In light of the changing political climates and relationships between international oil companies and host governments in the foregoing and other parts of the world, including changes by producing countries in posted or tax-reference prices for crude oil, increases in tax rates (sometimes retroactively) and demands for increased participation in the ownership of operations, it is recognized that there could be changes in the status of Union Oil's activities in these and other foreign countries during the coming years.

Operating and Reserve Statistics

Set forth below are consolidated oil and gas reserve and operating data:

	1993	1992	1991
Net proved reserves at year end: (a)			
Crude oil and condensate - million barrels			
United States	483	506	529
Foreign	281	288	270
Total	764	794	799
Natural gas - billion cubic feet			
United States	3,727	3,831	4,043
Foreign	2,905	2,906	2,815
Total	6,632	6,737	6,858
Net daily production: (a)			
Crude oil and condensate - thousand barrels			
United States	148	151	156
Foreign	98	100	101
Total	246	251	257
Natural gas - million cubic feet			
United States	952	933	899
Foreign	647	647	624
Total	1,599	1,580	1,523
Natural gas liquids - thousand barrels			
Plant	4	5	5
Leasehold (b)	16	13	12
Total	20	18	17
Natural gas sales to public - million cubic feet daily			
United States	752	766	761
Foreign	670	661	629
Total	1,422	1,427	1,390

For additional information regarding oil and gas financial data, and oil and gas reserve data and its related present value of future net cash flow, see pages 48 through 53 of this report.

During 1993, certain estimates of underground oil and gas reserves were filed with the Department of Energy under the name of Union Oil. Such estimates were consistent with reserve data filed with the Securities and Exchange Commission.

(a) Includes net profit type agreements on a gross basis. Natural gas is reported on a wet gas basis; production excludes gas consumed on lease.

(b) Net of plant retention.

Oil and Gas Acreage

	As of December 31, 1993 (thousands of acres)			
	Proven Acreage		Prospective Acreage	
	Gross	Net	Gross	Net
United States	1,563	1,145	2,636	1,804
Far East	276	200	32,856	15,243
Other Foreign	270	148	7,663	4,572
Total	2,109	1,493	43,155	21,619

Producible Oil and Gas Wells

	As of December 31, 1993			
	Oil		Gas	
	Gross	Net	Gross	Net
United States	8,994	4,985	1,466	850
Far East	171	121	322	238
Other Foreign	1,528	636	450	311
Total	10,693	5,742	2,238	1,399

The company had 343 gross and 220 net wells with multiple completions.

Drilling in Progress

	As of December 31, 1993 Oil and Gas Wells	
	Gross	Net
United States	44	30
Far East	41	30
Other Foreign	12	6
Total	97	66

The company had ten secondary recovery projects in process of installation at December 31, 1993.

Net Oil and Gas Wells Completed and Dry Holes

	Productive			Dry		
	1993	1992	1991	1993	1992	1991
Exploratory						
United States	9	5	7	11	11	15
Far East	4	-	-	3	4	8
Other Foreign	1	-	-	4	4	9
Total	14	5	7	18	19	32
Development						
United States	164	155	140	7	8	6
Far East	60	68	44	4	4	1
Other Foreign	17	17	19	2	4	2
Total	241	240	203	13	16	9

Refining, Marketing and Transportation Activities

Refining

Union Oil owns and operates three refineries in California. The company also has a 50 percent interest in the Chicago Refinery (Illinois), which is operated by UNO-VEN.

The refineries manufacture a complete line of high-quality petroleum products and certain basic chemicals, including automotive and aviation gasolines, liquefied petroleum gases, naphthas and solvents, jet and turbine fuels, kerosine, diesel oils, automotive and industrial lubricating oils, waxes, asphalts, residual fuel oils and petroleum coke. Rated capacities of crude oil processing units for the four refineries are summarized below.

Refinery	Barrels Per Day
California	
Los Angeles-Wilmington and Carson plants	125,000
San Francisco	77,000
Santa Maria*	44,000
Illinois	
Chicago (equity share)	73,500

The Carson plant was purchased in 1991 and was fully integrated into Union Oil's refining system in 1992. During 1993, additional pipelines were completed to interconnect the Wilmington and Carson plants to increase the reliability and flexibility of refinery operations. Also, the company moved the main components of a gas-oil hydrotreater from its closed shale-oil facility in Colorado to the Carson plant. The company plans to install the hydrotreater during 1994. The new unit will increase hydrotreating capacity at Carson by nearly 30 percent, thereby boosting its gasoline production.

Union Oil's California refining system operates in a difficult business climate, primarily because of increasingly stringent environmental regulations. Reformulated gasoline, manufactured to Environmental Protection Agency (EPA) standards, must be available for sale by January 1995 in compliance with the Federal Clean Air Act Amendments of 1990. By March 1996, the more stringent California Air Resources Board (CARB) standards take effect in California. Union Oil will complete EPA gasoline manufacturing facilities at its Los Angeles refinery in the fourth quarter of 1994. Construction of facilities to produce CARB gasoline is scheduled for completion at the Los Angeles and San Francisco refineries in late 1995.

Union Oil expects to spend approximately $210 million in 1994 and $175 million in 1995 to modify its refineries in order to produce these reformulated fuels. The goal is to maximize production of reformulated fuels while controlling costs.

In the third quarter of 1993, Union Oil began producing diesel fuel to meet CARB requirements. Through an innovative approach, the company was able to start production of the CARB formulation with relatively modest capital expenditures.

Union Oil's Los Angeles Refinery only suffered minor damage when a major earthquake hit Southern California on January 17, 1994.

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* Produces unfinished products for further processing at the company's San Francisco and Los Angeles refineries.

The company's input to crude oil processing units and refinery production data, including its equity portion of UNO-VEN, are shown below.

	1993	1992	1991
	Thousand Barrels per day		
Input to crude oil processing units			
Crude oil	273	269	247
Other materials	15	17	16
Total	288	286	263
Refinery production			
Gasoline	158	152	152
Kerosine, heating oil and diesel fuel	72	72	69
Fuel oil	19	24	31
Other products	68	64	45
Total	317	312	297

Marketing

Union Oil markets gasoline and other refined petroleum products in the United States under the "Unocal 76" trade name. Gasoline is marketed, directly or through jobbers and marketers, to consumers at retail service stations. Substantially all retail outlets, including locations owned and leased by the company, are operated by independent dealers. The retail outlets also sell branded tires, batteries and other automobile accessories.

In addition, jet fuels, diesel fuel, lube oil, and heavy fuel oil are marketed to commercial users. The company's crude supply and transportation group also markets crude oil produced by Union Oil or purchased from others.

West Coast. Union Oil's retail marketing on the West Coast covers seven states: California, Arizona, Nevada, Hawaii, Washington, Oregon and Alaska. The company has about a 13.5 percent market share in the greater Los Angeles metropolitan area which represents one of the world's largest regional gasoline markets. The West Coast marketing network includes 236 wholesale marketing stations and terminals, and approximately 1,500 service stations.

Over several years, Union Oil has worked to strengthen its retail marketing effort. In October 1993, the company introduced co-branded, no-fee Visa and Mastercard credit cards. Card users earn a one percent rebate on all purchases, credited monthly against purchases from Unocal 76 stations. By March 1994, Associated National Bank of Delaware had opened more than half a million co-branded accounts. Union Oil continues to offer its private label card, with 1.4 million active accounts. Union Oil plans to outsource the data processing of its private label credit card program. Union Oil signed an agreement with First Data Resources to handle the processing at its center in Tulsa, Oklahoma. The move is expected to occur during the second quarter of 1994.

The company is also investing in improved technology at its service stations. A satellite-based electronic point-of-sale system installed at 900 stations will speed credit card transactions and reduce their cost. By the end of 1994, nearly 330 service stations are scheduled to have card readers in the gasoline dispensers.

The company continues its low-cost programs to help its independent dealers increase station volumes. These include improving service station appearance and lighting, and surveying customers to identify ways to improve the quality of service.

Southeast Marketing and Auto/Truckstops. At the end of 1993, Union Oil has substantially completed the phase-out of its marketing operations in the southeastern United States. Union Oil has lube oil terminals and blending operations in Savannah, Georgia, which have been integrated into the company's system.

In early 1993, the company completed the sale of its national auto/truckstop system to National Auto/Truckstops, Inc. (National) for approximately $180 million. The sale included the transfer of 140 branded facilities of which 97 were Union Oil-owned locations. National markets its products under the "76" trade name.

The company's sales volumes of refined products, crude oil and natural gas liquids, including its equity portion of UNO-VEN, are as follows:

	1993	1992	1991
	Thousand Barrels Per Day		
Petroleum Products			
Gasoline	194	235	266
Kerosine, heating oil and diesel fuel	93	121	126
Fuel Oil	13	17	28
Other products	45	44	16
Total	345	417	436
Crude Oil			
Sales	375	414	434
Purchases	371	421	478
Natural gas liquids	22	24	21

The decline in sales volume from 1991 was principally due to the phase-out of the company's marketing operations in the southeastern United States.

Transportation

Union Oil's petroleum supply and transportation operations provide important support functions, keeping refineries supplied with feed stocks and transporting products to market. A substantial part of Union Oil's crude oil production and purchases is transported to the company's refineries or to selling locations by approximately 8,700 miles of raw material pipelines which Union Oil owns, wholly or partially, or leases. Union Oil also has interests in approximately 7,400 miles of refined product pipelines, either owned or through 17 joint venture pipelines. The company has a 20.75 percent interest in the Colonial Pipeline Company. The Colonial system runs from Texas to New Jersey, and transports a significant portion of all liquefied petroleum products consumed in its 13-state market area.

Unocal Pipeline Company, a wholly owned subsidiary, has a 1.36 percent participation interest in the Trans-Alaska Pipeline System (TAPS), which transports crude oil from the North Slope of Alaska to the port of Valdez in Alaska. In 1993, TAPS oil throughput averaged 1.7 million barrels per day, of which Union Oil's share was approximately 23,000 barrels per day.

Union Oil's marine fleet at year-end 1993 consisted of one crude oil tanker, two refined product tankers and one chemical product tanker. The company also has an extensive fleet of product tank trucks.

The UNO-VEN Company (UNO-VEN)

UNO-VEN, a refining and marketing partnership in the Midwest, owns the Chicago Refinery, 12 product terminals, 4 lubricant terminals and a lube oil blending and packaging plant. UNO-VEN has a long-term crude oil supply agreement with a subsidiary of Petroleos de Venezuela, S.A. (PDVSA) which provides 135,000 barrels per day of Venezuelan crude as feedstock for the refinery through the year 2009. All products produced from its refinery operations are marketed under the "76" trade name. UNO-VEN supplies, directly or through jobbers and marketers, approximately 2,670 service stations and 51 truckstops. UNO-VEN's wholesale marketing and bulk distribution network consists of 250 stations.

UNO-VEN is an Illinois general partnership. The managing general partners, each with a 50 percent interest, are Midwest 76, Inc., a subsidiary of Union Oil, and VPHI Midwest, Inc., a Venezuela Petroleum Holdings, Inc. (VPHI) subsidiary. VPHI is a subsidiary of PDVSA.

CHEMICALS & MINERALS OPERATIONS

Union Oil is involved in the production and marketing of agricultural, carbon and mineral products. These businesses are divided into two groups described below.

Agricultural Products. This group principally manufactures and markets nitrogen-based fertilizers for wholesale markets. Union Oil is a major fertilizer supplier for U.S. farmers west of the Rockies and to the Pacific Rim markets.

In February 1993, the company's wholly owned subsidiary, the PureGro Company, sold its remaining 33 agricultural retail outlets, primarily in the western United States.

Union Oil's primary fertilizer manufacturing plants, located in Kenai, Alaska, produce ammonia and urea for agricultural applications using natural gas as feedstock. The natural gas comes primarily from nearby Union Oil-operated fields. This operation is supported by a system of West Coast terminals, and product upgrading plants in Kennewick, Washington, and West Sacramento, California.

Union Oil's agricultural products operations faced major challenges with China's reduction in urea imports and increased exports of ammonia and urea from former Soviet republics. However, by year-end 1993, production in the former Soviet republics was diminishing and markets began to return to the pre-1993 balance. While domestic markets were impacted by the international market, Union Oil serves a stable, mature market for nitrogen fertilizers in the western United States.

In May 1993, Union Oil completed its first shipment since 1974 to Vietnam. The Kenai plant shipped 18,000 tons of urea, primarily for rice cultivation. This market is expected to grow as a result of the normalization of U.S.-Vietnam trade relations announced in February 1994.

Carbon and Mineral Products. Green petroleum coke, a by-product of refining operations, is calcined for use in aluminum production and other industrial applications. Green sponge coke is also sold in the United States and overseas as fuel. Calcining plants are located adjacent to Union Oil's Santa Maria and San Francisco refineries and UNO-VEN's Chicago Refinery.

Petroleum coke sales were reduced in 1993 because of the recession in the aluminum industry. Increased coke sales for chemical reduction processes and fuel partially offset the decline.

The Needle Coker Company, a joint venture equally owned by Union Oil and UNO-VEN, produces calcined needle coke at facilities adjacent to UNO-VEN's Chicago Refinery. Needle coke is a high quality petroleum coke used to make graphite electrodes for the production of steel in electric arc furnaces.

Through its wholly owned subsidiary, Poco Graphite, Inc., the company manufactures premium graphite materials for use in electrodes, semiconductors, biomedical products and other advanced technologies. The subsidiary experienced its seventh consecutive year of sales growth. Construction is under way to expand the company's manufacturing capacity in Decatur, Texas.

Union Oil's mineral operations are carried out by Molycorp, Inc., a wholly owned subsidiary, which mines, processes and markets lanthanides. It operates a lanthanide mine and mill, and a chemical plant at Mountain Pass, California. Lanthanide elements have a variety of applications in industrial and electronic products, including high-strength magnets, television phosphors, and auto and refining catalysts. Lanthanide markets have become highly competitive over the past 10 years with the entry of suppliers from China, Japan and Eastern Europe. Molycorp continued to focus its production on high-quality cerium of which demand is growing for use in automobile catalytic converters and glass to help filter ultraviolet radiation.

Molycorp also owns an approximate 45 percent interest in CBMM, a Brazilian company which is the world's largest niobium producer. Niobium is used as a hardening agent in steel.

Operations have been suspended at Molycorp's molybdenum mine and mill at Questa (New Mexico), its molybdenum roasting facility in Washington (Pennsylvania), and its lanthanide processing facilities at Washington and York (Pennsylvania) and Louviers (Colorado).

The company's production of ammonia, processed sponge coke and lanthanides are as follows:

	1993	1992	1991
Ammonia - tons daily	3,510	3,452	3,082
Processed sponge coke - tons daily	1,398	1,727	1,595
Lanthanide concentrates - million pounds	39	47	41

GEOTHERMAL OPERATIONS

Union Oil is the world's largest supplier of geothermal energy for power generation, with major operations in California and the Philippines and a new development project in Indonesia. The production of geothermal resources for power generation has been a core business for Union Oil for more than 20 years. Union Oil's reserves of 125 million megawatt-hours represents the energy equivalent of 188 million barrels of oil. In 1993, net geothermal electricity production from worldwide operations was 7.3 million megawatt-hours, the energy equivalent of 10.9 million barrels of oil.

In 1993, Union Oil sold its geothermal operations in the Imperial Valley of California. The underlying geothermal reserves sold only represented about nine percent of the company's worldwide geothermal reserves.

Union Oil expects to begin supplying steam for power generation at the company's first geothermal development in Indonesia in the second quarter of 1994. Demand for electricity is rapidly increasing in this nation of nearly 200 million people. Union Oil currently has proven geothermal reserves on the island of Java that represent about 35 million barrels of crude oil equivalent. The company will begin exploration of very encouraging resource prospects on the island of Sumatra in 1994.

In December 1993, Union Oil tested steam production in the Gunung Salak geothermal field, located near Jakarta. Union Oil will supply steam to two generating plants with a combined 110-megawatt capacity under a contract with PERTAMINA, the Indonesian state oil company. The plants are scheduled to begin operation in the second quarter of 1994. The contract also calls for Union Oil to develop steam to supply an additional 220 megawatts of generating capacity at Salak as development proceeds. Union Oil is now negotiating to expand its role and accelerate development.

On northern Sumatra, Union Oil will begin exploration drilling in the Sarulla block in mid-1994. The company signed a contract with PERTAMINA in February 1993 to appraise and develop geothermal resources of up to 1,000 megawatts in the 240,000-acre tract south of Medan. If this resource is proven, Union Oil will build and operate the power plants at Sarulla under an energy sales contract with PLN, the Indonesian State Electric Company. The contract calls for the transfer of the power plants to PLN after an agreed period of operation. Following the transfer, Union Oil would continue to sell geothermal energy to PLN for the remaining project life.

Below are geothermal reserves and operating data:

	1993	1992	1991
Net proved geothermal reserves at year end:			
- billion kilowatt-hours	125	128	131
- million equivalent oil barrels	188	192	197
Net daily production - million kilowatt-hours	20	23	23
- thousand equivalent oil barrels	30	34	35
Net geothermal lands in acres - proven	20,249	34,931	34,134
- prospective	457,943	359,016	362,573
Net producible geothermal wells	266	268	270

OTHER OPERATIONS

Real Estate

The Real Estate Division is responsible for managing and disposing of surplus company-owned properties. The Division manages office facilities and also handles the office leasing and sub-leasing operations for the company. Unocal Land & Development Company, a wholly owned subsidiary, is responsible for the development and sale of certain real estate assets for industrial, commercial and residential purposes.

Research

Union Oil has approximately 560 company research scientists, engineers and support personnel working at a research center located in Brea, California. Their primary functions are to provide the operating divisions with technical services which improve the overall performance of their operations and to develop new and improved products, processes and techniques for use in every phase of the petroleum business and in pertinent areas of the chemical and geothermal industries. A majority of the research group reports to the operating divisions.

Union Oil owns over 1,223 active patents in the United States and abroad which are generally available to others under revenue producing licensing agreements. In 1993, Union Oil sold 19 such licenses.

The company's total research and development expenditures were $29 million in 1993, $50 million in 1992 and $63 million in 1991. Expenditures for technical services were $57 million, $44 million and $41 million for the years 1993, 1992 and 1991, respectively.

COMPETITION

The petroleum industry is highly competitive. Union Oil competes with numerous companies in all phases of its petroleum operations. The company is also in competition with other producers and marketers of non-petroleum energy.

Competition for finding, developing and producing oil and gas resources occurs in bidding for domestic prospective leases or foreign exploration rights, acquisition of geological, geophysical and engineering knowledge, and the cost-efficient development and production of proved oil and gas reserves. The future availability of prospective domestic leases is subject to competing land uses and federal, state and local statutes and policies. The company's geothermal operations are in competition with producers of other energy resources.

Competition also exists in the manufacture, distribution and marketing of petroleum products. In the refining segment, the ability to produce high-value products at a competitive cost, while meeting regulatory standards, is of primary importance. On the marketing side, price, customer service, advertising and new product development are the major factors affecting competition. In the chemical businesses, the key competitive factors for the company's fertilizer products are prices, cost and availability of gas supplies; and for petroleum coke, product quality and prices.

EMPLOYEES

As of December 31, 1993, Union Oil had 13,607 employees compared with 14,674 a year ago. The decrease principally reflects the impact of business divestments. Of the total employees, 2,248 were represented by various labor unions. Salaries, wages and employee benefits totaled $744 million in 1993, $816 million in 1992 and $842 million in 1991.

Collective bargaining agreements covering represented employees at Union Oil's refineries and various other facilities were entered into during February of 1993. Most of these new labor agreements are for three-year terms.

GOVERNMENT REGULATION

Certain interstate crude oil pipeline subsidiaries of Union Oil are regulated (as common carriers) by the Federal Energy Regulatory Commission. As lessee from the United States government, Union Oil is subject to Department of the Interior regulations covering activities on the Outer Continental Shelf (OCS), and on onshore lands. In addition, state regulations impose strict controls on both state-owned and privately-owned lands.

Some federal and state bills would, if enacted, significantly and adversely affect Union Oil and the petroleum industry. These include the imposition of additional taxes, divestiture of certain operations, land use controls and restrictions on development of the OCS.

Regulations promulgated by the Environmental Protection Agency (EPA), the Department of the Interior, the Department of Energy, the State Department, the Department of Commerce and other government agencies are complex and subject to change. New regulations may be adopted. The company cannot predict how existing regulations may be interpreted by enforcement agencies or court rulings, nor whether amendments or additional regulations will be adopted, nor what effect such changes may have on its business or financial condition.

ENVIRONMENTAL REGULATION

Federal, state and local laws and provisions regulating the discharge of materials into the environment or otherwise relating to environmental protection have a continuing impact on the company's operations. Significant federal legislation applicable to the company's operations includes the following: the Clean Water Act, as amended in 1977; the Clean Air Act, as amended in 1977 and 1990; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended in 1984; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended in 1986 (CERCLA); the Toxic Substances Control Act of 1976, as amended in 1986; and the Oil Pollution Act of 1990. Various state and local governments have adopted or are considering the adoption of similar laws and regulations.

The California Air Resources Board and the federal government have both adopted new standards for gasoline. The Federal Clean Air Act Amendments of 1990 require the manufacture and sale of reformulated gasolines in areas not meeting specified air quality standards by January 1, 1995. These requirements apply to the nine areas which have the worst ozone pollution, including Los Angeles and San Diego. The California Air Resources Board has established stricter standards than those imposed by the federal rules. These standards for reformulated gasoline are to become effective March 1, 1996. The company expects to spend $450 million over the three years ending in early 1996 to modify its refineries to meet these regulatory standards.

The Air Quality Management Plan for the Los Angeles Basin, as adopted, and the Clean Air Act Amendments could, by the year 2000, significantly and adversely affect all of the company's petroleum operations in the Los Angeles area, including its refining operations located near the Los Angeles harbor and in Carson. The company believes it can continue to meet the requirements of existing laws and regulations, although changes in operating procedures and the acquisition of additional pollution control facilities may be necessary to meet future regulatory standards.

The company has been a party to a number of administrative and judicial proceedings under federal, state and local provisions relating to environmental protection. These proceedings include actions for civil penalties or fines for alleged environmental violations, permit proceedings including hearing requests into the issuance or modification of National Pollution Discharge Elimination System (NPDES) permits, requests for temporary variance from air pollution regulations for refinery operations, and similar matters. The company has also joined or intervened with the American Petroleum Institute, the Western States Petroleum Association and with other oil companies in actions relating to guidelines and proposed and final regulations of the EPA, the Department of the Interior and other agencies.

In 1993, the company spent approximately $133 million in capital expenditures in order to comply with and, in some cases, exceed the requirements of applicable federal and state environmental regulations. The company also incurred approximately $235 million of environment-related expense. This includes expenditures to remediate past contamination and Union Oil's operating, maintenance, and administrative costs to maintain environmental compliance. Estimated 1994 environmental expenditures are $296 million in capital and $242 million in expense.

For information on the company's environmental exposure, see Legal Proceedings below and the Environmental Matters section of Management's Discussion and Analysis on page 22 and Note 16 of the notes to consolidated financial statements on page 43 of this report.

OTHER MATTERS

In the first quarter of 1994, the company plans to write down its remaining investment of $24.6 million in the Guadalupe Oil Field. On March 4, 1994, Union Oil announced that if negotiations with the landowner permit the company to do so, it will permanently cease production at the field which currently produces 170 barrels of low gravity oil per day. The net cost to abandon the field is approximately $8 million.

On March 15, 1994, the company pleaded no contest to three misdemeanor counts and paid penalties of $1.5 million. The remaining misdemeanor counts against the company and six employees were dropped by the San Luis Obispo County District Attorney. On March 23, 1994, a lawsuit seeking civil penalties was filed by the California Attorney General. See Legal Proceedings on page 16, Item 4, for additional information.

The company will continue to concentrate on the cleanup of the diesel-like additive formerly used to help produce the heavy crude oil. To date the company has spent about $1.5 million in cleanup costs. Additional immediate remedial cleanup is estimated at another $2 million. A longer term remediation plan is being formulated. Although the cleanup cost has not been determined it is not expected to have a material effect on the company's operating results or financial condition.

ITEM 3 - LEGAL PROCEEDINGS

(1) The company may face potentially significant financial exposure from possible civil penalty citations, claims and lawsuits regarding environmental matters. These matters include, for example, properties requiring presently undeterminable amounts of cleanup efforts and expenses, soil or water contamination, and claims for personal injuries allegedly caused by exposure to toxic materials manufactured or used by the company.

Within this category, there are various sites for which the company could be liable, either alone or in some proportionate amount with other defendants, for civil penalties, claims and lawsuits:

Denver Petrochemical Site, Colorado
Geothermal Site, Imperial Valley, California
Guadalupe Oil Field, San Luis Obispo, California
Gulf Coast Vacuum, Abbeville, Louisiana
Heath Refinery, Heath, Ohio
Lorentz Barrel Site, San Jose, California
Los Angeles Airport, Los Angeles, California
McColl Hazardous Waste Site, Fullerton, California
Oakland Petrochemical Site, California
Operating Industries, Inc., Monterey Park, California
Pure Oil Bulk Plant, Minneapolis, Minnesota
Purity Oil Sales site, Fresno, CA
San Diego Terminal, California
Western Processing Co., Kent, Washington

The present state of the law which imposes joint and several liability on defendants, the potentially large number of claimants for any given site or exposure, the uncertainty attendant to the possible award of punitive damages, the imprecise and conflicting engineering evaluations and estimates of proper cleanup methods and costs, and the recent judicial recognition of new causes of action, all contribute to the practical impossibility of making any reasonable estimate of the company's potential liability for most of these environmental matters.

The company is usually just one of several companies cited as a potentially responsible party. Although potential aggregate monetary damages might be substantial, Union Oil's share of any liability is likely to be relatively small. Settlements and costs incurred in those matters that have been previously resolved have not been materially significant to the company's operating results or financial position.

Except for specific sites discussed later, the company does not believe that the ultimate share of its liability at the above sites or other presently unknown sites will be material to its financial condition. Even though unlikely, an adverse decision awarding punitive damages to numerous plaintiffs or imposing joint and several liability for the cleanup obligations of other equally responsible parties, however, could have a material effect on the company's financial condition. Also, if liabilities are aggregated and assumed to occur in a single fiscal year, they could be material to the company's operating results.

(2) In the Exxon Valdez litigation, Alyeska and its owners, including Unocal Pipeline company, have reached a settlement for $98 million with the remaining private plaintiffs in the litigation. The settlement will resolve all outstanding private damage claims against Alyeska and its owner companies as a result of the spill. The settlement was approved by both the state and federal courts overseeing the litigation. Union Oil's share of the settlement amount is about $1.3 million. Exxon has filed appeals seeking to enjoin Alyeska's settlement for the private damage claims.

The parties have settled the remaining claims of the State of Alaska in State of Alaska v. Exxon, et al., No. A92-175, U.S.D.C. Alaska (originally filed in Superior Court, Third Judicial District, No. 89-6852) and the United States in United States of America v. Exxon, et al., No. A91-082, U.S.D.C. Alaska, without admitting liability. The defendants agreed to pay $31.7 million to settle the lawsuits, of which Unocal Pipeline company's share is $600,086.

(3) The judgment against the company in Angelina Hardwood Lumber Company v. Prairie Producing Co., Cause No. 24, 654-91-01, in the District Court of Angelina County, Texas, is still on appeal. The judgment holds the company liable for approximately $23.5 million in compensatory damages, $50 million in punitive damages, and $5.5 million in prejudgment interest and attorneys' fees. This case involves complicated factual and legal questions regarding a title dispute to natural gas producing properties in Louisiana. The company firmly believes that the judgment in this case is not justified and that a successful outcome on appeal is reasonably likely.

(4) On March 15, 1994, the company entered a plea of no contest to three misdemeanor counts of a criminal complaint: a) California Water Code S 13272 - failure to report the discharge of petroleum product to State waters; b) California Water Code SS 13376 and 13387 (a) (1) - negligent failure to report the discharge of petroleum product to navigable waters; and c) California Fish and Game Code S 5650 - deposit of petroleum product where it could pass into State waters. (People v. Unocal Corporation, et al., DA #930004569, San Luis Obispo Country Municipal Court, State of California). All remaining charges against the company and six of its current and former employees were dismissed. The charges concern the failure to report contamination in the Guadalupe Oil Field that may have occurred at various times in the 1960s, 1970s and 1980s.

The company agreed to pay $1.5 million in restitution and civil penalties. Most of the monetary sanctions were paid under a Stipulation for Judgment and Judgment Pursuant to Business & Professions Code 17200, et seq. in the case for civil penalties (People v. Unocal Corporation, CV 75157, Superior Court of the State of California, County of San Luis Obispo).

Under the terms of a three-year probation, the company must investigate and remediate the hydrocarbon contamination at the Guadalupe Oil Field to the satisfaction of the lead regulatory agency and also undertake a program of mandatory education and training concerning environmental regulations for its employees.

A civil suit seeking various forms of penalties and restitution was filed on March 23, 1994 (People v. Unocal Corporation, Superior Court of San Luis Obispo County, Civil No. 75194) by the California Attorney General on behalf of the Department of Fish and Game, the Regional Water Quality Control Board, and the Department of Toxic Substances Control. The complaint alleges several categories of violations, namely, discharge into marine and state waters, failure to report discharge, destruction of natural resources, failure to warn, and exposure to known carcinogens (benzene/toluene), public nuisance, unauthorized disposal of hazardous waste, and labeling violations for "recycled" diluent material. Injunctive relief and civil penalties are demanded for the various claimed violations as well as prejudgment and postjudgment interest, costs, and reasonable attorney fees.

Cleanup and remediation of the Field are continuing. The ultimate cost of that effort and the outcome of civil litigation are presently undetermined. In the opinion of management, however, the likely financial outcome of this event and the ensuing litigation could be substantial but will not result in any loss which would materially affect the company's financial position or operations.

(5) In the McColl dumpsite litigation, the defendants have reached a partial tentative settlement of $18 million of claims for past costs by the EPA. The company's share of the settlement is 18.75%, and the settlement is awaiting final language and judicial approval, U.S.A., et al. v. Shell Oil company, et al., CV-91-0589 RKJ (EX), United States District Court, Central District of California. Still remaining is the EPA determination on the parameters of the final remedy at the site. The defendants' counterclaims also remain.

Predesign and design of the proposed remedial solution (soft material solidification) continues as the result of an agreed order.

(6) The company was cited by the EPA as one of 14 respondents to an Administrative Order issued under Section 106 of CERCLA ("Superfund") regarding the Gulf Coast Vacuum Site in Abbeville, Louisiana, which is an abandoned oil and gas exploration and production waste site. Under this Order, the company is required to conduct an "interim remedial action" at the Gulf Coast Site in accordance with a Statement of Work and an earlier Record of Decision. Compliance with the Order was completed in December, 1993. A consent decree signed by the parties for performance of the final remediation was entered with the EPA and is awaiting judicial approval. The company's share of the estimated $16.4 million final remediation costs is 11 percent.

(7) The company is still defending the EPA Region 9 administrative order issued under Section 106(a) of CERCLA requiring the company and eight other companies to conduct a prescribed Remedial Design and Remedial Action to address groundwater contamination at the Purity Oil Sales Superfund Site near Fresno, California. A consent order to perform the Remedial Design for the soils remedy has been negotiated. Execution of the remedy covered by the design will be negotiated later.

(8) A final settlement was made with the City of Heath, Ohio, in 1993 in the lawsuit filed by the City against the company and Ashland Petroleum concerning an Ashland terminal, an alleged source of pollution which was formerly a company refinery until sold to Ashland in 1970.

In related matters, the joint investigation of pollution which may be related to the terminal/refinery site, as required by a consent order, is now complete. Negotiations are pending with the state over further required actions which will define the scope of the company's future liability at the Heath site.

The allegations against the company in all of the above matters have been denied. Although management does not believe that an award of punitive or treble damages is justified in any of these cases, any award of substantial punitive or treble damages, however remotely possible, could have a material effect upon the company's operating results or financial condition.

The company believes that its challenges to notices of environmental violations will be upheld or will result in a significant reduction in the amount of penalties sought. The company has or is in the process of instituting remedial measures necessary to avoid similar future incidents.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - None

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

All of Union Oil's outstanding common stock is owned by Unocal. Accordingly, there is no established public trading market for Union Oil's stock. The company declared dividends to Unocal totaling $227 million in 1993, $176 million in 1992 and $156 million in 1991.

ITEM 6 - SELECTED FINANCIAL DATA - Not required.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated Results

Union Oil's net earnings for 1993 were $214 million, compared with $221 million in 1992 and $75 million in 1991. Earnings for the three years included the following special items:

Millions of Dollars	1993	1992	1991
Special items:			
Cumulative effect of accounting changes	$(130)	$ 24	$ -
Major asset sales	66	29	41
Litigation	(33)	(44)	(17)
Write-downs of assets	(12)	(20)	(67)
Restructuring costs	-	(34)	-
Deferred income tax benefit	-	44	-
Other	(25)	(13)	(1)
Total	$(134)	$ (14)	$ (44)

Excluding the effect of accounting changes and other special items, net earnings were $348 million in 1993, $235 million in 1992 and $119 million in 1991. The significant improvement in 1993 operating earnings reflected higher domestic natural gas prices and production, improved West Coast refining and marketing margins, lower worldwide exploration expenses and lower interest expense. In addition, the company benefited from continued cost reductions as a result of its 1992 restructuring efforts. These favorable factors were partially offset by lower crude oil prices.

In 1993, the company completed the sale of its geothermal operations in the Imperial Valley of California and its national auto/truckstop system. Major asset sales in 1992 included the company's retail chemical distribution and polymers businesses.

Comparing 1992 results with 1991, the increase was mainly due to improved margins for refined products, higher natural gas sales prices and volumes, and lower domestic exploration costs. Partially offsetting these positive factors were lower crude oil production and reduced earnings from chemical operations.

Revenues

Consolidated revenues continued to decline in 1993, down by $1.7 billion from 1992 and $2.6 billion from 1991. This trend reflects the company's divestments in recent years and the phase-out of its marketing operations in the southeastern United States. The decrease in 1993 also reflects lower crude oil prices. Divestments planned for 1994 are not expected to have a significant effect on revenues.

Costs and Other Deductions

Crude oil and product purchases, operating expense, and selling, administrative and general expense totaled $5.4 billion in 1993, compared with $7.0 billion in 1992 and $7.8 billion in 1991. The decline was mainly the result of business divestments and the phase-out of Southeastern marketing operations. Lower crude purchase costs and cost reduction efforts also contributed to the decrease. Administrative and general expense in 1992 included a $55 million charge related to the company's restructuring efforts.

Dry hole and exploration expenses declined in 1993 reflecting highly focused worldwide exploration activities. Lower interest expense in 1993 was mainly due to the debt reduction efforts in late 1992.

Oil and Gas Exploration and Production

Millions of Dollars	1993	1992	1991
Net earnings before special items	$432	$415	$389
Special items	15	47	34
Total	$447	$462	$423

The results for all three years reflected continued improvement in the U.S. natural gas market. The company's average sales price for domestic natural gas was $1.97 per thousand cubic feet, up from $1.74 in 1992 and $1.66 in 1991. Domestic daily natural gas production in 1993 was up two percent from 1992 and six percent from 1991. The results also reflected continued decreases in exploration expenses and other cost reductions. While these gains were significant, they were partially offset by a decrease in crude oil prices and lower crude oil production due to natural decline and lost production resulting from property sales. The company's average worldwide sales prices of crude oil were $14.21 per barrel in 1993, $15.99 in 1992 and $16.50 in 1991.

Special items for 1993 consisted primarily of gains from the sale of nonstrategic properties; for 1992, a $44 million deferred income tax benefit related to foreign exploration expenses; and for 1991, a $24 million earnings benefit from natural gas contract settlements.

Refining, Marketing and Transportation

Millions of Dollars	1993	1992	1991
Net earnings before special items	$175	$127	$40
Special items	(9)	(25)	31
Total	$166	$102	$71

The company's West Coast refining and marketing margins continued to improve in 1993. Although selling prices for refined products were lower than a year ago, the impact was more than offset by lower crude oil and product purchase costs. The phase-out of the company's Southeastern retail operations in late 1991 also had a favorable impact on 1993 results.

Comparing 1992 results with 1991, the significant increase in earnings before special items was principally due to improved margins in West Coast operations, including the benefits from the integration of the Los Angeles Refinery with the Carson Plant, and strong earnings from the company's UNO-VEN joint venture in the Midwest.

Special items for 1993 principally included charges for asset write-offs which were partially offset by gains from various asset sales. Special items for 1992 reflected charges related to restructuring and a write-down of surplus equipment; and for 1991, a gain from the sale of refined product inventories in the Southeastern market.

Chemicals

Net earnings for this segment were $42 million in 1993; $23 million in 1992 and $47 million in 1991. The lower 1992 earnings were principally caused by residual expenses associated with the retail chemical distribution and polymers manufacturing businesses that were sold in early 1992. These businesses posted a small loss in 1991.

With the sale of its retail agricultural business in 1993, this segment's primary sources of income are derived from its manufacturing of nitrogen-based fertilizer and petroleum cokes. Higher earnings were recorded for the petroleum coke operations in 1993.

Geothermal

Geothermal energy earnings in 1993 were $46 million, which included a $19 million gain from the sale of the Imperial Valley operations. Net earnings were $38 million in 1992 and $37 million in 1991, including Imperial Valley operating earnings of $19 million in 1992 and $18 million in 1991. Geothermal steam production in Indonesia is scheduled to come on stream in the second quarter of 1994.

Corporate and Other

Millions of Dollars	1993	1992	1991
Corporate expense	$(123)	$(115)	$(128)
Other operations	(9)	(15)	(26)
Net interest expense	(193)	(246)	(240)
Special items	(32)	(52)	(109)
Total	$(357)	$(428)	$(503)

Corporate expense includes general corporate overhead and other unallocated items. Other operations include the results of shale oil, mineral and real estate businesses. The 1993 results continued to reflect the favorable impact of discontinuing the company's shale oil and molybdenum operations. The company also recorded higher earnings from its lanthanide operations.

Net interest expense represents interest income and expense, net of capitalized interest. The decrease in 1993 reflects the full-year impact of more than $1 billion reduction in debt in 1992. Interest expense is expected to be slightly lower in 1994 due to refinancing a portion of debt at lower interest rates, and continued debt reduction.

Special items for all three years primarily include provisions for litigation. The 1992 and 1991 amounts also included asset write-downs of $6 million and $67 million, respectively. The 1993 amount did not include any asset write-downs.

Financial Condition

Millions of Dollars	1993	1992	1991
Current ratio	1.3	1.2	1.3
Total debt	$3,522	$3,698	$4,726
Equity	$3,117	$3,140	$2,475
Total debt ratio	53%	54%	66%
Floating-rate debt / total debt	16%	8%	15%

Cash flow from operating activities, including working capital changes, was $1,104 million in 1993, $1,150 million in 1992 and $1,036 million in 1991. Cash generated from operations was up $301 million in 1993, but this was more than offset by working capital changes, payments for legal and tax settlements, and an adjustment for a 1992 crude oil forward sale.

During 1993, the company generated $586 million in pretax proceeds from various asset sales, compared with $469 million in 1992 and $132 million in 1991. The 1993 proceeds included $205 million from the sale of geothermal Imperial Valley assets, $172 million from the sale of the company's national auto/truckstop system, and $106 million from the sale of various oil and gas properties.

The 1993 operating cash flow and proceeds from asset sales totaled $1,686 million, which provided sufficient cash for capital spending, dividend payments and a $176 million reduction in debt. Consolidated working capital was $357 million at year-end 1993, which included $114 million of refundable income taxes expected to be received in 1994.

In February 1994 the company issued $200 million of 6-3/8% notes due 2004. Proceeds will be used to retire certain notes due in early 1994.

For 1994, the company expects cash generated from operations and asset sales, including the tax refunds, to be sufficient to finance its operating requirements, capital spending and dividend payments.

Capital Expenditures

Millions of Dollars	Estimated 1994	1993	1992	1991
Exploration and Production				
Domestic	$ 521	$ 562	$364	$ 488
Foreign	390	330	275	369
Total	911	892	639	857
Refining, Marketing and Transportation	388	236	201	479
Chemicals	14	11	64	86
Geothermal	73	53	37	24
Other	70	57	18	24
Total	$1,456	$1,249	$959	$1,470

Capital expenditures increased significantly in 1993 from the prior year as more cash was spent on worldwide oil and gas activities.

The 1993 spending on domestic oil and gas exploration and production was up by 54 percent compared with 1992, primarily reflecting the first year of a three-year accelerated drilling program to produce proved undeveloped reserves in the United States. The increase in foreign spending was due to the continued development of offshore gas fields in Thailand and a new oil field in the Netherlands.

The $236 million spent on refining, marketing and transportation operations during 1993 primarily reflected refinery upgrades to meet environmental requirements and the addition of units to increase production of higher value products. Capital spending on geothermal energy projects in 1993 primarily included expenditures in Indonesia for development and exploration. The increase in other capital expenditures from 1992 reflected environmental remediation of properties held for sale by the Real Estate Division.

The $1.46 billion capital budget for 1994 is based on West Texas Intermediate spot market crude oil price of $18 per barrel. In light of current crude prices, capital spending will be kept in line with spot market prices of $15 to $16 per barrel at least for the first six months. If crude prices remain below $15 per barrel, spending should be about the same as in 1993. Approximately $911 million, or 63 percent of the 1994 plan, is directed toward the company's worldwide petroleum exploration and production.

The company plans to spend $521 million on exploration and production of crude oil and natural gas resources in the U.S., down slightly from $562 million in 1993. The major focus will be on Louisiana and the Gulf of Mexico, Alaska's Cook Inlet, California and the Permian Basin in west Texas. The spending plan includes $49 million for projects near existing operations that are classified as exploratory but have potential for rapid development.

Capital spending for foreign petroleum exploration and production is expected to total $390 million, an 18 percent increase from $330 million in 1993. The 1994 budget includes continued development of natural gas reserves offshore Thailand and field development work in Indonesia and the Netherlands. This budget includes $34 million for exploration work in Indonesia, most of which is recoverable under the company's production sharing contract with Pertamina, Indonesia's state-owned oil company.

Refining, marketing and transportation capital spending is budgeted at $388 million, up from $236 million in 1993. This includes more than $290 million for refinery projects, including modifications required to manufacture reformulated gasoline. Approximately $40 million is dedicated to the upgrade of marketing facilities.

Planned capital spending for geothermal energy totals $73 million, compared with $53 million last year. The higher spending reflects increased development work on geothermal projects on the island of Java and exploratory drilling on the island of Sumatra in Indonesia.

Environmental Matters

In 1993, the company spent approximately $368 million for environmental protection and for compliance with federal, state and local laws and provisions regulating the discharge of materials into the environment. Of this amount $133 million was for capital expenditures and $235 million was recorded as expense. The amount charged to earnings includes expenditures to remediate past contamination and for Union Oil's operating, maintenance and administrative costs to maintain environmental compliance. Estimated 1994 expenditures for environmental-related costs are $296 million in capital and $242 million in expense. The increase in capital is primarily due to expenditures for refinery projects to produce reformulated gasoline mandated by government agencies.

The Air Quality Management Plan for the Los Angeles Basin, as adopted, and the Clean Air Act Amendments could, by the year 2000, significantly and adversely affect all of the company's petroleum operations in the Los Angeles area, including its refining operations located near the Los Angeles harbor and in Carson. The company believes it can continue to meet the requirements of existing laws and regulations, although changes in operating procedures and the acquisition of additional pollution control facilities may be necessary.

The company is subject to federal, state and local environmental laws and regulations, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and the Resource Conservation and Recovery Act (RCRA). Under these laws, the company is subject to possible obligations to remove or mitigate the environmental effects of the disposal or release of certain chemical and petroleum substances at various sites.

Corrective investigations and actions pursuant to RCRA are being performed at the San Francisco Refinery, Beaumont facility, Los Angeles Refinery-Carson Plant and Molycorp Inc. Mountain Pass Plant. The company also must guarantee future closure and post-closure costs of its RCRA permitted facilities. The company believes that these obligations are not likely to have an adverse material effect on the company's operating results or financial condition.

The company is a defendant in several lawsuits, as are most other companies within our industry, brought by government agencies seeking to impose cleanup liability for environmental contamination. The company has been notified that it may be a potentially responsible party (PRP) by the federal EPA at 67 sites and may share liability at certain of these sites. Various state agencies, private parties, and the company itself have identified other sites that may require investigation or remediation.

Union Oil does not consider the number of sites for which it has been named a PRP as a relevant measure of liability. The company is usually just one of several companies designated as a PRP. For example, all but a small percentage of the 67 sites mentioned above are sites where the company has denied liability to the EPA, and/or which are still under investigation, and/or which the company estimates it has one percent or less of any potential liability. The company is uncertain as to its involvement in many of the sites and is unable to estimate with any certainty the potential loss that may arise from environmental liabilities. The solvency of other parties and disputes regarding responsibilities may also impact the company's ultimate liability. Settlements and costs incurred in matters that have been resolved have not been materially significant to the company's operating results or financial condition. Management believes that Union Oil's costs will not vary proportionally from those of our competitors.

For sites where it is probable that future costs will be incurred, and such costs can be reasonably estimated, reserves have been recorded in the consolidated balance sheet. At December 31, 1993, the company's environmental reserve for those sites was $87 million, which represents the company's estimate of the future liability for these costs. In addition, the company has accrued $432 million for the future costs to abandon and remove wells and production facilities.

Future changes in technology, government regulations and practices, will affect the company's ultimate liability for environmental remediation and abandonment costs.

On March 4, 1994, the company announced that if negotiations with the land owner permit the company to do so, it will permanently cease production at its Guadalupe Oil Field (central coast of California). The company will continue to concentrate on the cleanup of a diesel-like additive formerly used to help produce the heavy crude oil. The field is currently producing 170 barrels of oil per day. The field has been under study for some time to determine the extent of the underground contamination. Although the cleanup cost has not been determined, such cost is not expected to have a material effect on the company's operating results or financial condition

See Note 16 to the consolidated financial statements for information on contingent liabilities relating to environmental matters.

Outlook

The 1994 outlook for the petroleum industry is uncertain since financial results are sensitive to product prices. Negative factors affecting crude prices include current oversupply, the possible re-entry of Iraq into the world oil markets and OPEC's strategy of defending its market share. Demand for natural gas is expected to remain strong. On the West Coast, the sluggish economy continues to affect demand for refined products.

The company's current operating strategy is to increase cash flow from operations by increasing resource production and emphasizing cost control in all areas.

Over the next three years, the company expects to increase natural gas production by about 25 percent and crude oil production about 14 percent. The centerpiece of this effort is the accelerated development drilling program in North America launched during 1993. The 1994 capital budget includes approximately 535 wells, with 410 in North America. However, lower than expected oil prices at the beginning of 1994, has caused the company to slow down development of crude oil and focus more on natural gas development. This shift and reduction in capital may delay achievement of the production goal for crude oil.

Union Oil also continues to seek a role in the development of vast oil and gas resources in the Caspian Sea. Negotiations are ongoing with Azerbaijan and the international consortium of oil companies of which Union Oil is a member.

The company's refining and marketing operations will continue to focus on improving refining efficiencies and strengthening its Western marketing. Union Oil expects to spend approximately $210 million in 1994 and $175 million in 1995, in capital, to modify its refineries in order to produce reformulated gasoline that will meet specifications mandated by the California Air Resources Board and the 1990 Federal Clean Air Act Amendments.

The company has made significant progress toward debt reduction and asset sales goals established in April 1992. Total debt was reduced in 1993 by $176 million, which brings the total debt reduction to 80 percent of the $1.5 billion five-year target. The company is also 80 percent of the way toward meeting its two-year goal of generating $700 million in after-tax proceeds from asset sales. Toward this goal, at year-end 1993, the company had realized proceeds of $560 million from asset sales.

The company will continue to work toward the debt reduction and asset sales targets. Total debt is expected to be reduced by an additional $50 million in 1994. Planned asset sales in 1994 are expected to generate more than $200 million in after-tax proceeds.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements and Financial Statement Schedules

All other financial statement schedules have been omitted as they are not applicable, not material or the required information is included in the financial statements or notes thereto.

REPORT ON MANAGEMENT'S RESPONSIBILITIES

Union Oil's management is responsible for the integrity and objectivity of the financial information contained in this Annual Report. The financial statements included in this report have been prepared in accordance with generally accepted accounting principles and, where necessary, reflect the informed judgments and estimates of management.

The financial statements have been audited by the independent accounting firm of Coopers & Lybrand. Management has made available to Coopers & Lybrand all of the company's financial records and related data, minutes of the company's executive committee meetings and directors' meetings and all internal audit reports. The independent accountants conduct a review of internal accounting controls to the extent required by generally accepted auditing standards and perform such tests and procedures as they deem necessary to arrive at an opinion of the fairness of the financial statements presented herein.

Management maintains and is responsible for systems of internal accounting controls designed to provide reasonable assurance that the company's assets are properly safeguarded, transactions are executed in accordance with management's authorization and the books and records of the company accurately reflect all transactions. The systems of internal accounting controls are supported by written policies and procedures and by an appropriate segregation of responsibilities and duties. The company maintains an extensive internal auditing program that independently assesses the effectiveness of these internal controls with written reports and recommendations issued to the appropriate levels of management. Management believes that the existing systems of internal controls are achieving the objectives discussed herein.

Union Oil assessed its internal control systems in relation to criteria for effective internal control over financial reporting following the Treadway Commission's Committee of Sponsoring Organizations "Internal Control - Integrated Framework." Based on this assessment, Union Oil believes that, as of December 31, 1993, its systems of internal controls over financial reporting met those criteria.

Union Oil's Accounting, Auditing and Ethics Committee, consisting solely of directors who are not employees of Union Oil, is responsible for: reviewing the company's financial reporting, accounting and internal control practices; recommending the selection of independent accountants (which in turn are approved by the Board of Directors and annually ratified by Unocal's stockholders); monitoring compliance with applicable laws and company policies; and initiating special investigations as deemed necessary. The independent accountants and the internal auditors have full and free access to the Accounting, Auditing and Ethics Committee and meet with it, with and without the presence of management, to discuss all appropriate matters.

February 14, 1994

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of Union Oil Company of California:

We have audited the accompanying consolidated balance sheet of Union Oil Company of California and its subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of earnings, cash flows and shareholder's equity for each of the three years in the period ended December 31, 1993 and the related financial statement schedules. These financial statements and financial statement schedules are the responsibility of Union Oil Company of California's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, which appear on pages 28 through 48 of this Annual Report on Form 10-K, present fairly, in all material respects, the consolidated financial position of Union Oil Company of California and its subsidiaries as of December 31, 1993 and 1992, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Notes 1 and 12 to the consolidated financial statements, Union Oil Company of California and its subsidiaries changed their method of accounting for income taxes in 1992 and for postretirement benefits other than pensions and for postemployment benefits in 1993.

Coopers & Lybrand
Los Angeles, California
February 14, 1994

Dollars in millions	1993	1992	1991
	Years ended December 31		
Revenues			
Sales and operating revenues *	$8,077	$9,887	$10,731
Interest, dividends and miscellaneous income	67	53	95
Equity in earnings of affiliated companies	84	66	52
Gain on sales of assets	116	55	13
Total revenues	8,344	10,061	10,891
Costs and Other Deductions			
Crude oil and product purchases	3,158	4,555	5,205
Operating expense	1,704	1,733	1,858
Selling, administrative and general expense	488	702	695
Depreciation, depletion and amortization	963	964	1,004
Dry hole costs	45	68	120
Exploration expense	119	170	192
Interest expense	304	379	395
Excise, property and other operating taxes *	951	1,140	1,208
Total costs and other deductions	7,732	9,711	10,677
Earnings before income taxes	612	350	214
Income taxes	268	153	139
Earnings before cumulative effect of accounting changes	344	197	75
Cumulative effect of accounting changes	(130)	24	-
Net Earnings	$ 214	$ 221	$ 75

*Includes consumer excise taxes of $ 816 (1993), $ 992 (1992), $ 1,050 (1991)

See Notes to Consolidated Financial Statements.

Millions of Dollars	At December 31 1993	1992
Assets		
Current assets		
Cash and cash equivalents	$ 205	$ 157
Accounts and notes receivable		
Trade	877	1,039
Refundable income taxes	114	-
Inventories	326	326
Other current assets	56	138
Total current assets	1,578	1,660
Investments and long-term receivables		
Affiliated companies	443	445
Other	404	343
Properties - net	6,723	6,896
Other assets	119	119
Total assets	$9,267	$9,463
Liabilities		
Current liabilities		
Accounts payable	$ 735	$ 712
Taxes payable	208	294
Current portion of long-term debt and capital lease obligations	54	151
Interest payable	92	97
Other current liabilities (includes amounts due Unocal: 1993 - $83; 1992 - $53)	132	184
Total current liabilities	1,221	1,438
Long-term debt and capital lease obligations	3,468	3,546
Deferred income taxes	875	898
Other deferred credits and liabilities	586	441
Total liabilities	6,150	6,323
Shareholder's Equity		
Common stock ($2-1/12 par value)		
Shares authorized: 260,000,000		
Shares outstanding: 1,000 in 1993 and 1992	-	-
Capital in excess of par value	891	891
Foreign currency translation adjustment	(5)	5
Retained earnings	2,231	2,244
Total shareholder's equity	3,117	3,140
Total liabilities and shareholder's equity	$9,267	$9,463

The company follows the successful efforts method of accounting for its oil and gas activities.

See Notes to Consolidated Financial Statements.

Millions of Dollars	Years ended December 31 1993	1992	1991
Cash Flows from Operating Activities			
Net earnings	$ 214	$ 221	$ 75
Adjustments to reconcile net earnings to net cash provided by operating activities			
Cumulative effect of accounting changes	130	(24)	-
Depreciation, depletion and amortization	963	964	1,004
Dry hole costs	45	68	120
Deferred income taxes	139	(114)	(153)
Gain on sales of assets (before-tax)	(116)	(55)	(13)
Other	39	53	76
Working capital and other changes related to operations			
Accounts and notes receivable	33	136	204
Inventories	(24)	55	(3)
Accounts payable	25	(110)	(234)
Taxes payable	(52)	7	(39)
Other	(292)	(51)	(1)
Net cash provided by operating activities	1,104	1,150	1,036
Cash Flows from Investing Activities			
Capital expenditures (includes dry hole costs)	(1,249)	(959)	(1,470)
Proceeds from sales of assets	586	469	132
Other	-	-	(13)
Net cash used in investing activities	(663)	(490)	(1,351)
Cash Flows from Financing Activities			
Capital contribution from the Parent	-	500	-
Long-term borrowings	543	401	1,552
Reduction of long-term debt and capital lease obligations	(718)	(1,278)	(1,035)
Increase (decrease) in short-term notes payable	(1)	(152)	4
Dividends paid to the Parent	(209)	(165)	(157)
Other	(8)	16	(4)
Net cash provided by (used in) financing activities	(393)	(678)	360
Increase (decrease) in cash and cash equivalents	48	(18)	45
Cash and cash equivalents at beginning of year	157	175	130
Cash and cash equivalents at end of year	$ 205	$ 157	$ 175
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest (net of amount capitalized)	$ 296	$ 377	$ 368
Income taxes (net of refunds)	$ 291	$ 237	$ 335

See Notes to Consolidated Financial Statements.

Millions of Dollars	1993	1992	1991
COMMON STOCK			
Shares authorized - 260,000,000			
Shares outstanding - 1,000	$ -	$ -	$ -
CAPITAL IN EXCESS OF PAR VALUE			
Balance at beginning of year	891	249	237
Capital contribution from the Parent	-	642	12
Balance at end of year	891	891	249
FOREIGN CURRENCY TRANSLATION ADJUSTMENT			
Balance at beginning of year	5	27	25
Current year adjustment	(10)	(22)	2
Balance at end of year	(5)	5	27
RETAINED EARNINGS			
Balance at beginning of year	2,244	2,199	2,280
Net earnings for year	214	221	75
Cash dividends declared to the Parent	(227)	(176)	(156)
Balance at end of year	2,231	2,244	2,199
TOTAL SHAREHOLDER'S EQUITY	$3,117	$3,140	$2,475

See Notes to Consolidated Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

For the purpose of this report Union Oil Company of California (Union Oil) and its consolidated subsidiaries will be referred to as the company. Union Oil is a wholly owned subsidiary of Unocal Corporation (Unocal or the Parent).

The consolidated financial statements of the company include the accounts of subsidiaries more than 50 percent owned. Investments in affiliates owned 50 percent or less are accounted for by the equity method. Under the equity method, the investments are stated at cost plus the company's equity in undistributed earnings after acquisition. Income taxes estimated to be payable when earnings are distributed are included in deferred income taxes.

Inventories

Inventories are valued at lower of cost or market. The cost of crude oil, refined products and chemicals inventories is determined using the last-in, first-out (LIFO) method. The cost of other inventories is determined by using various methods. Cost elements primarily consist of raw materials and production expenses.

Capitalized Leased Properties

Facilities and lands leased by the company under firm, long-term obligations are capitalized as assets and depreciated in the same manner as owned properties. Future minimum rental payments are discounted to present value using the company's incremental borrowing rate in effect at the time of leasing and such value is recorded as a liability. Earnings are charged for depreciation of the facilities and the imputed interest on the rental obligations in lieu of actual rental payments.

Oil and Gas Exploration and Development Costs

The company follows the successful efforts method of accounting for its oil and gas activities.

Acquisition costs of exploratory acreage are capitalized. Full amortization of the nonproductive portion of such costs is provided over the shorter of the exploratory period or the lease holding period. Costs of successful leases are transferred to proved properties. Exploratory drilling costs are initially capitalized. If exploratory wells are determined to be commercially unsuccessful, the related costs are expensed. Geological and geophysical costs for exploration and leasehold rentals for unproved properties are expensed.

Development costs of proved properties are capitalized.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization related to proved oil and gas properties and estimated future abandonment and removal costs for offshore production platforms are calculated at unit of production rates based upon estimated proved recoverable reserves.

Depreciation of other properties is generally on a straight-line method using various rates based on estimated useful lives.

Maintenance and Repairs

Expenditures for maintenance and repairs are expensed. In general, improvements are charged to the respective property accounts and such accounts are relieved of the original cost of property replaced.

Retirement and Disposal of Properties

Upon retirement of facilities depreciated on an individual basis, remaining book values are charged to current depreciation expense. For facilities depreciated on a group basis, remaining book values are charged to accumulated allowances. Gains or losses on sales of properties are included in current earnings.

Income Taxes

Effective January 1, 1992, the company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." This statement superseded SFAS 96, which the company adopted in 1988. SFAS 109 continues to require the use of the liability method for reporting income taxes in which current or deferred tax liabilities or assets are recorded in accordance with enacted tax laws and rates. Under this method, the amount of deferred tax liabilities or assets at the end of each period is determined using the tax rate expected to be in effect when taxes are actually paid or recovered.

SFAS 109 changed, among other things, the recognition criteria for deferred tax assets. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not. Upon adoption, the company was able to record certain deferred foreign income tax benefits not previously recognized. The favorable cumulative effect of this accounting change for the periods prior to January 1, 1992, was $24 million.

Deferred income taxes are provided for the estimated income tax effect of temporary differences between financial and tax bases in assets and liabilities. Deferred tax assets are also provided for certain tax credit carryforwards. A valuation allowance to reduce deferred tax assets will be established if appropriate. See Note 8 for the principal temporary differences and unused tax credits.

Foreign Currency Translation

Foreign exchange gains and losses as a result of translating a foreign entity's financial statements from its functional currency into U.S. dollars are included as a separate component of shareholders' equity. The functional currency for all foreign operations, except Canada, is the U.S. dollar. Gains or losses incurred on currency transactions in other than a country's functional currency are included in net earnings.

Environmental Costs

Environmental expenditures are expensed or capitalized in accordance with generally accepted accounting principles. Expenditures that relate to existing conditions caused by past operations and have no future economic benefit are expensed. Liabilities are recognized for those superfund sites and facilities previously owned by the company where it is probable that the company is obligated for environmental expenditures, and the amounts can be reasonably estimated. The timing of liability recognition generally coincides with the formulation and commitment to an appropriate plan of action.

Environmental liabilities are not discounted or reduced by possible recoveries from third parties. However, accrued liabilities reflect anticipated allocation of liabilities among settling participants in multi-party sites.

Environmental remediation costs required for properties held for sale are capitalized. A valuation allowance will be established if the aggregate book value of those properties including capitalized remediation costs exceed net realizable value.

See Notes 6 and 16 for additional environmental information.

Other

Interest is capitalized on major construction and development projects as part of the cost of the asset.

Certain items in prior year financial statements have been reclassified to conform to the 1993 classification.

NOTE 2 - RESTRUCTURING COSTS

In 1992, as part of its efforts to improve cash flow and operating results, the company underwent work force reductions and operational changes. Voluntary retirement and severance packages were accepted by 1,145 employees. A $55 million provision, net of reduced pension obligations, was included in administrative and general expenses.

NOTE 3 - WRITE-DOWNS OF ASSETS

Earnings in 1993 included a pretax charge of $19 million for the write-off of refining projects, primarily due to the cancellation of a portion of work associated with the reformulated fuels program at the company's Los Angeles Refinery.

In 1992, the company recorded a pretax charge of $50 million for the write-down of its interest in a Canadian partnership and various assets that were shut down or sold.

In 1991, the company recorded several write-downs of assets. Pretax charges to earnings included $73 million for the Los Angeles Refinery due to the suspension of the hydrotreater project as a result of the company's purchase of a major portion of the Shell Oil Company's refinery in Carson, California. Also included were $25 million for nitric acid and urea ammonium nitrate manufacturing plants in West Sacramento, California, due to the reduction in scope of an expansion project, and $8 million for certain mineral assets.

NOTE 4 - DISPOSITIONS OF ASSETS

In 1993, the sale of the company's geothermal assets in the Imperial Valley of California and other geothermal exploration leases resulted in a $40 million pretax gain on proceeds of $218 million. An $11 million pretax gain on proceeds of $172 million was recorded from the sale of the company's national auto/truckstop system. In addition, various oil and gas properties were sold which generated total proceeds of $106 million with a pretax gain of $42 million. The company also sold its retail agricultural businesses with a pretax loss of $1 million on proceeds of $31 million.

In 1992, the company recorded a pretax loss of $1 million on the sales of its retail chemical distribution and polymer businesses, and Southeast marketing terminals. The total proceeds from the sales of these businesses, net of certain related costs, were approximately $250 million. In addition, the company realized a pretax gain of $53 million and proceeds of approximately $158 million from the sale of various oil and gas properties in North America and the Netherlands.

NOTE 5 - CASH FLOW INFORMATION

The company considers cash equivalents to be all highly liquid investments purchased with a maturity of three months or less. All income taxes paid are included in determining cash flows from operating activities. As a result, income taxes expected to be paid on the taxable income from the sales of assets are not included in cash flows from investing activities.

In the consolidated statement of cash flows for 1993, other changes related to operations principally included $106 million of payments for Alaska tax and geothermal energy sales contract settlements. Also included was a cash flow reduction of $125 million relating to the settlement of crude oil forward sales contracts, for which revenue was recognized in 1993, but cash was received in 1992.

The consolidated statement of cash flows for 1992 excluded the effect of noncash activities related to the merger of Unocal Exploration Corporation into Union Oil. The effect on the balance sheet was to increase properties, deferred income taxes and shareholders' equity by $173 million, $64 million and $142 million, respectively, and to decrease minority interest liability by $33 million.

NOTE 6 - OTHER FINANCIAL INFORMATION

Consolidated earnings include the following:

Millions of Dollars	1993	1992	1991
Total interest costs	$334	$413	$435
Less capitalized interest	30	34	40
Interest expense	$304	$379	$395
Maintenance and repair costs	$442	$505	$583
Research and development costs	$ 29	$ 50	$ 63

The consolidated balance sheet at December 31 includes the following:

Millions of Dollars	1993	1992
Other deferred credits and liabilities:		
Postretirement medical benefits obligation	$200	$ -
Reserve for litigation and other claims	153	149
Reserve for environmental remediation	87*	48
Other employee benefits	52	40
Unearned revenues	-	99
Other	94	105
Total other deferred credits and liabilities	$586	$441
Allowances for doubtful accounts and notes receivable	$ 16	$ 18
Allowances for investments and long-term receivables	$ 4	$ 5

*Includes $45 million for estimated future remediation costs for properties divested in 1993.

NOTE 7 - EXCISE, PROPERTY AND OTHER OPERATING TAXES

Millions of Dollars	1993	1992	1991
Consumer excise taxes	$816	$ 992	$1,050
Real and personal property taxes	68	78	76
Severance and other taxes on production	47	48	53
Other taxes and duties	20	22	30
Total	$951	$1,140	$1,209

In addition, social security and unemployment insurance taxes, which are charged to earnings and included with salaries and wages, totaled $44 million in 1993, $48 million in 1992 and $49 million in 1991.

NOTE 8 - INCOME TAXES

Union Oil files a consolidated federal income tax return with the Parent, which includes essentially all U.S. subsidiaries. All income taxes are included in the accounts of Union Oil and its subsidiaries. The components of pretax earnings and the provision for income taxes are as follows:

Millions of Dollars	1993	1992	1991
Earnings before income taxes			
United States	$ 180	$ (84)	$(261)
Foreign	432	434	475
Total earnings before income taxes	$ 612	$ 350	$ 214
Income taxes			
Current			
Federal	$ (73)	$ 20	$ 38
State	(19)	13	17
Foreign	221	234	237
Total	129	267	292
Deferred			
Federal	113	(97)	(131)
State	14	(3)	(12)
Foreign	12	(14)	(10)
Total	139	(114)	(153)
Total income taxes	$ 268	$ 153	$ 139

Due to an operating loss carryback in 1993, the company expects a $114 million income tax refund in 1994.

The following table is a reconciliation of income taxes at the federal statutory income tax rates to income taxes as reported in the Consolidated Earnings Statement.

Dollars in Millions	1993	1992	1991
Federal statutory rate	35%	34%	34%
Taxes on book earnings computed at statutory rate	$214	$119	$ 73
Foreign taxes in excess of statutory rate	66	75	83
Recorded benefits related to exploration costs	-	(44)	-
Dividend exclusion	(13)	(13)	(12)
Unused general business tax credits	(12)	-	-
Effect of federal rate change on deferred taxes	12	-	-
Other	1	16	(5)
Total	$268	$153	$139

The significant components of deferred income tax assets and liabilities included in the Consolidated Balance Sheet as of December 31, 1993 and 1992 are as follows:

Millions of Dollars	1993	1992
Deferred tax assets (liabilities)		
Depreciation and intangible drilling costs	$(1,206)	$(1,167)
Pension assets	(124)	(103)
Investments in affiliates	(86)	(84)
Other deferred tax liabilities	(186)	(263)
Depletion	130	160
Exploratory costs	132	160
Federal alternative minimum tax credits	108	125
Future abandonment costs	134	130
Postretirement medical benefit cost	74	-
Unearned revenue	-	46
Other deferred tax assets	205	201
Total	$ (819)	$ (795)

The above net deferred income tax liabilities are classified in the Consolidated Balance Sheet as follows:

Millions of Dollars	1993	1992
Other current assets	$ 26	$ 75
Other assets	30	28
Deferred income taxes	(875)	(898)
Total	$(819)	$(795)

No deferred U.S. income tax liability has been recognized on the undistributed earnings of foreign subsidiaries or affiliates that have been retained for reinvestment. If distributed, no additional U.S. tax is expected due to the availability of foreign tax credits. Such undistributed earnings for tax purposes, excluding previously taxed earnings, are estimated at $955 million as of December 31, 1993.

At year-end 1993, the company had $60 million of unused foreign tax credits with various expiration dates through 1997. No deferred tax asset for these foreign tax credits is recognized for financial statement purposes.

The federal alternative minimum tax credits are available to offset future U.S. federal income taxes on an indefinite basis. In addition, the company has approximately $28 million of business tax credit carryforwards that will expire between 2001 and 2008.

NOTE 9 - INVENTORIES

Millions of Dollars	1993	1992
Crude oil and condensate	$ 44	$ 26
Refined products	146	151
Chemicals	55	67
Minerals	15	19
Supplies, merchandise and other	66	63
Total	$326	$326

Current cost of inventories exceeded the LIFO inventory value included above by $147 million and $176 million at December 31, 1993 and 1992, respectively. The LIFO profits included in earnings were insignificant in 1993 and 1992 while 1991 earnings included $90 million due to the sale of the company's southeastern U.S. marketing inventory.

NOTE 10 - PROPERTIES AND CAPITALIZED LEASES

Investments in owned and capitalized leased properties at December 31, 1993 and 1992 are set forth below. Total accumulated depreciation, depletion and amortization was $11,667 million and $11,579 million at December 31, 1993 and 1992, respectively.

Capitalized leased properties principally consist of service stations and petroleum facilities. Capital leases have expiration dates ranging from 1994 to 2009, and include purchase options and favorable renewal options.

	1993		1992	
Millions of Dollars	Gross	Net	Gross	Net
Owned properties (at cost)				
Petroleum operations:				
Exploration				
United States	$ 200	$ 77	$ 413	$ 133
Foreign	119	59	110	61
Production				
United States	7,896	2,924	7,512	2,854
Foreign	3,811	1,022	3,621	980
Refining, marketing and transportation	2,945	1,600	3,079	1,630
Total	14,971	5,682	14,735	5,658
Chemical operations	679	220	819	266
Geothermal operations	940	378	1,185	570
Corporate and other *	1,778	435	1,707	390
Total owned properties	18,368	6,715	18,446	6,884
Capitalized leased properties	22	8	29	12
Total	$18,390	$6,723	$18,475	$ 6,896

* Includes mineral and real estate assets.

NOTE 11 - RETIREMENT PLANS

The company and its subsidiaries have several non-contributory retirement plans covering substantially all employees. Plan benefits are primarily based on years of service and employees' compensation near retirement.

All U.S. plans are administered by corporate trustees. There was no company contribution to any of the U.S. plans during the years 1991 through 1993 as plan assets substantially exceeded the pension obligations. At year-end 1993, plan assets principally consist of equity securities, U.S. government and agency issues, corporate bonds and cash.

Employees of certain foreign subsidiaries of the company are covered by separate plans. Total costs for all foreign plans were insignificant for each period.

Pension costs for the funded U.S. plans include the following components:

Millions of Dollars	1993	1992	1991
Service cost - benefits earned during the year	$ 20	$ 27	$ 26
Interest cost on projected benefit obligation	48	51	49
Actual return on plan assets	(125)	(51)	(203)
Net amortization and deferral	20	(57)	106
Net gain from partial settlement of obligation	(3)	(22)	(5)
Net pension expense (income)	$ (40)	$ (52)	$ (27)

The 1992 net gain from partial settlement of obligation was the result of the voluntary retirement and severance packages accepted by employees and those employees who left the company due to the sale of business units in 1992.

The following table sets forth the plans' funded status and amounts recognized in the Consolidated Balance Sheet at December 31, 1993 and 1992:

Millions of Dollars	1993	1992
Plan assets at fair value	$943	$871
Actuarial present value of benefit obligations:		
Vested benefits	556	457
Nonvested benefits	21	20
Accumulated benefit obligation	577	477
Effect of projected future salary increases	119	124
Projected benefit obligation	696	601
Plan assets in excess of projected benefit obligation	247	270
Unrecognized net loss	164	117
Unrecognized net assets	(108)	(130)
Unrecognized prior service cost	27	33
Prepaid pension cost	$330	$290

The assumed rates used to measure the projected benefit obligation and the expected earnings on plan assets were as follows:

	1993	1992	1991
Weighted-average discount rate	7.25%	8.25%	8.25%
Increase in future compensation levels	5.0%	6.0%	5.0%
Expected long-term return on plan assets	10.5%	11.5%	11.5%

The amount of benefits which can be covered by the funded plans described above are limited by the Employee Retirement Security Act of 1974 and the Internal Revenue Code. Therefore, the company has an unfunded supplemental retirement plan designed to maintain benefits for all employees at the plan formula level. The amounts expensed for this plan were $2 million, $23 million and $1 million in 1993, 1992 and 1991, respectively. The 1992 amount included a one-time charge of $21 million as a result of the company's restructuring program. The accumulated obligation recognized in the Consolidated Balance Sheet at December 31, 1993 was $19 million.

NOTE 12 - POSTRETIREMENT AND POSTEMPLOYMENT BENEFIT PLANS

The company's medical plan provides health care benefits for eligible employees and retired employees. Employees may become eligible for postretirement benefits if they reach the normal retirement age while working for the company. The plan is contributory and the benefits are subject to deductibles and co-payments.

Effective January 1, 1993, the company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This new accounting standard requires the company to recognize its obligation to provide postretirement health care benefits and to accrue such costs rather than recording them on a cash basis. The actuarial present value of the accumulated postretirement health care obligation existing at January 1, 1993 was recognized in the Consolidated Earnings Statement as a cumulative effect of an accounting change, resulting in a charge to the first quarter 1993 earnings of $192 million before tax ($121 million after tax).

The following table sets forth the postretirement benefit obligation recognized in the Consolidated Balance Sheet at December 31, 1993:

Millions of Dollars	1993
Accumulated postretirement benefit obligations:	
Retirees	$146
Fully eligible active employees	21
Other active employees	35
Total	202
Unrecognized prior service cost and loss	(2)
Accrued postretirement benefit cost	$200

Net periodic postretirement benefits cost includes the following components:

Millions of Dollars	1993
Service cost	$ 5
Interest cost	17
Total	$22

The pay-as-you-go cost for postretirement medical benefits was $13 million each in 1992 and 1991.

The accumulated postretirement benefit obligation at December 31, 1993 was determined using a discount rate of 7.25 percent. The health care cost trend rates used in measuring the 1993 benefit obligations were 9 percent for under age 65 and 7 percent for age 65 and over, gradually decreasing to 5 percent by the year 2001 and remaining at that level thereafter. The rates are subject to change in the future. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, an increase in the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1993 by $20 million and net periodic benefits cost by $3 million.

The company also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective January 1, 1993. This statement requires the company to recognize its obligation to provide benefits, such as workers' compensation and disabled employees' medical care, to former or inactive employees after employment but before retirement. The charge to earnings for the cumulative effect of the company's unfunded obligation prior to 1993 was $14 million before tax ($9 million after tax). The accumulated postemployment benefit obligation was $17 million as of December 31, 1993.

NOTE 13 - LONG-TERM DEBT AND CREDIT AGREEMENTS

The following table summarizes the company's long-term debt:

Millions of Dollars	At December 31 1993	1992
Bonds and debentures		
9-1/4% Debentures due 2003	$ 250	$ 250
9-1/8% Debentures due 2006	200	200
6-1/8% to 7-7/8% Industrial Development Revenue Bonds due 1994 to 2008	76	141
8-5/8% Debentures due 2006	-	120
Swiss Franc Bonds due 1996, effective rate 9.69%	110	110
Deutsche Mark Bonds due 1998, effective rate 8.4%	110	110
6-5/8% Debentures due 1998	-	23
Notes		
Commercial paper issued by Union Oil (3.45%)*	537	35
Medium-term notes due 1995 to 2011 (9.14%)*	575	580
8-3/4% Notes due 1997	300	300
Bank Credit Agreement	-	250
9.0% Notes due 1993	-	250
9-3/4% Notes due 1994	250	250
9-5/8% Notes due 1995	250	250
9-3/4% Notes due 2000	250	250
Eurodollar Notes due 1996, effective rate 9.77%	200	200
8-3/4% Notes due 2001	200	200
8-1/2% Notes due 1994	150	150
Other miscellaneous debt	49	9
Total	3,507	3,678
Less current portion of long-term debt	52	148
Total long-term debt	$3,455	$3,530

* Weighted average interest rate at December 31, 1993.

At December 31, 1993, the commercial paper borrowings and the two notes due 1994 were classified as long-term debt. The company has both the ability and intent to refinance these borrowings on a long-term basis through existing lines of credit. The current portion of long-term debt at year-end 1993 represents the net amount of debt expected to be reduced in 1994. The amounts of long-term debt maturing in 1995, 1996, 1997 and 1998 are $282 million, $318 million, $303 million and $300 million, respectively.

During 1993, the company prepaid in full $120 million of 8-5/8% Debentures due 2006, $23 million of 6-5/8% Debentures due 1998 and $65 million of 7-1/4% Pollution Control Bonds due 1997. The redemption premium on the retired debentures and bonds totaled $3 million and $1 million, respectively. In addition, the company retired $250 million of 9% notes and paid down the $250 million loan under the Bank Credit Agreement. The debt repayments were funded with the issuance of commercial paper and cash on hand.

The company borrowed $41 million under a revolving credit facility that was established in 1993 for the purpose of funding its oil and gas development program in the Netherlands. Also, a $250 million revolving credit facility was established in December 1993 for the same purpose in Thailand. Both facilities require a fee of 1/4 of 1 % on the total commitments.

The Bank Credit Agreement provides a revolving credit of $1.2 billion through 1996 at interest rates based on London Interbank Offered Rates. This agreement is available for general corporate purposes, including the support of commercial paper issued by Union Oil. At December 31, 1993, the company had available undrawn commitments of $1.2 billion. The company pays a facility fee of 1/4 of 1% on the total commitments. The company also has reimbursement agreements with a major bank providing for the reimbursement of amounts drawn under irrevocable direct-pay letters of credit issued by such bank for the payment of $23 million on certain industrial development revenue bonds issued in 1988. The company pays a facility fee of .525% on these outstanding letters of credit. The company has other letters of credit for approximately $142 million. The majority are maintained for operational needs.

NOTE 14 - LEASE RENTAL OBLIGATIONS

Future minimum rental payments for capitalized leased properties and for operating leases having initial or remaining noncancelable lease terms in excess of one year are as follows:

Millions of Dollars	Operating Leases	Capital Leases
1994	$ 88	$ 4
1995	63	4
1996	44	4
1997	35	3
1998	31	1
Balance	89	7
Total minimum lease payments	$350	$23
Less imputed interest		8
Present value of net minimum lease payments *		$15

* The current portion of these obligations amounted to $2 million. There were no material contingent rentals applicable to capital leases.

Net operating rental expense included in consolidated earnings is as follows:

Millions of Dollars	1993	1992	1991
Fixed rentals	$129	$139	$142
Contingent rentals (based primarily on sales and usage)	37	44	58
Sublease rental income	(51)	(61)	(63)
Net expense	$115	$122	$137

NOTE 15 - FINANCIAL INSTRUMENTS

Fair Value

The company had $205 million in cash and cash equivalents at year-end 1993, which approximates fair value because of the short maturity of these investments.

The estimated fair value of the company's long-term debt, including currency and interest rate swaps, was $3.8 billion at year-end 1993. This fair value was estimated based upon the discounted amount of future cash outflows using the rates offered to the company for debt of the same remaining maturities.

Off-Balance-Sheet Risk

The company is a party to financial instruments with off-balance-sheet risk in the normal course of business to reduce its exposure to fluctuations in interest and currency exchange rates and petroleum-related prices. These financial instruments include interest rate and currency swaps and forward currency and futures contracts, which involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. The company believes that the actual exposure to loss is minimal and immaterial. As of December 31, 1993, the company had no financial instruments with significant off-balance-sheet risk.

Concentrations of Credit Risk

Financial instruments that potentially subject the company to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. The company places its temporary cash investments with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. Concentrations of credit risks with respect to trade receivables are limited because there are a large number of customers in the company's customer base spread across many industries and geographic areas. As of December 31, 1993, the company had no significant concentrations of credit risk.

NOTE 16 - CONTINGENT LIABILITIES

The company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving environmental, tax and other matters. Management is of the opinion, based on developments to date, that such contingencies are not likely to have a material effect on the company's financial condition (including shareholders' equity, liquidity and capital resources). Although unlikely, substantial adverse decisions could have a material effect on the company's financial condition. Also, if liabilities are aggregated and assumed to occur in a single fiscal year, they could be material to the company's operating results; the likelihood of such occurrences is considered remote.

The company may face potentially significant financial exposure from possible claims and lawsuits regarding environmental matters. These matters include, for example, designation of the company as a "potentially responsible party" under the federal Comprehensive Environmental Response, Compensation, and Liability Act; properties requiring presently undeterminable amounts of cleanup efforts and expenses; soil or water contamination; and claims for personal injuries allegedly caused by exposure to toxic materials manufactured or used by the company.

The present state of the law which imposes joint and several liability on defendants, the potentially large number of claimants for any given site or exposure, the uncertainty attendant to the possible award of punitive damages, the imprecise and conflicting engineering evaluations and estimates of proper cleanup methods and costs, the uncertainty of potential recovery from third parties and the recent judicial recognition of new causes of action, all contribute to the practical impossibility of making any reasonable estimate of the company's potential liability for most of these environmental matters.

The company is usually just one of several companies cited as a potentially responsible party. Settlements and costs incurred in those matters that have been resolved have not been materially significant to the company's operating results or financial condition, and the company does not believe that future similar liability will be material to its financial condition. Even though unlikely, a substantial adverse decision awarding punitive damages to several plaintiffs or imposing several liability for the cleanup obligations of other equally responsible parties, however, could have a significant effect on the company's financial condition. Also, if liabilities are aggregated and assumed to occur in a single fiscal year, they could be material to Union Oil's operating results; the likelihood of such occurrences is considered remote.

The company also has certain other contingent liabilities with respect to litigation, claims and contractual agreements arising in the ordinary course of business. In the opinion of management, such contingent liabilities are not likely to result in any loss that would materially affect the company's operating results or financial condition. However, they could have a material effect on the company's operating results in a given quarter or year when such matters are resolved; the likelihood of such occurrence is considered remote.

NOTE 17- SEGMENT AND GEOGRAPHIC DATA

The company is engaged principally in petroleum, chemical and geothermal operations. Petroleum involves the exploration, production, transportation and sale of crude oil and natural gas; and the manufacture, transportation and marketing of petroleum products. Chemicals involves the manufacture, purchase, transportation and marketing of chemicals for agricultural and industrial uses. Geothermal involves the exploration, production and sale of geothermal resources. Other business activities currently include the production and marketing of lanthanides and niobium, and real estate development and sales. The company's shale oil and molybdenum operations were suspended in 1991.

Financial data by business segment and geographic area of operation are shown on the following two pages. Intersegment revenue eliminations in business segment data are mainly transfers from exploration and production operations to refining, marketing and transportation operations, and in geographic areas of operations essentially represent transfers from foreign countries to the United States. Intersegment sales prices approximate market prices.

NOTE 18 INVESTMENTS IN AFFILIATES

Investments in affiliated companies accounted for by the equity method were $389 million, $387 million and $377 million at December 31, 1993, 1992 and 1991, respectively. Dividends or cash distributions received from these affiliates were $80 million, $74 million and $62 million for the same years, respectively. These affiliated companies are primarily engaged in pipeline ventures, refining and marketing operations, and the manufacture of needle coke.

The excess of the company's investments in Colonial Pipeline Company and West Texas Gulf Pipeline Company over its share in the related underlying equity in net assets is being amortized on a straight-line basis over a period of 40 years. The remaining unamortized balance at December 31, 1993 was $113 million.

The company has a 50% interest in The UNO-VEN Company (UNO-VEN), a refining and marketing joint venture in the midwestern United States. The company's share of the underlying equity in the net assets of UNO-VEN over the carrying value of its investment is amortized on a straight-line basis over a period of 25 years. The remaining unamortized balance at December 31, 1993 was $63 million.

Summarized financial information for these equity investees is shown below.

	1993		1992		1991	
Millions of Dollars	Total	Union Oil's Share	Total	Union Oil's Share	Total	Union Oil's Share
Current assets	$ 452	$178	$ 480	$183	$ 766	$ 188
Noncurrent assets	2,081	564	2,124	556	2,218	626
Current liabilities	317	111	337	107	654	130
Noncurrent liabilities	1,068	301	1,066	301	1,124	330
Net equity	1,148	330	1,201	331	1,206	354
Revenues	$2,257	$857	$2,421	$929	$2,400	$1,043
Costs and other deductions	1,903	773	2,125	863	2,370	991
Net earnings	354	84	296	66	30 *	52

* Reflects a significant provision for a tariff settlement and associated interest costs recorded by Kuparuk Pipeline Company, of which Union Oil's share is five percent.

BUSINESS SEGMENT DATA

Millions of Dollars	1993	1992	1991
Revenues:(d)			
Petroleum			
Exploration and Production	$ 2,739	$ 2,865	$ 2,954
Refining, Marketing and Transportation	6,118	7,650	7,972
Chemicals	460	732	1,213
Geothermal	186	203	203
Corporate and Other	135	120	173
Intersegment Eliminations	(1,294)	(1,509)	(1,624)
Total	$ 8,344	$10,061	$10,891
Earnings:			
Petroleum			
Exploration and Production	$ 782	$ 730	$ 757
Refining, Marketing and Transportation (a)(e)	256	139	93
Chemicals (f)	65	37	71
Geothermal(g)	83	65	65
Corporate and Other (c)	(574)	(621)	(772)
Pretax earnings from continuing operations	612	350	214
Income taxes	(268)	(153)	(139)
Cumulative effect of accounting changes	(130)	24	-
Net earnings	$ 214	$ 221	$ 75
Assets - December 31:			
Petroleum			
Exploration and Production	$ 4,522	$ 4,473	$ 4,804
Refining, Marketing and Transportation (b)	2,645	2,792	2,614
Chemicals	387	458	662
Geothermal	436	652	670
Corporate and Other	1,277	1,088	1,179
Total	$ 9,267	$ 9,463	$ 9,929

(a) Includes equity in earnings of affiliates of	$ 69	$ 76	$ 52
(b) Includes equity in affiliates of	$ 287	$ 283	$ 261
(c) Includes net interest expense of	$ 279	$ 356	$ 357

(d) The recent decline generally reflects the effects of major asset sales which began in 1992.

(e) The 1991 write-down of the Los Angeles Refinery for $73 million is included in Corporate and Other.

(f) The 1991 write-down of the West Sacramento fertilizer manufacturing plant for $25 million is included in Corporate and Other.

(g) 1993 includes a gain of $40 million from the sale of the company's Imperial Valley operations and other exploration assets.

BUSINESS SEGMENT DATA (Continued)

Millions of Dollars	1993	1992	1991
Capital expenditures:			
Petroleum			
Exploration and Production	$ 892	$ 639	$ 857
Refining, Marketing and Transportation	236	201	479
Chemicals	11	64	86
Geothermal	53	37	24
Corporate and Other	57	18	24
Total	$ 1,249	$ 959	$ 1,470
Depreciation, depletion and amortization:			
Petroleum			
Exploration and Production	$ 727	$ 729	$ 677
Refining, Marketing and Transportation	120	111	100
Chemicals	21	24	37
Geothermal	52	58	59
Corporate and Other (a)	43	42	131
Total	$ 963	$ 964	$ 1,004

GEOGRAPHIC AREAS OF OPERATIONS

Millions of Dollars	1993	1992	1991
Revenues:			
United States	$ 7,071	$ 8,578	$ 9,522
Foreign	1,241	1,457	1,449
Corporate	55	40	21
Intersegment Eliminations	(23)	(14)	(101)
Total	$8,344	$10,061	$10,891
Earnings:			
United States	$ 737	$ 512	$ 456
Foreign	432	434	475
Corporate	(557)	(596)	(717)
Pretax earnings from continuing operations	612	350	214
Income taxes	(268)	(153)	(139)
Cumulative effect of accounting changes	(130)	24	-
Net earnings	$ 214	$ 221	$ 75
Assets - December 31:			
United States	$ 6,743	$ 7,046	$ 7,430
Foreign	1,541	1,553	1,573
Corporate	983	864	926
Total	$ 9,267	$ 9,463	$ 9,929

(a) Includes asset write-downs as described in the footnotes (e) and (f) on the previous page.

OIL AND GAS FINANCIAL DATA

Results of Operations

Results of operations of oil and gas exploration and production activities are shown below. Sales revenues are net of royalty and net profits interests. Other revenues primarily include gains on sales of oil and gas properties, natural gas contract settlements and miscellaneous rental income.

Production costs include lifting costs and taxes other than income. Other operating expenses primarily include administrative and general expense. Exploration expenses consist of geological and geophysical costs, leasehold rentals and dry hole costs. Income tax expense is based on the tax effects arising from the operations. Results of operations do not include general corporate overhead and interest costs.

Millions of Dollars	United States	Far East	Other Foreign	Total
Year 1993				
Sales				
To public	$ 624	$ 517	$ 187	$1,328
Intercompany	839	198	12	1,049
Other revenues	54	-	45	99
Total	1,517	715	244	2,476
Production costs	448	108	78	634
Exploration expenses	75	28	63	166
Depreciation, depletion and amortization	488	174	65	727
Other operating expenses	117	42	8	167
Net	389	363	30	782
Income tax expense	153	168	14	335
Results of operations	$ 236	$ 195	$ 16	$ 447
Year 1992				
Sales				
To public	$ 549	$ 502	$ 227	$1,278
Intercompany	943	231	16	1,190
Other revenues	26	2	48	76
Total	1,518	735	291	2,544
Production costs	446	121	88	655
Exploration expenses	84	45	110	239
Depreciation, depletion and amortization	524	124	81	729
Other operating expenses	117	41	33	191
Net	347	404	(21)	730
Income tax expense	128	184	(44)	268
Results of operations	$ 219	$ 220	$ 23	$ 462
Year 1991				
Sales				
To public	$ 493	$ 428	$ 269	$1,190
Intercompany	1,006	266	18	1,290
Other revenues	59	7	51	117
Total	1,558	701	338	2,597
Production costs	512	99	105	716
Exploration expenses	134	63	100	297
Depreciation, depletion and amortization	474	96	107	677
Other operating expenses	94	28	28	150
Net	344	415	(2)	757
Income tax expense	127	192	15	334
Results of operations	$ 217	$ 223	$ (17)	$ 423

Costs Incurred

Costs incurred in oil and gas property acquisition, exploration and development activities, either capitalized or charged to expense, are shown below. Data for the company's capitalized costs related to petroleum production and exploration activities are presented in Note 10.

Millions of Dollars	United States	Far East	Other Foreign	Total
1993				
Property acquisition				
Proved	$ 32	$ -	$ 2	$ 34
Unproved	8	-	14	22
Exploration	121	40	61	222
Development	469	203	94	766
1992				
Property acquisition				
Proved	$ 14	$ -	$ 4	$ 18
Unproved	4	8	3	15
Exploration	79	58	102	239
Development	330	161	40	531
1991				
Property acquisition				
Proved	$ 29	$ -	$ 1	$ 30
Unproved	20	8	4	32
Exploration	156	96	110	362
Development	365	188	59	612

Average Sales Price and Production Costs per Unit (Unaudited)

The average sales price is based on sales revenues and volumes attributable to net working interest production. The average production costs per barrel presented below are based on equivalent petroleum barrels, including natural gas converted at a ratio of 5.3 MCF to one barrel of oil which represents the energy content of the wet gas.

1993				
Average sales price:				
Crude oil and condensate - per barrel	$13.68	$15.50	$14.88	$14.21
Natural gas - per MCF	1.97	2.11	1.79	2.01
Natural gas liquids - per barrel	13.65	8.06	9.51	12.51
Average production costs per barrel	3.77	1.64	5.39	3.18
1992				
Average sales price:				
Crude oil and condensate - per barrel	$15.34	$17.48	$17.11	$15.99
Natural gas - per MCF	1.74	2.24	1.54	1.91
Natural gas liquids - per barrel	11.77	9.29	8.46	11.26
Average production costs per barrel	3.74	1.84	5.28	3.25
1991				
Average sales price:				
Crude oil and condensate - per barrel	$15.82	$17.95	$17.75	$16.50
Natural gas - per MCF	1.66	2.15	1.63	1.83
Natural gas liquids - per barrel	13.78	7.63	11.11	12.67
Average production costs per barrel	4.32	1.59	5.79	3.60

Oil and Gas Reserve Data (Unaudited)

Estimates of physical quantities of oil and gas reserves, determined by company engineers, for the years 1993, 1992 and 1991 are as shown below. As defined by the Securities and Exchange Commission, proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Accordingly, these estimates do not include probable or possible reserves. Estimated oil and gas reserves are based on available reservoir data and are subject to future revision. Proved reserve quantities exclude royalties owned by others but include net profits type agreements on a gross basis.

Natural gas reserves are reported on a wet-gas basis, which include natural gas liquids reserves. For informational purposes, natural gas liquids reserves in the U.S. were 95, 97 and 103 million barrels at December 31, 1993, 1992 and 1991, respectively. Foreign natural gas liquids reserves were insignificant for the above periods. The domestic reserve quantities for natural gas liquids are on a leasehold basis and are derived from the natural gas reserves by applying a national average shrinkage factor obtained from the Department of Energy published statistics.

Estimated Proved Reserves of Crude Oil and Condensate Millions of Barrels	United States	Far East	Other Foreign	Total
Developed and Undeveloped as of January 1, 1991	561	171	91	823
Revisions of estimates	(5)	1	1	(3)
Improved recovery	6	-	1	7
Discoveries and extensions	30	39	4	73
Purchases	15 (a)	-	1	16
Sales	(21) (b)	-	(2)	(23)
Production	(57)	(24)	(13)	(94)
As of December 31, 1991	529	187	83	799
Revisions of estimates	6	1	6	13
Improved recovery	3	-	-	3
Discoveries and extensions	11	26	30	67
Purchases	16	-	-	16
Sales	(12) (c)	-	(8)	(20)
Production	(47) (d)	(25)	(12)	(84)
As of December 31, 1992	506	189	99	794
Revisions of estimates	(6)	-	2	(4)
Improved recovery	6	-	-	6
Discoveries and extensions	27	5	25	57
Purchases	4	-	-	4
Sales	(6)	-	(3)	(9)
Production	(48) (e)	(25)	(11)	(84)
As of December 31, 1993	483	169	112	764
Proved Developed Reserves				
December 31, 1990	435	93	71	599
December 31, 1991	397	103	66	566
December 31, 1992	388	107	57	552
December 31, 1993	360	98	78	536

(a) Includes 10 million barrels acquired through exchanges of property.
(b) Includes the sale of 8 million barrels of future production under forward contracts and 10 million barrels due to exchanges of properties.
(c) Includes the sale of 7 million barrels of future production under forward contracts.
(d) Excludes 8 million barrels produced in 1992 but sold under forward contracts in 1991.
(e) Excludes 7 million barrels produced in 1993 but sold under forward contracts in 1992.

Oil and Gas Reserve Data (Unaudited) (Continued)

Estimated Proved Reserves of Natural Gas Billions of Cubic Feet	United States	Far East	Other Foreign	Total
Developed and Undeveloped as of January 1, 1991	4,260	1,902	412	6,574
Revisions of estimates	(156)	(4)	20	(140)
Discoveries and extensions	316	699	14	1,029
Purchases	22 (a)	-	3	25
Sales	(48) (b)	-	(1)	(49)
Production	(351)	(199)	(31)	(581)
As of December 31, 1991	4,043	2,398	417	6,858
Revisions of estimates	30	(70)	4	(36)
Discoveries and extensions	175	492	7	674
Purchases	50	-	2	52
Sales	(108)	-	(92)	(200)
Production	(359)	(224)	(28)	(611)
As of December 31, 1992	3,831	2,596	310	6,737
Revisions of estimates	(94)	49	(20)	(65)
Discoveries and extensions	348	261	19	628
Purchases	26	-	23	49
Sales	(19)	-	(75)	(94)
Production	(365)	(237)	(21)	(623)
As of December 31, 1993	3,727	2,669	236	6,632
Proved Developed Reserves				
December 31, 1990	2,892	1,603	276	4,771
December 31, 1991	2,589	1,664	279	4,532
December 31, 1992	2,460	1,587	225	4,272
December 31, 1993	2,520	1,601	147	4,268

(a) Includes 8 BCF acquired through exchanges of properties.
(b) Includes dispositions of 12 BCF due to exchanges of properties.

Present Value of Future Net Cash Flow Related to Proved Oil and Gas Reserves (Unaudited)

The present value of future net cash flows from proved oil and gas reserves for the years 1993, 1992 and 1991 are presented below. Revenues are based on estimated production of proved reserves from existing and planned facilities and on average prices of oil and gas at year-end. Development and production costs related to future production are based on year-end cost levels and assume continuation of existing economic conditions. Income tax expense is computed by applying the appropriate year-end statutory tax rates to pretax future cash flows less recovery of the tax basis of proved properties, and reduced by applicable tax credits.

The company cautions readers that the data on the present value of future net cash flow of oil and gas reserves are based on many subjective judgments and assumptions. Different, but equally valid, assumptions and judgments could lead to significantly different results. Additionally, estimates of physical quantities of oil and gas reserves, future rates of production and related prices and costs for such production are subject to extensive revisions and a high degree of variability as a result of economic and political changes. Any subsequent price changes will alter the results and the indicated present value of oil and gas reserves. It is the opinion of the company that this data can be highly misleading and may not be indicative of the value of underground oil and gas reserves.

Millions of Dollars	United States	Far East	Other Foreign	Total
1993				
Revenues (b)	$12,260	$6,049	$1,467	$19,776
Production costs	5,114	1,192	640	6,946
Development costs (a)	1,980	1,006	201	3,187
Income tax expense	1,172	1,788	263	3,223
Net future cash flow	3,994	2,063	363	6,420
10% annual discount	1,333	546	124	2,003
Present value of future net cash flow	$ 2,661	$1,517	$ 239	$ 4,417
1992				
Revenues (b)	$16,222	$6,907	$1,999	$25,128
Production costs	5,841	1,419	891	8,151
Development costs (a)	2,303	1,227	275	3,805
Income tax expense	2,295	2,011	385	4,691
Net future cash flow	5,783	2,250	448	8,481
10% annual discount	2,176	688	192	3,056
Present value of future net cash flow	$ 3,607	$1,562	$ 256	$ 5,425
1991				
Revenues (b)	$15,532	$7,221	$2,158	$24,911
Production costs	5,400	1,422	859	7,681
Development costs (a)	2,388	874	271	3,533
Income tax expense	2,135	2,207	412	4,754
Net future cash flow	5,609	2,718	616	8,943
10% annual discount	2,405	833	277	3,515
Present value of future net cash flow	$ 3,204	$1,885	$ 339	$ 5,428

(a) Includes dismantlement and abandonment costs.
(b) The average crude oil prices per barrel at year end used in this calculation are as follows:

1993	$10.08	$14.96	$11.78
1992	14.70	18.97	16.44
1991	13.96	19.91	17.09

Changes in Present Value of Future Net Cash Flow (Unaudited)

Millions of Dollars	1993	1992	1991
Present value at beginning of year	$ 5,425	$ 5,428	$ 7,630
Discoveries and extensions, net of estimated future costs	626	807	981
Net purchases and sales of proved reserves (a)	(52)	(119)	(42)
Revisions to prior estimates:			
Prices net of estimated changes in production costs	(2,026)	170	(3,605)
Future development costs	92	(262)	(279)
Quantity estimates	(403)	(230)	(177)
Production schedules and other	91	262	(310)
Accretion of discount	741	688	1,076
Development costs related to beginning of year reserves	764	531	580
Sales of oil and gas, net of production costs of $634 million in 1993, $655 million in 1992 and $716 million in 1991	(1,653)(b)	(1,709)(c)	(1,764)
Net change in income taxes	812	(141)	1,338
Present value at end of year	$ 4,417	$ 5,425	$ 5,428

(a) Purchases of reserves were valued at $39 million, $56 million and $168 million in 1993, 1992 and 1991, respectively. Sales of reserves, including the sale of future production, were valued at $91 million, $175 million and $210 million for the same years, respectively.

(b) Excludes the 1992 sale of future production for which income was recognized in 1993 but cash was received in 1992.

(c) Excludes the 1991 sale of future production for which income was recognized in 1992 but cash was received in 1991.

SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

	1993 Quarters				1992 Quarters			
Millions of Dollars	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Sales and operating revenues	$2,204	$2,041	$1,907	$1,925	$2,385	$2,632	$2,485	$2,385
Gross profit (a)	247	215	186	141	115	217	205	223
Net earnings (b)	11	88	70	45	40	66	11	104

(a) The fourth quarters of 1993 and 1992 exclude $16 million and $27 million for asset write-downs, respectively.

(b) The first quarters of 1993 and 1992 include a charge of $130 million and a gain of $24 million for the cumulative effect of accounting changes, respectively.

REVENUE DATA (Millions of Dollars)	1993	1992	1991
Sales revenues			
Petroleum products	$ 2,895	$ 3,710	$ 3,759
Crude oil and condensate	2,264	2,754	3,027
Chemicals	431	702	1,168
Natural gas	1,104	1,033	954
Geothermal	145	197	204
Natural gas liquids	101	116	117
Minerals	62	80	92
Other	36	47	55
Consumer excise taxes	816	992	1,050
Total	7,854	9,631	10,426
Operating revenues	223	256	305
Other revenues	267	174	160
Total revenues	$ 8,344	$10,061	$10,891

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE: None

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PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial statements, financial statement schedules and exhibits filed as part of this annual report:

(1) Financial Statements: See Item 8 on page 25 of this Annual Report on Form 10-K

(2) Financial Statement Schedules: See Item 8 on page 25 of this Annual Report on Form 10-K

(3) Exhibits

The Exhibit Index on page 60 of this Annual Report on Form 10-K lists the exhibits that are filed as part of this report.

(b) Two reports on Form 8-K were filed:

(1) Filed December 8, 1993, Union Oil announced the May 1, 1994, retirement of Richard J. Stegemeier, the Chief Executive Officer of the company.

(2) Filed March 2, 1994, the company announced a change in its bylaws which reduces the number of directors from 14 to 12, effective April 25, 1994.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNION OIL COMPANY OF CALIFORNIA
(Registrant)

Date: March 28, 1994

By THOMAS B. SLEEMAN
Thomas B. Sleeman
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 28, 1994.

Signature	Title
RICHARD J. STEGEMEIER Richard J. Stegemeier	Chairman of the Board and Chief Executive Officer
ROGER C. BEACH Roger C. Beach	Director, President and Chief Operating Officer
THOMAS B. SLEEMAN Thomas B. Sleeman	Director, Senior Vice President and Chief Financial Officer
CHARLES S. McDOWELL Charles S. McDowell	Vice President and Comptroller (Principal Accounting Officer)
John W. Amerman	Director

Signature	Title
MacDONALD G. BECKET MacDonald G. Becket	Director
CLAUDE S. BRINEGAR Claude S. Brinegar	Vice Chairman of the Board
MALCOLM R. CURRIE Malcolm R. Currie	Director
RICHARD K. EAMER Richard K. Eamer	Director
FRANK C. HERRINGER Frank C. Herringer	Director
JOHN F. IMLE, JR. John F. Imle, Jr.	Director
DONALD P. JACOBS Donald P. Jacobs	Director
NEAL E. SCHMALE Neal E. Schmale	Director
CHARLES R. WEAVER Charles R. Weaver	Director
MARINA v.N. WHITMAN Marina v.N. Whitman	Director

UNION OIL COMPANY OF CALIFORNIA AND CONSOLIDATED SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(Millions of Dollars)

	1993				
	Balance at 12/31/92	Additions	Sales and retirements	Other changes(d)	Balance at 12/31/93
Property, Plant & Equipment					
Owned Properties					
Petroleum Operations:					
Exploration and Production	$11,656	$ 891	$ (497)(b)	$ (24)	$12,026
Refining, Marketing and Transportation	3,079	236	(386)	16	2,945
Total	14,735	1,127	(883)	(8)	14,971
Chemical Operations	819	11	(81)	(70)	679
Geothermal Operations	1,185	53	(302)	4	940
Corporate and Other (a)	1,707	57	(36)	50	1,778
Total Owned Properties	18,446	1,248	(1,302)	(24)	18,368
Leased Properties					
Total Leased Properties	29	1	-	(8)	22
Total Properties	$18,475	$1,249	$(1,302)	$ (32)	$18,390
Accumulated Depreciation, Depletion and Amortization					
Owned Properties					
Petroleum Operations:					
Exploration and Production	$ 7,628	$ 725	$ (396)(c)	$ (13)	$ 7,944
Refining, Marketing and Transportation	1,449	120	(265)	41	1,345
Total	9,077	845	(661)	28	9,289
Chemical Operations	553	21	(71)	(44)	459
Geothermal Operations	615	52	(105)	-	562
Corporate and Other (a)	1,317	43	(17)	-	1,343
Total Owned Properties	11,562	961	(854)	(16)	11,653
Leased Properties					
Total Leased Properties	17	2	-	(5)	14
Total Properties	$11,579	$ 963	$ (854)	$ (21)	$11,667

(a) Includes minerals, oil shale and real estate properties
(b) Includes dry hole costs and land relinquishments.
(c) Includes land relinquishments.
(d) Consists mainly of intersegment transfers and foreign currency translation adjustments.

UNION OIL COMPANY OF CALIFORNIA AND CONSOLIDATED SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(Millions of Dollars)

	1992				
	Balance at 12/31/91	Additions	Sales and retirements	Other changes(d)	Balance at 12/31/92
Property, Plant & Equipment					
Owned Properties					
Petroleum Operations:					
Exploration and Production	$11,547	$639	$ (473)(b)	$ (57)	$11,656
Refining, Marketing and Transportation	3,039	201	(143)	(18)	3,079
Total	14,586	840	(616)	(75)	14,735
Chemical Operations	991	64	(239)	3	819
Geothermal Operations	1,151	37	(3)	-	1,185
Corporate and Other (a)	1,644	18	(151)	196	1,707
Total Owned Properties	18,372	959	(1,009)	124	18,446
Leased Properties					
Total Leased Properties	29	-	-	-	29
Total Properties	$18,401	$959	$(1,009)	$124	$18,475
Accumulated Depreciation, Depletion and Amortization					
Owned Properties					
Petroleum Operations:					
Exploration and Production	$ 7,231	$728	$ (294)(c)	$ (37)	$ 7,628
Refining, Marketing and Transportation	1,449	111	(112)	1	1,449
Total	8,680	839	(406)	(36)	9,077
Chemical Operations	587	24	(69)	11	553
Geothermal Operations	566	58	(9)	-	615
Corporate and Other (a)	1,426	42	(138)	(13)	1,317
Total Owned Properties	11,259	963	(622)	(38)	11,562
Leased Properties					
Total Leased Properties	16	1	-	-	17
Total Properties	$11,275	$964	$ (622)	$ (38)	$11,579

(a) Includes minerals, oil shale and real estate properties
(b) Includes dry hole costs and land relinquishments.
(c) Includes land relinquishments.
(d) Consists mainly of intersegment transfers, foreign currency translation adjustments, and the effect of the UXC merger.

UNION OIL COMPANY OF CALIFORNIA AND CONSOLIDATED SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(Millions of Dollars)

	1991				
	Balance at 12/31/90	Additions	Sales and retirements	Other changes(d)	Balance at 12/31/91
Property, Plant & Equipment					
Owned Properties					
Petroleum Operations:					
Exploration and Production	$11,074	$ 856	$ (409)(b)	$ 26	$11,547
Refining, Marketing and Transportation	2,722	479	(196)	34	3,039
Total	13,796	1,335	(605)	60	14,586
Chemical Operations	922	86	(10)	(7)	991
Geothermal Operations	1,163	24	(35)	(1)	1,151
Corporate and Other (a)	1,630	24	(21)	11	1,644
Total Owned Properties	17,511	1,469	(671)	63	18,372
Leased Properties					
Total Leased Properties	32	1	-	(4)	29
Total Properties	$17,543	$1,470	$ (671)	$ 59	$18,401
Accumulated Depreciation, Depletion and Amortization					
Owned Properties					
Petroleum Operations:					
Exploration and Production	$ 6,778	$ 676	$ (222)(c)	$ (1)	$ 7,231
Refining, Marketing and Transportation	1,448	98	(195)	98	1,449
Total	8,226	774	(417)	97	8,680
Chemical Operations	545	37	(8)	13	587
Geothermal Operations	530	59	(22)	(1)	566
Corporate and Other (a)	1,400	132	(12)	(94)	1,426
Total Owned Properties	10,701	1,002	(459)	15	11,259
Leased Properties					
Total Leased Properties	17	2	-	(3)	16
Total Properties	$10,718	$1,004	$ (459)	$ 12	$11,275

(a) Includes minerals, oil shale and real estate properties
(b) Includes dry hole costs and land relinquishments.
(c) Includes land relinquishments.
(d) Consists mainly of intersegment transfers and foreign currency translation adjustments.

UNION OIL COMPANY OF CALIFORNIA AND CONSOLIDATED SUBSIDIARIES

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
(Millions of Dollars)

Description	Balance at beginning of period	Additions: Charged or (credited) to costs & expenses	Additions: Charged or (credited) to other accounts	Deductions from reserves (a)	Balance at end of period
YEAR 1993					
Amounts deducted from applicable assets:					
Accounts and notes receivable	$18	$ 11	$ (2)	$ (11)	$16
Investments and long-term receivables	$ 5	$ 2	$ (2)	$ (1)	$ 4
YEAR 1992					
Amounts deducted from applicable assets:					
Accounts and notes receivable	$15	$ 16	$ 1	$ (14)	$18
Investments and long-term receivables	$ 6	$ -	$ (1)	$ -	$ 5
YEAR 1991					
Amounts deducted from applicable assets:					
Accounts and notes receivable	$16	$ 15	$ (2)	$ (14)	$15
Investments and long-term receivables	$ 5	$ 1	$ -	$ -	$ 6

(a) Represents receivables written off, net of recoveries, reinstatements, and losses sustained.

UNION OIL COMPANY OF CALIFORNIA

EXHIBIT INDEX

Exhibit 3.1	Certificate of Incorporation of Union Oil (incorporated by reference to Exhibit 3 to Union Oil's Annual Report on Form 10-K for the year ended December 31, 1988, File No. 1-554).
Exhibit 3.2	Bylaws of Union Oil (incorporated by reference to Exhibit 3 to Union Oil's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, File No. 1-554. Amendments to bylaws to be effective on and after April 25, 1994 are incorporated by reference to Union Oil's Current Report on Form 8-K, dated March 2, 1994, File No. 1-554).
Exhibit 4	Instruments Defining the Rights of Security Holders, Including Indentures.

The following Exhibits 10.1 through 10.7 are compensatory plans or agreements required to be filed by Item 601 (b) (10) (iii) (A) of Regulation S-K.

Exhibit 10.1	The Management Incentive Program (incorporated by reference to Unocal Corporation's Registration Statement on Form S-8, File No. 33-43231, filed October 8, 1991).
Exhibit 10.2	The Long-Term Incentive Plan of 1985 (incorporated by reference to Unocal Corporation's Registration Statement on Form S-8, File No. 2-93452, filed September 28, 1984).
Exhibit 10.3	Supplemental Retirement Plan for Key Management Personnel, as amended and effective January 1, 1989 (incorporated by reference to Exhibit 10.3 to Union Oil's Annual Report on Form 10-K for the year ended December 31, 1990, File No. 1-554).
Exhibit 10.4	Other Compensatory Arrangements (incorporated by reference to Exhibit 10.4 to Union Oil's Annual Report on Form 10-K for the year ended December 31, 1990, File No. 1-554).
Exhibit 10.5	Directors' Restricted Stock Plan of 1991 (incorporated by reference to Exhibit B to Unocal's Proxy Statement for its 1991 Annual Meeting of Shareholders, File No. 1-8483).
Exhibit 10.6	Form of Indemnity Agreement between Union Oil and each of its directors (incorporated by reference to Exhibit A to Unocal's Proxy Statement for its 1987 Annual Meeting of Shareholders, File No. 1-8483).
Exhibit 10.7	Consulting Agreement, dated April 26, 1993, between Union Oil Company of California, dba Unocal, and Claude S. Brinegar.
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges
Exhibit 23	Consent of Coopers & Lybrand

EXHIBIT 4

UNION OIL COMPANY OF CALIFORNIA AND CONSOLIDATED SUBSIDIARIES
INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES

Documents incorporated by reference:

Common Stock, par value $2-1/12 per share	Certificate of Incorporation and Bylaws, see Exhibit 3 on the Exhibit Index.
Shelf registration statement	Filed in Union Oil Company of California and Unocal Corporation Form S-3, #33-1924 and #33-1924-01, Exhibit 4.1, dated December 11, 1985.
9-3/4% Notes due 1994	Filed in Union Oil Company of California and Unocal Corporation Prospectus Supplement to above Form S-3, dated March 3, 1986.
8-1/2% Notes due 1994 8-3/4% Notes due 1997	Filed in Union Oil Company of California and Unocal Corporation Prospectus Supplement to above Form S-3, dated March 23, 1987.
Shelf registration statement	Filed in Union Oil Company of California and Unocal Corporation Form S-3, #33-21825 and #33-21825-01, dated May 13, 1988. Also, constitutes Post-effective Amendment no. 2 with respect to above Form S-3, #33-1924 and #33-1924-01.
Medium-Term Notes, Series A	Filed in Union Oil Company of California and Unocal Corporation Prospectus Supplement to above Form S-3, dated September 19, 1988.
9.625% Notes due 1995	Filed in Union Oil Company of California and Unocal Corporation Prospectus Supplement to above Form S-3, dated May 7, 1990.
9.75% Notes due 2000	Filed in Union Oil Company of California and Unocal Corporation Prospectus Supplement to above Form S-3, dated November 15, 1990.

Documents incorporated by reference:

Shelf registration statement	Filed in Union Oil Company of California and Unocal Corporation Form S-3, #33-38505 and #33-38505-01, dated January 2, 1991. Also, constitutes Post-effective Amendment no. 1 with respect to above Form S-3, #33-21825 and #33-21825-01.
Medium-Term Notes, Series B	Filed in Union Oil Company of California and Unocal Corporation Prospectus Supplements to above Form S-3, dated January 30, 1991 and February 18, 1994.
9.25% Debentures due 2003	Filed in Union Oil Company of California and Unocal Corporation Prospectus Supplement to above Form S-3, dated January 31, 1991.
9.125% Debentures due 2006	Filed in Union Oil Company of California and Unocal Corporation Prospectus Supplement to above Form S-3, dated February 12, 1991.
8.75% Notes due 2001	Filed in Union Oil Company of California and Unocal Corporation Prospectus Supplement to above Form S-3, dated August 14, 1991.
6.375% Notes due 2004	Filed in Union Oil Company of California and Unocal Corporation Prospectus Supplement to above Form S-3, dated February 1, 1994.

Any instrument defining the rights of security holders with respect to nonregistered long-term debt not being filed on the basis that the amount of securities authorized does not exceed 10 percent of the total assets of the company and subsidiaries on a consolidated basis will be furnished to the Commission upon request.

CONSULTING AGREEMENT

EXHIBIT 10.7

WHEREAS, Claude S. Brinegar (hereinafter referred to as "Consultant") has agreed to provide consulting services to Union Oil Company of California, dba Unocal and Unocal Corporation (hereinafter jointly referred to as "Unocal") and

WHEREAS, Consultant and Unocal wish to establish the terms and conditions under which such services are to be rendered.

THEREFORE, Consultant and Unocal agree as follows:

1. Period of Agreement

This Agreement shall be effective for a term beginning May 1, 1993 and ending on April 30, 1994. This Agreement shall automatically terminate on April 30, 1994 without the need for any prior notification. Consultant's confidentiality obligations and Unocal's rights in the work performed shall survive termination of this Agreement regardless of the time or reason for termination. This Agreement may only be extended for an additional term by written agreement of the parties and the prior approval of the Board of Directors.

2. Services

Any consulting services shall be scheduled as mutually determined by Consultant and by Unocal Corporation's Chief Executive Officer (hereinafter "CEO"). No services shall be provided without the prior request of said CEO. Services in excess of 30 consulting days during the term of this Agreement shall require the prior written authorization of Unocal's CEO. Attendance at meetings other than at a Unocal location shall require prior written approval of Unocal's CEO if such attendance is to be treated as compensable under this Agreement.

During the period of this Agreement, Consultant may provide services for other clients and/or employers, subject to the confidentiality requirements of this Agreement and any other confidentiality agreement previously signed by Consultant. Consultant will not provide services for another client which could result in a conflict of interest. Therefore, Consultant agrees to inform Unocal in advance of providing services to other clients and/or employers.

3. Fees and Expenses

Consultant's retainer shall be Thirty-Seven Thousand Five Hundred Dollars ($37,500) per year payable in monthly installments of Three Thousand One Hundred and Twenty-Five Dollars. If Consultant renders services for more than 15 calendar days during the term of this Agreement, such additional days shall be compensated at the rate of Two Thousand Five Hundred Dollars ($2500) per day. Consultant shall be entitled to reimbursement for reasonable travel and business expenses associated with the performance of services under this Agreement. Travel time to and from a consulting site shall not count as consulting time. Unocal shall provide Consultant with secretarial, clerical and analytic assistance at a Unocal office at Unocal's expense as reasonably necessary for Consultant to provide services hereunder.

Consultant shall submit an invoice for each month to the Office of Unocal's CEO stating the services rendered, the consulting time and the amount of any reimbursable expenses, including appropriate documentation thereof. Payment for services will normally be made within 15 calendar days of the submission of such invoice.

4. Independent Contractor

Any services shall be performed by Consultant as an independent contractor. Consultant is not authorized to enter into any agreement on behalf of Unocal with any third party. Consultant shall not provide any service as an employee or agent of Unocal. Therefore, payments shall not constitute wages subject to Federal or State withholding taxes. No services hereunder shall entitle Consultant to any Unocal employee benefit or privilege or in any way affect benefits paid to Consultant either currently or to be paid in the future in connection with any employee benefit plan of Unocal or any affiliated company. This Agreement shall not reduce or offset any fees or benefits the Consultant is otherwise entitled to as a Director of Unocal.

5. Confidentiality

Any proprietary information relating to Unocal and/or its employees and their current or previous work shall continue to be and remain the sole and exclusive property of Unocal. Consultant shall not use such information, release such information, or allow the release of such information unless Unocal's CEO expressly so authorizes by written notice directed to Consultant. All confidentiality obligations shall survive this Agreement, including any extensions thereof.

This provision is not intended to limit Consultant providing services for others so long as confidential and/or proprietary information is not used or disclosed by Consultant in such activities.

6. Services Performed

Consultant's service shall be those determined by Unocal's CEO.

7. Death or Incompetency of Consultant

Notwithstanding any other provision of this Agreement, if Consultant dies or is adjudged incompetent this Agreement shall terminate and no further payments shall be due for any period following the month in which such death or incapacity occurs. Any payment due will be made to Consultant's designated beneficiary after submission of proof of such event to Unocal on such forms as Unocal may require. If no beneficiary designation has been made, payment shall be to Consultant's spouse. If there is a dispute regarding the proper party to receive any payments under this Agreement, Unocal may make payment to a court having jurisdiction for the disposition of such amounts and, upon such payment, the obligations of Unocal under this Agreement shall be fully discharged.

8. No Assignment of Payments

Except for Consultant's designation of a beneficiary, Consultant's right to payments under this Agreement shall not be assigned.

Consultant's right to receive payments under this Agreement is not secured by any specific property or assets of Unocal or any of its subsidiaries.

9. Applicable Law

This Agreement has been delivered in California and shall be construed in accordance with and governed by the laws of California. Whenever possible each provision of this Agreement shall be interpreted so as to be valid under applicable law. However, if any provision of this Agreement shall be held invalid under applicable law by a Court having jurisdiction, such provision shall be ineffective only to the extent of such invalidity, without invalidating the remainder of such provision or the other provisions of this Agreement.

10. No Assignment or Subcontracting of Services

This Agreement is for Consultant's unique personal services. As such, Consultant may not assign or subcontract Consultant's performance hereunder without the prior express written agreement of Unocal's CEO, directed to Consultant. Any attempt to make such an assignment shall be void.

11. Waiver

Neither Unocal nor Consultant shall be deemed to have waived any right available to either party under this Agreement or applicable law unless such waiver is set forth in a written notice signed by an authorized representative of the party to be bound and directed to the other party. Unless specifically stated in such notice, no waiver shall apply to any other right, howsoever available, or to the same right on a future occasion.

12. Modification

This Agreement may not be altered or amended except by an agreement in writing signed by Consultant and by Unocal's CEO.

13. Entire Agreement

This Agreement is the entire Agreement between Consultant and Unocal and cancels and supersedes any previous agreement relating to the subject matter of this Agreement except any secrecy or confidentiality agreement.

14. Section Titles

Section titles are for reference only and are without any substantive content whatsoever.

15. Rights in Work Produced

Unocal shall have the right to all work produced by or for Consultant pursuant to this Agreement, including without limitation, computer programs, written reports, and scientific processes. This provision shall survive the termination of this Agreement, including any extensions thereof.

Union Oil Company of California dba: UNOCAL

By: /s/ RICHARD J. STEGEMEIER
Print Name: Richard J. Stegemeier
Title: Chairman & Chief Executive Officer
Date: 4/26/93

CONSULTANT

Signature: /s/ CLAUDE S. BRINEGAR
Print Name: Claude S. Brinegar
Date: April 26, 1993

UNION OIL COMPANY OF CALIFORNIA AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in Millions)

	Year Ended December 31				
	1993	1992	1991	1990	1989
Earnings from continuing operations	$344	$197	$ 75	$ 491	$ 329
Provision for income taxes	268	153	139	84	218
Minority interest	-	5	6	26	36
Earnings subtotal (a)	612	355	220	601	583
Fixed charges included in earnings:					
Interest expense	304	379	395	419	421
Interest portion of rentals (b)	55	61	67	60	55
Subtotal	359	440	462	479	476
Earnings available before fixed charges	$971	$795	$682	$1,080	$1,059
Fixed charges:					
Fixed charges included in earnings	$359	$440	$462	$ 479	$ 476
Capitalized interest	30	34	40	10	23
Total fixed charges	$389	$474	$502	$ 489	$ 499
Ratio of earnings to fixed charges (a)	2.5	1.7	1.4	2.2	2.1

(a) Includes pretax asset write-downs of:	$19	$50	$106	$127	$62
The ratio of earnings, excluding asset write-downs, to fixed charges would be:	2.5	1.8	1.6	2.5	2.3

(b) Calculated as one-third of operating rental expense.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the following Registration Statement of Union Oil Company of California, Registration Statement on Form S-3 (No. 33-38505) of our report, dated February 14, 1994, which appears on page 27 of this Annual Report on Form 10-K.

Coopers & Lybrand
Los Angeles, California
March 31, 1994