Molycorp, Inc.
Molybdenum Group
300 Caldwell Avenue
Washington, PA 15301
Telephone (724) 222-5605
Facsimile (724) 222-7336

May 30, 2001

Mr. Tom McLaughlin, Project Mgr.
Decommissioning Branch
Us Nuclear Regulatory Commission
One White Flint North
11555 Rockville Pike
Rockville, MD 28052

Subject: Molycorp Financial Assurance Submittal NRC License #'s SMB 1393 & SMB 1408.

Dear Mr. McLaughlin,

Enclosed please find Molycorp's financial assurance packages and supporting documentation for both the Washington and York, PA facilities.

If you have any questions please contact me at the above number.

Sincerely,

George W. Dawes
Facility Superintendent

Xc: file
R. Cherniske

Union Oil Company of California
2141 Rosecrans Ave., Suite 4000
El Segundo, CA 90245

union 76

May 25, 2001

U.S. Nuclear Regulatory
Commission
Mail Stop T7 F27
Washington, DC 20555

ATTN: Larry W. Camper

RE: CHIEF FINANCIAL OFFICER
LETTER FOR LICENSE NO.
SMB - 1393 AND SMB - 1408

Dear Mr. Camper

I am the chief financial officer of Union Oil Company of California, 2141 Rosecrans Avenue, Suite 4000 El Segundo, CA 90245, a corporation. This letter is in support of this firm's use of the financial test to demonstrate financial assurance, as specified in 10 CFR Part 40.

This firm guarantees, through the parent company guarantee submitted to demonstrate compliance under 10 CFR Part 40, the decommissioning of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates or certified amounts for decommissioning, so guaranteed, are shown for each facility:

Name of Facility	License Number	Location of Facility	Certified Amounts Or Current Cost Estimates
Molycorp, Inc.	SMB - 1393	300 Caldwell Avenue Washington, PA 15301	$30,265,000
Molycorp, Inc.	SMB - 1408	350 N. Sherman Avenue York, PA 17402	$3,825,000

This firm is not required to file a Form 10-K with the U.S. Securities and Exchange Commission for the latest fiscal year.

This fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements and footnotes for the latest completed fiscal year, ended December 31, 2000. A copy of this firm's most recent financial statements is enclosed.

PARENT COMPANY GUARANTEE FINANCIAL TEST II

1. Current decommissioning cost estimates or certified amounts
   a. Decommissioning amounts covered by this parent company guarantee $34,090,000
   b. All decommissioning amounts covered by other NRC or Agreement State parent company guarantees or self-guarantees $ 0
   c. All amounts covered by parent company guarantees, self-guarantees, or financial tests of other Federal or State agencies (e.g., EPA) $336,071,997

   TOTAL $370,161,997

2. Current bond rating of most recent unsecured issuance of this firm
   Rating BBB+
   Name of rating service Standard & Poor's

3. Date of issuance of bond June 21, 1999

4. Date of maturity of bond June 15, 2009

*5. Tangible net worth** (if any portion of estimates for decommissioning is included in total liabilities on your firm's financial statements, you may add the amount of that portion to this line) $3,254,000,000

*6. Total assets in United States (required only if less than 90 percent of firm's assets are located in the United States) $5,180,000,000

		Yes	No
7.	Is line 5 at least $10 million?	X	
8.	Is line 5 at least 6 times line 1?	X	
9.	Are at least 90 percent of firm's assets located in the United States? If not, complete line 10.		X
10.	Is line 6 at least 6 times line 1?	X	
11.	Is the rating specified on line 2 "BBB" or better (if issued by Standard & Poor's) or "Baa" or better (if issued by Moody's)?	X	

* Denotes figures derived from financial statements.
** Tangible net worth is defined as net worth minus goodwill, patents, trademarks, and copyrights.

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

Signature_____

Name – Terry G. Dallas

Title – Chief Financial Officer

Date - May 25, 2001

PARENT COMPANY GUARANTEE FOR
DECOMMISSIONING ACTIVITIES,
LICENSE NO. SMB - 1393 and SMB - 1408

Guarantee made this May 25, 2001 by Union Oil Company of California, a corporation organized under the laws of the State of California, herein referred to as "guarantor," to the U.S. Nuclear Regulatory Commission (NRC), beneficiary, on behalf of our subsidiary Molycorp, Inc., of 300 Caldwell Avenue, Washington, PA 15301 and Molycorp, Inc. of 350 North Sherman Avenue, York, PA 17402.

Recitals

1. The guarantor has full authority and capacity to enter into this guarantee under its bylaws, articles of incorporation, and the laws of the State of California, its State of incorporation. Guarantor has approval from its Board of Directors to enter into this guarantee.

2. This guarantee is being issued to comply with regulations issued by the NRC, an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. NRC has promulgated regulations in Title 10,Chapter I of the Code of Federal Regulations, Part 40 which require that a holder of, or an applicant for, a materials license issued pursuant to 10CFR Part 40 provide assurance that funds will be available when needed for required decommissioning activities.

3. The guarantee is issued to provide financial assurance for decommissioning activities for Molycorp, Inc.'s facilities located at 300 Caldwell Avenue, Washington, PA 15301, License No. SMB – 1393 (hereinafter referred to as the "Molycorp Washington Facility") and at 350 North Sherman Avenue, York, PA 17402, License No. SMB – 1408 (hereinafter referred to as the "Molycorp York Facility") as required by 10 CFR Part 40. The decommissioning costs for these activities are as follows:

   Molycorp Washington Facility
   License No. SMB – 1393
   Decommissioning costs guaranteed - $30,265,000

   Molycorp York Facility
   License No. SMB – 1408
   Decommissioning costs guaranteed - $3,825,000

4. The guarantor meets or exceeds the following financial test criteria of parent company guarantee financial test II and agrees to comply with all notification requirements as specified in 10 CFR Part 40 and Appendix A to 10 CFR Part 30.

   The guarantor meets one of the following two financial tests:

   (a)(i) Two of the following three ratios: a ratio of total liabilities to net worth less than 2.0; a ratio of the sum of net income plus depreciation, depletion, and amortization to total liabilities greater than 0.1; and a ratio of current assets to current liabilities greater than 1.5; and

NON-NEGOTIABLE

(a)(ii) Net working capital and tangible net worth each at least six times the costs covered by financial tests; and

(a)(iii) Tangible net worth of at least $10 million; and

(a)(iv) Assets located in the United States amounting to at least 90 percent of total assets or at least six times the costs covered by financial tests.

OR

(b)(i) A current rating for its most recent bond issuance of AAA, AA, A, or BBB as issued by Standard & Poor's, or Aaa, Aa, A or Baa as issued by Moody's; and

(b)(ii) Tangible net worth at least six times the costs covered by financial tests; and

(b)(iii) Tangible net worth of at least $10 million; and

(b)(iv) Assets located in the United States amounting to at least 90 percent of total assets or at least six times the costs covered by financial tests.

5. The guarantor has majority control of the voting stock for the following licensees covered by this guarantee:

   Molycorp, Inc.

6. Decommissioning activities as used below refer to the activities required by 10 CFR Part 40 for decommissioning of the facilities identified above.

7. For value received from Molycorp, Inc., and pursuant to the guarantor's authority to enter into this guarantee, the guarantor guarantees to the NRC that if the licensee fails to perform the required decommissioning activities, as required by License No. SMB –1393 and License No. SMB - 1408, the guarantor shall

   (a) carry out the required activities, or

   (b) set up a trust fund in favor of the above identified beneficiary in the amount of the current cost estimates for these activities.

8. The guarantor agrees to submit revised financial statements, financial test data, and an auditor's special report and reconciling schedule annually within 90 days of the close of the parent guarantor's fiscal year.

9. The guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, it fails to meet the financial test criteria, the licensee shall send within 90 days of the end of the fiscal year, by certified mail, notice to the NRC that the licensee intends to provide alternative financial assurance as specified in 10 CFR Part 40. Within 120 days after the end of the fiscal year, the guarantor shall establish such financial assurance if the Molycorp, Inc. has not done so.

10. The guarantor also agrees to notify the beneficiary promptly if the ownership of the

licensee or the parent firm is transferred and to maintain this guarantee until the new parent firm or the licensee provides alternative financial assurance acceptable to the beneficiary.

11. The guarantor agrees that if it determines, at any time other than as described in Recital 9, that it no longer meets the financial test criteria or it is disallowed from continuing as a guarantor, it shall establish alternative financial assurance as specified in 10 CFR Part 30, 40, 70, or 72, as applicable, within 30 days, in the name of Molycorp, Inc. unless Molycorp, Inc. has done so.

12. The guarantor as well as its successors and assigns agree to remain bound jointly and severally under this guarantee notwithstanding any or all of the following: amendment or modification of license or NRC-approved decommissioning funding plan for that facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licensee pursuant to 10 CFR Part 40.

13. The guarantor agrees that all bound parties shall be jointly and severally liable for all litigation costs incurred by the beneficiary, NRC, in any successful effort to enforce the agreement against the guarantor.

14. The guarantor agrees to remain bound under this guarantee for as long as Molycorp, Inc. must comply with the applicable financial assurance requirements of 10 CFR Part 40, for the previously listed facilities, except that the guarantor may cancel this guarantee by sending notice by certified mail to the NRC and to Molycorp, Inc., such cancellation to become effective no earlier than 120 days after receipt of such notice by both the NRC and Molycorp, Inc. as evidenced by the return receipts.

15. The guarantor agrees that if Molycorp, Inc. fails to provide alternative financial assurance as specified in 10 CFR Part 40, as applicable, and obtain written approval of such assurance from the NRC within 90 days after a notice of cancellation by the guarantor is received by both the NRC and Molycorp, Inc. from the guarantor, the guarantor shall provide such alternative financial assurance in the name of Molycorp, Inc. or make full payment under the guarantee.

16. The guarantor expressly waives notice of acceptance of this guarantee by the NRC or by Molycorp, Inc.. The guarantor also expressly waives notice of amendments or modifications of the decommissioning requirements and of amendments or modifications of the license.

17. If the guarantor files financial reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to the NRC during each year in which this guarantee is in effect.

I hereby certify that this guarantee is true and correct to the best of my knowledge.

Effective date: May 25, 2001

Union Oil Company of California

Terry G. Dallas

Chief Financial Officer

Signature of witness or notary: Nora Lin

NON-NEGOTIABLE

Molycorp, Inc.
376 South Valencia Avenue
Brea, California 92823
Telephone (714) 577-1751
Facsimile (714) 577-2779

Robert M. Hinkel
President and Chief Executive Officer

May 21, 2001

U.S. Nuclear Regulatory Commission
Mail Stop T7 F27
Washington, DC 20555

ATTN: Larry W. Camper

RE: CHIEF EXECUTIVE OFFICER
LETTER FOR LICENSE NO.
SMB-1393 and SMB-1408

Dear Mr. Camper:

I am the chief executive officer of Molycorp, Inc. 376 S. Valencia Brea, CA 92823, a corporation. This letter is in support of this firm's use of the parent company guarantee and associated financial test to demonstrate financial assurance, as specified in 10 CFR Part 40.

I hereby certify that Molycorp, Inc. is currently a going concern, and that it possesses positive tangible net worth in the amount of $32.271MM.

This firm is not required to file a Form 10-K with the U.S. Securities and Exchange Commission for the latest fiscal year. This fiscal year of this firm ends on December 31.

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

Signature
Name - Robert M. Hinkel

Title - President and Chief Executive Officer

Date - May 21, 2001

CHECKLIST 1
MASTER CHECKLIST FOR
DECOMMISSIONING FINANCIAL ASSURANCE

Name of Licensee/Applicant Molycorp, Inc.

Mailing Address 300 Caldwell Avenue, Washington, PA 15301

Facility Address 300 Caldwell Avenue, Washington, PA 15301 and
350 N. Sherman Avenue York, Pa 17402

License Number(s) SMB – 1393 and SMB - 1408

Date of Submission May 24, 2001

Applicable Parts of 10 CFR (check all that apply): _ Part 30 X Part 40
_ Part 70 _ Part 72

Type of Submission: _ Certification of Financial Assurance _ attach Checklist 2
X Decommissioning Funding Plan _ attach Checklist 3
_ Decommissioning Plan _ attach Checklist 18

Type of Mechanism:

_ Prepayment
- _ Trust _ attach Checklist 4-A
- _ Escrow Account _ attach Checklist 5-A
- _ Government Fund _ attach Checklist 6-A
- _ Certificate of Deposit _ attach Checklist 7-A
- _ Deposit of Government Securities _ attach Checklist 8-A

X Surety, Insurance, or Other Guarantee Method
- _ Surety Bond _ attach Checklist 9-A
- _ Letter of Credit _ attach Checklist 10-A
- _ Line of Credit _ attach Checklist 11-A
- _ Insurance _ attach Checklist 12-A
- X Parent Company Guarantee _ attach Checklist 13-A
- _ Self-Guarantee _ attach Checklist 14-A

_ External Sinking Fund _ attach Checklist 15-A

_ Statement of Intent _ attach Checklist 16-A

_ Special Arrangement with a Government Entity _ attach Checklist 18-A.F4

CHECKLIST 13-A
PARENT COMPANY GUARANTEES

Documentation is complete:

X 1. Parent company (corporate) guarantee agreement (originally signed duplicate)

X 2. Letter from chief executive officer of licensee

X 3. Letter from chief financial officer of parent company, including parent company guarantee financial test (Financial Test I or II)

X 4. Auditor's special report confirming CFO letter and reconciling amounts in the CFO letter with parent company's financial statements

X 5. Parent company's audited financial statements for the most recent fiscal year, including the auditor's opinion on the financial statements

_ 6. Standby trust agreement and all supporting documentation (see Section 17 and attach Checklist 17-A)

_ 7. Checklist 13-B (if model parent company guarantee wording is modified or not used)

X The corporate parent has majority control of the licensee's voting stock (if not, details on the parent-subsidiary relationship have been submitted to NRC for review).

X The amount of the parent company guarantee equals or exceeds the required coverage level.

UNION OIL COMPANY OF CALIFORNIA,
a California corporation

OFFICER'S CERTIFICATE

THE UNDERSIGNED, Brigitte M. Dewez, being the duly elected and qualified Secretary of Union Oil Company of California, a California corporation (the "Company"), does hereby certify as follows:

1. Union Oil Company of California is a California corporation, formed on October 17, 1890;

2. Molycorp, Inc. is a Delaware corporation, formed on June 1, 1920; and

3. Union Oil Company of California owns 100% of the capital stock of Molycorp, Inc.

IN WITNESS WHEREOF, the undersigned has caused this Certificate to be executed by this 11th day of May, 2001.

Brigitte M. Dewez, Secretary

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles CA 90071-3405
Telephone (213) 356 6000
Facsimile (213) 356 6363

REPORT OF INDEPENDENT ACCOUNTANTS

May 21, 2000

Union Oil Company of California
2141 Rosecrans Avenue, Suite 4000
El Segundo, California 90245

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Union Oil Company of California and its subsidiaries (the "Company") as of December 31, 2000, and the related consolidated statements of earnings, cash flows and shareholder's equity and comprehensive income for the year then ended, and have issued our report thereon dated February 14, 2001.

The Company has prepared documents to demonstrate its financial responsibility under the Nuclear Regulatory Commission's (NRC) financial assurance regulation, 10 C.F.R. Part 30, Appendix A.

In connection with our audit, no matters came to our attention that caused us to believe that the Company failed to comply with the accounting provisions of 10 C.F.R. Part 30, Appendix A. However, our audit was not directed primarily toward obtaining knowledge of such non-compliance.

This report is intended solely for the information and use of the boards of directors and management of the Company, and its parent, Unocal Corporation, and Nuclear Regulatory Commission and should not be used for any other purpose.

Very truly yours,

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles CA 90071-3405
Telephone (213) 356 6000
Facsimile (213) 356 6363

Report of Independent Accountants

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

We have audited the accompanying consolidated balance sheets of Union Oil Company of California and its subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, cash flows and shareholder's equity and comprehensive income for each of the three years in the period ended December 31, 2000. These financial statements 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 auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Union Oil Company of California and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

February 14, 2001

CONSOLIDATED EARNINGS **UNION OIL COMPANY**

Millions of dollars except per share amounts	Years ended December 31, 2000	1999	1998
Revenues			
Sales and operating revenues	$ 8,914	$ 5,842	$ 4,627
Interest, dividends and miscellaneous income	193	105	169
Gain on sales of assets	85	14	211
Total revenues	9,192	5,961	5,007
Costs and other deductions			
Crude oil and product purchases	5,158	3,296	2,036
Operating expense	1,200	952	1,171
Selling, administrative and general expense	126	133	128
Depreciation, depletion and amortization	971	818	849
Dry hole costs	156	148	184
Exploration expense	175	176	203
Interest expense (a)	210	199	177
Property and other operating taxes	68	50	52
Total costs and other deductions	8,064	5,772	4,800
Earnings from equity investments	134	96	96
Earnings from continuing operations before income taxes and minority interests	1,262	285	303
Income taxes	500	128	181
Minority interests	16	16	7
Earnings from continuing operations	746	141	115
Discontinued operations			
Agricultural products			
Earnings from operations (b)	-	(1)	37
Gain on disposal (c)	37	-	-
Refining, marketing and transportation			
Gain on disposal (d)	-	25	-
Earnings from discontinued operations	37	24	37
Net earnings	$ 783	$ 165	$ 152
(a) Net of capitalized interest of :	$ (13)	$ (16)	$ (26)
(b) Net of tax expense (benefit) of :	$ -	$ (5)	$ 7
(c) Net of tax expense (benefit) of :	$ 18	$ -	$ -
(d) Net of tax expense (benefit) of :	$ -	$ 14	$ -

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

UNION OIL COMPANY

Millions of dollars	At December 31, 2000	1999
Assets		
Current assets		
Cash and cash equivalents	$ 234	$ 332
Accounts and notes receivable	1,298	995
Inventories	88	179
Deferred income taxes	155	100
Other current assets	25	25
Total current assets	1,800	1,631
Investments and long-term receivables	1,379	1,264
Properties - net	6,433	5,980
Deferred income taxes	231	16
Other assets	180	92
Total assets	$ 10,023	$ 8,983
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable *(a)*	$ 1,073	$ 1,033
Taxes payable	282	192
Interest payable	55	62
Current portion of environmental liabilities	124	100
Current portion of long-term debt and capital leases	114	1
Other current liabilities	196	174
Total current liabilities	1,844	1,562
Long-term debt and capital lease obligations	2,392	2,853
Deferred income taxes	618	230
Accrued abandonment, restoration and environmental liabilities	555	567
Other deferred credits and liabilities	968	620
Minority interests	392	432
Total liabilities	6,769	6,264
Common stock ($2-1/12 par value) 260,000,000 shares authorized		
Shares outstanding - 1,000 in 2000 and 1999	-	-
Capital in excess of par value	891	891
Unearned portion of restricted stock issued	(3)	-
Retained earnings	2,426	1,861
Accumulated other comprehensive loss	(53)	(33)
Notes receiveable - key employees	(7)	-
Total shareholder's equity	3,254	2,719
Total liabilities and shareholder's equity	$ 10,023	$ 8,983

(a) Includes amounts due to Parent of $51 million in 2000 and $51 million in 1999.

See Notes to the Consolidated Financial Statements.

CONSOLIDATED CASH FLOWS

UNION OIL COMPANY

Millions of dollars	Years ended December 31, 2000	1999	1998
Cash Flows from Operating Activities			
Net earnings	$ 783	$ 165	$ 152
Adjustment to reconcile net earnings to net cash provided by operating activities			
Depreciation, depletion and amortization	971	833	867
Dry hole costs	156	148	184
Deferred income taxes	17	(58)	(72)
(Gain) on sales of assets (pre-tax)	(85)	(14)	(211)
Gain on disposal of discontinued operations (pre-tax)	(23)	(39)	-
Other	189	(117)	35
Working capital and other changes related to operations			
Accounts and notes receivable	(389)	(173)	42
Inventories	24	-	(7)
Accounts payable	91	238	(76)
Taxes payable	92	(68)	134
Other	(153)	109	163
Net cash provided by operating activities	1,673	1,024	1,211
Cash Flows from Investing Activities			
Capital expenditures (includes dry hole costs)	(1,302)	(1,171)	(1,704)
Major Acquisitions	(318)	(205)	-
Proceeds from sales of assets	284	207	435
Proceeds from sale of discontinued operations	267	31	-
Net cash provided by (used in) investing activities	(1,069)	(1,138)	(1,269)
Cash Flows from Financing Activities			
Long-term borrowings	-	862	891
Reduction of long-term debt and capital lease obligations	(453)	(718)	(472)
Dividends paid to Parent	(218)	(167)	(445)
Loans to key employees	(7)	-	-
Minority interests	(25)	233	(10)
Other	1	(1)	(7)
Net cash used in financing activities	(702)	209	(43)
Increase (decrease) in cash and cash equivalents	(98)	95	(101)
Cash and cash equivalents at beginning of year	332	237	338
Cash and cash equivalents at end of year	$ 234	$ 332	$ 237
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest (net of amount capitalized)	$ 221	$ 196	$ 182
Income taxes (net of refunds)	$ 374	$ 197	$ 172

See Notes to the Consolidated Financial Statements.

CONSOLIDATED SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME

UNION OIL COMPANY

Millions of dollars except per share amounts	2000	1999	1998
Common stock			
Shares Authorized - 260,000,000			
Shares Outstanding - 1,000	$ -	$ -	$ -
Capital in excess of par			
Balance at beginning of year	891	891	891
Issuance of common stock	-	-	-
Balance at end of year	891	891	891
Unearned portion of restricted stock issued			
Balance at beginning of year	-	-	-
Issuance of restricted stock and options	(3)		
Amortization of stock and options	-	-	-
Balance at end of year	(3)	-	-
Retained earnings			
Balance at beginning of year	1,861	1,856	2,098
Net earnings for year	783	165	152
Cash dividends declared to Parent	(218)	(160)	(394)
Balance at end of year	2,426	1,861	1,856
Notes receivable - key employees			
Balance at beginning of year	-	-	-
Issuance of loans to key employees	(7)	-	-
Balance at end of year	(7)	-	-
Accumulated other comprehensive income (loss)			
Balance at beginning of year	(33)	(34)	(18)
Current year adjustment	(20)	1	(16)
Balance at end of year (a)	(53)	(33)	(34)
Total shareholder's equity	$ 3,254	$ 2,719	$ 2,713

(a) At year end 2000, other comprehensive loss was comprised of unrealized translation losses of $45 million and minimum penions liability adjustments of $8 million. At year end 1999, other comprehensive loss was comprised of unrealized translation losses of $25 million and minimum pension liability adjustments of $8 million. Year end 1998 consisted of unrealized translation losses of $25 milliion and minimum pension liability adjustments of $9 million.

Comprehensive income	2000	1999	1998
Net income	$ 783	$ 165	$ 152
Unrealized translation adjustments (no tax effect)	(20)	-	(7)
Minimum pension liability adjustment (b)	-	1	(9)
Total comprehensive income	$ 763	$ 166	$ 136

(b) No tax effect reported for 1999. $5 million tax effect in 1998.

See Notes to the Consolidated Financial Statements.

NOTES TO THE 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.

The consolidated financial statements of the Company include the accounts of subsidiaries in which a controlling interest is held. Investments in entities without a controlling interest 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 and losses after acquisition. Income taxes estimated to be payable when earnings are distributed are included in deferred income taxes.

Use of Estimates - The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent liabilities as of the financial statement date and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition – Revenues associated with sales of crude oil, natural gas and other products are recorded when title passes to the customer. Natural gas sales revenues from properties in which the Company has an interest with other producers are recognized on the basis of Union Oil's working interest ("entitlement" method of accounting).

Inventories - Inventories are generally valued at lower of cost or market. The costs of crude oil and other petroleum products are determined using the last-in, first-out (LIFO) method except for inventories held as energy trading assets, which are determined by market prices. The costs of other inventories are determined by using various methods. Cost elements primarily consist of raw materials and production expenses.

Impairment of Assets - Oil and gas producing properties are regularly assessed for possible impairment, generally on a field-by-field basis where applicable, using the estimated undiscounted future cash flows of each field. Generally, impairment loss is charged to depreciation, depletion and amortization expense when the estimated undiscounted future cash flows are less than the current net book values of the properties in a field.

Impairment charges are also made for other long-lived assets when it is determined that the carrying values of the assets may not be recoverable. A long-lived asset is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

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. Amortization of such costs related to the portion of unproved properties 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, including unsuccessful development wells, 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 onshore and offshore producing facilities are calculated at unit-of-production rates based upon estimated proved 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.

Retirement and Disposal of Properties - Upon retirement of facilities depreciated on an individual basis, remaining book values are charged to 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 – Union Oil files a consolidated federal income tax return with the Parent. All income taxes are included in the accounts of Union Oil and its subsidiaries. Allocations to certain accounts have been made to reflect what Union Oil Company of California's tax liability would have been if the Company did not file a consolidated tax return with the Parent. The Company uses the liability method for reporting income taxes, under which current and deferred tax liabilities and assets are recorded in accordance with enacted tax laws and rates. Under this method, the amounts of deferred tax liabilities and assets at the end of each period are determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not.

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 is established when deemed appropriate.

Foreign Currency Translation - Foreign exchange translation adjustments 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 other comprehensive income in stockholders' equity. The functional currency for all operations, except Canada and equity investments in Thailand and Brazil, 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 Expenditures - Expenditures that relate to existing conditions caused by past operations are expensed. Environmental expenditures that create future benefits or contribute to future revenue generation are capitalized.

Liabilities related to environmental assessments and future remediation costs are recorded when such liabilities are probable and the amounts can be reasonably estimated. The Company considers a site to present a probable liability when an investigation has identified environmental remediation requirements for which the Company is responsible. The timing of accruing for remediation costs generally coincides with the Company's completion of investigation or feasibility work and its recommendation of a remedy or commitment to an appropriate plan of action.

Environmental liabilities are not discounted or reduced by possible recoveries from third parties. However, accrued liabilities for Superfund and similar sites reflect anticipated allocations of liabilities among settling participants.

Environmental remediation expenditures required for properties held for sale are capitalized. A valuation allowance is established when the aggregate book values of the properties, including capitalized remediation costs, exceed net aggregate realizable values.

Risk Management - The primary objectives of the Company's risk management policies are to reduce the overall volatility of the Company's cash flows and to preserve revenues. As part of its overall risk management strategy, the Company enters into various derivative instrument contracts to protect its exposures to changes in interest rates, changes in foreign currency exchange rates, and fluctuations in crude oil and natural gas prices. The Company also pursues outright pricing positions in hydrocarbon derivative financial instruments.

Interest Rates - The Company enters into interest rate swap contracts to manage the interest cost of its debt with the objective of minimizing the volatility and magnitude of the Company's borrowing costs. Net amounts under the swap contracts are recorded on the accrual basis as adjustments to interest expense. Net related counterparty amounts are included in interest payable. Associated cash flows are presented in the operating activities section of the consolidated cash flows statement.

From time to time, the Company may purchase interest rate options to protect its interest rate positions. These purchases are designated as hedges of future transactions and gains or losses on the options are deferred until the underlying transactions occur. Option costs are recognized as part of the underlying transactions unless the transactions do not occur, at which time the option costs are recognized in earnings. Related cash flows are presented in the operating activities section of the consolidated cash flows statement.

Foreign Currency - Various foreign currency forward, option and swap contracts are entered into by the Company to manage its exposures to adverse impacts of foreign currency fluctuations under debt and other obligations and anticipated transactions. Generally, gains and losses on the outstanding contracts are recognized in earnings and offset the foreign currency gains and losses on the underlying liabilities or other transactions. Net related counterparty amounts are included in accounts receivable. Associated cash flows at settlement are presented in the financing activities section of the consolidated cash flows statement for contracts related to debt obligations. Cash flows related to other foreign currency obligations and anticipated transactions are presented in the operating activities section of the consolidated cash flows statement.

Commodities - The Company uses hydrocarbon derivative financial instruments (hydrocarbon derivatives) such as futures, swaps, and options to mitigate the Company's overall exposure to fluctuations in hydrocarbon commodity prices. The Company also pursues outright pricing positions using derivatives. Derivatives related to the enterprise's general risk management and trading activities are marked to market, and gains and losses are recognized on a current basis in the Company's operating revenues. Net related counterparty amounts are included in accounts receivable.

The Company may use derivatives to hedge portions of an operating group's designated future crude oil or natural gas production against price exposures. The Company may also use derivatives to hedge certain firm delivery commitments. These derivatives are designated as hedges for accounting purposes. To qualify for hedge accounting the item must be designated as a hedge at the inception of the derivative contract, the hedged item must expose the Company to price risk, the derivative must reduce the Company's price risk exposure, and there must be a high correlation of changes in the fair value of the derivative and the fair value of the underlying item being hedged. Gains or losses in the fair value of the derivative are deferred and recognized as part of the underlying commodity revenue when the designated item is sold, extinguished or terminated. If a designated transaction is no longer expected to occur or if correlation no longer exists, then a gain or loss is recognized to the extent the future results are not offset by the changes on the hedged item since the inception of the hedge. Net related counterparty amounts are included in accounts receivable. Cash flows related to derivative contracts settled during the period are reported in the operating activities section of the consolidated cash flows statement.

Capitalized Interest - Interest is capitalized on certain construction and development projects as part of the costs of the assets.

Other - The Company considers cash equivalents to be all highly liquid investments purchased with a maturity of three months or less. Certain items in prior year financial statements have been reclassified to conform to the 2000 presentation.

NOTE 2 – ACCOUNTING CHANGES

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (FAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". FAS 133 was effective for all fiscal quarters of all fiscal years beginning after June 15, 1999. FAS 133 requires that all derivative instruments be recorded at fair value on the balance sheet. Changes in the fair value of derivatives are required to be recorded each period in earnings or other comprehensive income, depending upon the type of hedging transaction and the hedge effectiveness. In June 1999, the FASB issued FAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133". FAS 137 postponed the effective date of FAS No. 133 from all fiscal quarters with fiscal years beginning after June 15, 1999 to all fiscal quarters with fiscal years beginning after June 15, 2000. In June 2000, the FASB issued FAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – An amendment of FASB Statement No. 133". FAS 138 addresses a limited number of issues which caused implementation difficulties for entities that applied FAS 133. This statement also amended FAS 133 for decisions made by the FASB relating to its Derivatives Implementation Group's (DIG) process. The DIG group is responsible for fielding various FAS 133 implementation issues, reaching tentative conclusions, and then clearing those conclusions with the FASB. Once the DIG issues have been cleared by the FASB, they become the official position of the FASB.

The Company will adopt FAS 133 in the first quarter of 2001 and will record a one-time after-tax charge for the initial adoption totaling approximately $1 million in its income statement and an unrealized after-tax loss of $59 million in other accumulated comprehensive income on the balance sheet.

NOTE 3 – ASSET ACQUISITIONS AND EXCHANGES

The Company, in 2000, acquired, for approximately $157 million, additional interests in the Makassar Strait and Rapak Production Sharing Contract (PSC) areas located offshore East Kalimantan, Indonesia. The Company increased its working interests to 90 percent and 80 percent in the Makassar Strait and Rapak PSCs, respectively. The Makassar Strait PSC area is the location of the West Seno oil and gas field and a portion of the Merah Besar discovery, which have been approved for development by Pertamina, the state-owned oil and gas company. The Rapak PSC area is adjacent to the Makassar Strait PSC area.

In 2000, the Company acquired, for a cash cost of approximately $161 million, the remaining outstanding 23 million common shares of Northrock Resources Ltd. (Northrock), a Canadian oil and gas exploration and production company. The Company had acquired an approximate 48 percent controlling interest in Northrock during 1999 for approximately $205 million.

The Company completed the merger of its oil and gas exploration and production assets in the Permian and San Juan basins with Titan Exploration, Inc. (Titan) in 2000, when its Pure Resources, Inc. (Pure), subsidiary acquired all of the outstanding common shares of Titan. Titan stockholders received .4302314 shares of Pure common stock for each share of Titan common stock. The new publicly traded company has approximately 50 million common shares outstanding. Union Oil now holds 32.7 million shares, or approximately 65 percent, of Pure, while the remaining shares are publicly held. Pure's acquisition of Titan was accounted for as a purchase and the Company is fully consolidating the financial and operating results of Pure. As a result of these transactions, the Company recorded a $66 million pre-tax ($42 million after-tax) gain.

In the first quarter of 2000, the Company's Spirit Energy Partners, L.P. (partnership) acquired interests from another company in 12 proven properties and nine offshore platforms located in the shelf area of the Gulf of Mexico. The partnership is an entity formed by Union Oil to acquire producing properties in existing areas of operations. The Company and its partner each contributed $27 million to the partnership for the purchase of the properties. The partnership also secured outside financing for the purchase. The Company's non-controlling 50 percent interest is accounted for using the equity method.

NOTE 4 - DISPOSITIONS OF ASSETS

In 2000, cash proceeds received from asset sales totaled $284 million, with pre-tax gains of $85 million. The proceeds included: $80 million from the sale of the Company's graphite business, with a pre-tax gain of $12 million; $71 million from the sale of the Agrium, Inc. (Agrium) securities received as part of the consideration in the sale of the agricultural business, with a pre-tax loss of $6 million; $98 million from oil and gas properties, with a pre-tax gain of $3 million; and $35 million in real estate and other assets, with a pre-tax gain of $10 million.

In 2000, cash proceeds received from the sale of discontinued operations totaled $267 million, with $242 million (net of closing costs) received from the sale of the agricultural products business and $25 million received from Tosco Corporation (Tosco) associated with a participation agreement involving certain gasoline margins related to the 1997 sale of the Company's former West Coast refining, marketing and transportation assets. The Company recorded a $23 million pre-tax gain on the sale of the agricultural products business. The gain related to the Tosco amount was recorded in 1999 at the time the agreement was reached.

Proceeds received from asset sales and discontinued operations during 1999 totaled $238 million, with pre-tax gains of $53 million. Proceeds from the sale of the Company's interest in a geothermal production operation in Northern California were $101 million, with a pre-tax loss of $16 million. The sale of certain oil and gas assets generated proceeds of $29 million and a pre-tax gain of $3 million. The sale of certain real estate assets generated proceeds of $77 million and a pre-tax gain of $27 million. Also included in proceeds was the receipt of $31 million associated with the refining, marketing and transportation participation agreement. The entire proceeds related to the participation agreement received at the end of 1999 and the beginning of 2000 were recorded as a pre-tax gain of $56 million in 1999, which was partially offset by a $17 million pre-tax loss adjustment related to the sale of the refining, marketing and transportation business.

During 1998, the Company received proceeds totaling $435 million from the sale of assets and recorded a total pre-tax gain of $211 million. Of the total proceeds, $261 million were from the sale of Tarragon Oil and Gas Limited (Tarragon) common stock and debentures acquired in exchange for the Company's Alberta, Canada, exploration and production assets. The asset exchange and subsequent sale of the Tarragon securities resulted in a total pre-tax gain of $155 million. The Company received proceeds of $52 million from the sale of its interests in the Alliance Pipeline project and recorded a pretax gain of $8 million. Proceeds of $34 million from the sale of the Company's Oklahoma oil and gas properties resulted in a pre-tax gain of $22 million. Proceeds from the sale of other U.S. oil and gas assets and miscellaneous real estate assets were $88 million, with pre-tax gains of $26 million.

NOTE 5 - LEASE RENTAL OBLIGATIONS

The Company has operating leases for drilling rig contracts, office space and other property and equipment having initial or remaining noncancelable lease terms in excess of one year.

Future minimum rental payments for operating leases at December 31, 2000 were as follows:

Millions of dollars	
2001	179
2002	134
2003	112
2004	103
2005	81
Balance	50
Total minimum lease rental payments	$ 659

The preceding table includes approximately $361 million in future payments remaining on the Company's five-year rental of the *Discoverer Spirit* drillship.

Net operating lease rental expense for continuing operations was as follows:

Millions of dollars	2000	1999	1998
Fixed rentals	$ 58	$ 60	$ 53
Contingent rentals (based primarily on sales and usage)	1	7	8
Sublease rental income	(4)	(4)	(5)
Net rental expense	$ 55	$ 63	$ 56

NOTE 6 - IMPAIRMENT OF ASSETS

The Company, as part of its regular assessment, reviewed its oil and gas properties, mining facilities and other long-lived assets in 2000 for possible impairment. The Company recorded pre-tax charges of $13 million to depreciation, depletion and amortization expense for the impairment of certain U.S. Lower 48 oil and gas properties. The Company's Molycorp, Inc. (Molycorp), subsidiary recorded pre-tax charges of $53 million for the impairment of the Questa, New Mexico, molybdenum mining operation, substantially all of which was recorded in depreciation, depletion and amortization expense.

In 1999, the Company recorded pre-tax charges of $23 million to depreciation, depletion and amortization expense for the impairment of certain U.S. Lower 48 oil and gas properties.

In 1998, the Company recorded pre-tax charges of $66 million to depreciation, depletion and amortization expense for the impairment of certain U.S. Lower 48, Alaska and International oil and gas properties. The Company recorded a pre-tax charge of $2 million to earnings from equity investments for impairment related to an equity investment in a U.S. oil and gas company. A pre-tax charge of $29 million was also recorded to depreciation, depletion and amortization expense for the impairment of the Mountain Pass, California, mining operations of the Company's Molycorp subsidiary.

NOTE 7 - RESTRUCTURING COSTS

In the first quarter of 2000, the Company adopted a restructuring plan that resulted in the accrual of a $17 million pre-tax restructuring charge. This amount included the estimated costs of terminating approximately 195 employees. The plan involves the simplifying of the organizational structures to align them with the Company's portfolio requirements and business needs, along with the creation of a new organizational structure for part of the Company's U.S. Lower 48 oil and gas operations.

Approximately 125 of the affected employees were from various exploration and production business units and 70 were from other organizations, including corporate staff. The restructuring charge included approximately $17 million for termination costs to be paid to the employees over time, approximately $2 million for outplacement and other costs and a net reduction in pension and post retirement expenses of $2 million. The charge was recorded in selling, administrative and general expense on the consolidated earnings statement. At December 31, 2000, 167 employees (87 percent) had been terminated or had received termination notices as a result of the plan. The amount of unpaid benefits remaining on the consolidated balance sheet at December 31, 2000 was $5 million. No material changes are expected in the costs accrued for the plan and no adjustments to the liability have been made to date.

Restructuring plans adopted in the fourth quarter of 1998 and the second quarter of 1999 were completed at December 31, 2000.

NOTE 8 - INCOME TAXES

The components of the income tax provision for continuing operations were as follows:

Millions of dollars	2000	1999	1998
Earnings (loss) from continuing operations before income taxes and minority interests (a)			
United States	$ 644	$ (72)	$(222)
Foreign	618	357	525
Earnings from continuing operations before incomes taxes and minority interests	$1,262	$ 285	$ 303
Income taxes			
Current			
Federal	$ 43	$ 15	$ (39)
State	20	7	5
Foreign	374	163	274
Total current taxes	437	185	240
Deferred			
Federal	155	(118)	(137)
State	(2)	(5)	(4)
Foreign	(93)	59	69
Total deferred taxes	60	(64)	(72)
Sub-total income taxes	497	121	168
Union Oil Company of California allocation (b)	3	7	13
Total Income Taxes	$ 500	$ 128	$ 181

(a) Amounts attributable to the Corporate and Unallocated segment are allocated.

(b) The Company files a consolidated tax return with the Parent. This alloction presents projected tax information for Union Oil Company of California for report purposes only.

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.

Millions of dollars	**2000**	**1999**	**1998**
Federal statutory rate	35%	35%	35%
Taxes on earnings from continuing operations and before minority interests at statutory rate	$442	$100	$106
Taxes on foreign earnings in excess of (less than) statutory rate	23	50	89
Provision for prior year income tax issues	28	-	-
Dividend exclusion	(16)	(15)	(14)
Other	20	(14)	(13)
Union Oil Company of California Allocation	3	7	13
Total	$500	$128	$181

The significant components of deferred income tax assets and liabilities included in the consolidated balance sheet at December 31, 2000 and 1999 were as follows:

Millions of dollars	**2000**	**1999**
Deferred tax assets (liabilities):		
Depreciation and intangible drilling costs	$(863)	$(711)
Pension assets	(173)	(170)
Other deferred tax liabilities	(242)	(247)
Exploratory costs	315	270
Federal AMT and other tax credits	99	214
Future abandonment costs	131	132
Litigation and environmental costs	109	104
Postretirement benefit costs	88	84
Forward sales of crude oil and gas	36	81
Price risk management activities	66	5
Other deferred tax assets	202	130
Valuation allowance	-	(6)
Total deferred tax assets (liabilities)	$(232)	$(114)

No deferred U.S. income tax liability has been recognized on the undistributed earnings of foreign subsidiaries that have been retained for reinvestment. If distributed, no additional U.S. tax is expected due to the availability of foreign tax credits. The undistributed earnings for tax purposes, excluding previously taxed earnings, were estimated at $1.9 billion as of December 31, 2000.

The Company estimates that approximately $167 million of unused foreign tax credits will be available after the filing of the 2000 consolidated tax return, with various expiration dates through the year 2005. No deferred tax asset for these foreign credits has been recognized for financial statement purposes. The federal alternative minimum tax credits are available to reduce future U.S. federal income taxes on an indefinite basis. At December 31, 2000, the Company's Pure subsidiary had net operating loss carryforwards of approximately $70 million which are available to offset future taxable income of Pure. The loss carryforwards begin to expire in 2011 and the tax effect of those carryforwards are included in other deferred tax assets.

NOTE 9 - DISCONTINUED OPERATIONS

The results of discontinued operations and related effect per common share are summarized below:

	Years ended December 31,		
Millions of dollars	2000	1999	1998
Revenues	$ -	$ 313	$ 376
Total costs and other deductions	-	319	332
Earnings (loss) from discontinued operations before income taxes	-	(6)	44
Income taxes (benefits)	-	(5)	7
Earnings (loss) from discontinued operations (a)	-	(1)	37
Gain on disposal before income taxes	55	39	-
Income taxes	18	14	-
Gain on disposal (b)	37	25	-
Total earnings from discontinued operations	$ 37	$ 24	$ 37
Basic earnings per common share:			
Earnings from discontinued operations (a)	$ -	$ -	$ 0.15
Gain on disposal (b)	0.15	0.10	-
Basic earnings per common share	$ 0.15	$ 0.10	$ 0.15
Diluted earnings per common share:			
Earnings from discontinued operations (a)	$ -	$ -	$ 0.15
Gain on disposal (b)	0.15	0.10	-
Diluted earnings per common share	$ 0.15	$ 0.10	$ 0.15

(a) Earnings (loss) attributable to the agricultural products business.

(b) Gain on disposal in 2000 is exclusively related to the agricultural products business and the gain on disposal in 1999 is exclusively related to the refining, marketing and transportation business.

In September 2000, the Company completed the sale of its agricultural products business to Agrium for approximately $323 million. The Company, in accordance with APB Opinion No. 30, "Reporting the Results of Operations – Reporting the effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", reclassified the business unit as a discontinued operation at the end of 1999. Net proceeds received from the sale totaled approximately $242 million in cash. The Company also received $50 million principal amount of Agrium junior convertible subordinated debentures and approximately 2.6 million shares of Agrium common stock, which were valued at approximately $27 million at the close of the sale. The Company recorded a pre-tax gain of $55 million ($37 million after-tax) on the disposal of the business. The gain included $32 million pre-tax ($23 million after-tax) from the results of operations up to the sale date, which was an increase from 1999 primarily due to higher agricultural products commodity prices. The consolidated balance sheets for the current and prior periods have not been restated. Cash flows related to discontinued operations have not been segregated on the consolidated statements of cash flows. Consequently, amounts shown on the consolidated earnings statement may not agree with certain captions on the consolidated statements of cash flows.

In 1999, the Company recorded a pre-tax gain of $39 million ($25 million after-tax) related to its West Coast refining, marketing and transportation assets, which were sold in 1997. The pre-tax gain included a partial settlement with Tosco on the $250 million participation agreement regarding increased refining premiums and gasoline marketing margins. The Company recorded approximately a pre-tax gain of $56 million ($36 million after-tax) with respect to contingency payments involving retail gasoline margins. The settlement portion did not include potential payments with respect to the difference in margins between California reformulated gasoline and conventional gasoline, which extend to 2003. The maximum potential payment under the remainder of the agreement was reduced to $100 million. In 1999, the Company also adjusted its loss provisions by $17 million pre-tax ($11 million after-tax). The additional provision was primarily due to higher than anticipated charges for various outstanding issues related to the sold properties.

NOTE 10 - RESTRICTED CASH

Of the total amounts of Cash and Cash Equivalents reported at December 31, 2000 and 1999, cash in the amounts of $33 million and $17 million, respectively, was restricted as to usage or withdrawal. Under the terms of the Company's limited recourse project financing for its share of the Azerbaijan International Operating Company Early Oil Project, the lenders' principal and interest payments are payable only out of the proceeds from the Company's sale of crude oil from the project. In keeping with the terms of the financing agreements, $9 million at December 31, 2000, and $17 million at December 31, 1999, of the Company's oil sales proceeds (cash) were reserved for debt principal and interest obligations falling due within the next 180 days. In addition, at December 31, 2000 the Company had placed with a trustee $24 million in cash which will ultimately be used in settlement of claims arising out of the valuation of the royalty owner's portion of crude oil produced from certain federal leases. Per the terms of the trust agreement the trustee invests the cash in acceptable investments and will deliver to the Company any cash balances remaining in the trust after final settlement of the claims. The Company anticipates final settlement and disbursement of all funds during the second half of 2001.

NOTE 11 – SALE OF ACCOUNTS RECEIVABLE

During 1999, the Company, through a bankruptcy remote wholly-owned subsidiary, Unocal Receivables Corporation (URC), entered into a sales agreement with an outside party which provides for the sale of up to $204 million of an undivided interest in domestic crude oil and natural gas trade receivables. Under the terms of the agreement, the receivables are sold at a discount on a revolving basis, and without recourse. The costs incurred under the agreement for the years ended December 31, 2000 and 1999 were $10 million and $4 million, respectively, which was charged to operating expense in the consolidated statement of earnings. Amounts sold were reflected as a reduction of accounts and notes receivable in the consolidated balance sheet and in net cash provided by operating activities in the consolidated statement of cash flows. At December 31, 1999, uncollected receivables sold by URC totaled $100 million. This amount peaked at $200 million during 2000 and was reduced to zero at December 31, 2000. The weighted average amount of receivables sold to the purchaser during the year 2000 was $140 million.

NOTE 12 - INVENTORIES

	At December 31,	
Millions of dollars	**2000**	**1999**
Crude oil and other petroleum products	$ 46	$ 47
Agricultural products	-	41
Carbon and mineral products	27	57
Materials, supplies and other	15	34
Total inventories	$ 88	$ 179

The current replacement cost of inventories exceeded the LIFO inventory values included in the table above by $7 million and $6 million at December 31, 2000 and 1999, respectively.

NOTE 13 - EQUITY INVESTMENTS

Investments in companies accounted for by the equity method were $618 million, $556 million, and $479 million at December 31, 2000, 1999 and 1998, respectively. These investments are reported as a component of investments and long-term receivables on the consolidated balance sheet.

Dividends or cash distributions received from the Company's equity investees were $77 million, $91 million and $94 million for the years 2000, 1999 and 1998, respectively. Unamortized excesses of the Company's investments in these companies have been excluded from the table below. The unamortized excess of the Company's investments in Colonial Pipeline Company, Inc., West Texas Gulf Pipeline Company and various other pipeline companies was approximately $159 million at December 31, 2000 and $104 million at December 31, 1999.

At December 31, 2000, 1999, and 1998, the Company's shares of the net capitalized costs of other companies engaged in oil and gas exploration and production activities were $300 million, $278 million, and $208 million, respectively.

Summarized financial information for these investments and the Company's equity shares are shown below.

	2000		1999		1998	
	Union Oil's		Union Oil's		Union Oil's	
Millions of dollars	Total	Share	Total	Share	Total	Share
Revenues	$ 1,771	$ 312	$ 1,327	$ 258	$ 1,396	$ 458
Costs and other deductions	1,125	178	914	162	1,079	362
Net earnings	$ 646	$ 134	$ 413	$ 96	$ 317	$ 96
Current assets	$ 671	$ 229	$ 614	$ 205	$ 499	$ 172
Noncurrent assets	3,581	966	3,143	821	2,555	711
Current liabilities	895	303	720	244	571	182
Noncurrent liabilities	1,718	484	1,479	402	1,310	372
Net equity	1,639	408	1,558	380	1,173	329

NOTE 14 – PROPERTIES AND CAPITAL LEASES

Investments in owned and capitalized-leased properties at December 31, 2000 and 1999, are shown below. Accumulated depreciation, depletion, and amortization for continuing operations was $10,745 million and $10,535 million at December 31, 2000 and 1999, respectively.

	2000		1999	
Millions of Dollars	Gross	Net	Gross	Net
Owned Properties (at cost)				
Exploration and Production				
Exploration				
North America				
Lower 48	$ 526	$ 437	$ 545	$ 482
Alaska	4	4	3	3
Canada	195	162	219	203
International				
Far East	210	179	304	280
Other	156	118	150	119
Production				
North America				
Lower 48	6,163	1,832	5,583	1,424
Alaska	1,287	249	1,259	274
Canada	996	805	772	658
International				
Far East	4,974	1,600	4,369	1,203
Other	1,002	412	971	404
Total exploration and production	15,513	5,798	14,175	5,050
Global Trade	7	4	7	4
Pipelines	342	107	346	99
Geothermal & Power Operations	642	296	644	315
Carbon & Minerals	293	69	337	144
Corporate & Unallocated	373	151	374	160
Total owned properties	17,170	6,425	15,883	5,772
Capitalized-leased properties	8	8	11	11
Total continuing operations	17,178	6,433	15,894	5,783
Discontinued operations	-	-	621	197
Total properties and capital leases	$ 17,178	$ 6,433	$ 16,515	$ 5,980

NOTE 15 - POSTEMPLOYMENT BENEFIT PLANS

The Company has several retirement plans covering its employees. The Company also has medical plans that provide health care benefits for eligible employees and many of its retired employees. The following table sets forth the postretirement benefit obligations recognized in the consolidated balance sheet at December 31, 2000 and 1999. Pre-paid pension costs are reported as a component of investments and long-term receivables on the consolidated balance sheet. Postemployment benefit liabilities, including pensions, postretirement medical benefits and other postemployment benefits, are reported as a component of other deferred credits and liabilities on the consolidated balance sheet.

	Pension Benefits		Other Post-retirement Benefits	
Millions of dollars	2000	1999	2000	1999
Change in benefit obligation:				
Projected benefit obligation at January 1,	$ 939	$ 953	$ 223	$ 191
Service cost	24	26	3	3
Interest cost	73	75	17	13
Employee contributions	-	-	4	3
Disbursements	(98)	(112)	(23)	(19)
Actuarial (gain) losses	12	(3)	36	30
Plan amendments	2	4	-	-
Curtailments and settlements	(26)	(6)	(8)	2
Divestitures	-	-	-	-
Effect of foreign exchange rates	(1)	2	-	-
Projected benefit obligation at December 31,	$ 925	$ 939	$ 252	$ 223
Change in plan assets:				
Fair value of plan assets at January 1	$ 1,317	$ 1,281	$ -	$ -
Actual return on plan assets	7	161	-	-
Employer contributions	(15)	(16)	-	-
Employee contributions	-	-	-	-
Disbursements	(89)	(101)	-	-
Administrative expenses	(7)	(7)	-	-
Settlements	(11)	-	-	-
Divestiture	-	-	-	-
Effect of foreign exchange rates	(1)	(1)	-	-
Fair value of plan assets at December 31,	$ 1,201	$ 1,317	$ -	$ -
Net amount recognized:				
Funded status	$ 277	$ 378	$ (252)	$ (223)
Unrecognized net obligation at transition	2	2	-	-
Unrecognized prior service cost	17	21	6	9
Unrecognized net actuarial losses (gains)	123	5	33	(3)
Net amount recognized	$ 419	$ 406	$ (213)	$ (217)
Amounts recognized in the balance sheet consist of:				
Prepaid pension cost	$ 478	$ 458	$ -	$ -
Accrued benefit liability	(77)	(71)	(213)	(217)
Intangible asset	6	7	-	-
Accumulated other comprehensive income	8	8	-	-
Deferred taxes	4	4	-	-
Net amount recognized	$ 419	$ 406	$ (213)	$ (217)

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

Weighted-average assumptions as of December 31,	Pension Benefits 2000	1999	1998	Other Postretirement Benefits 2000	1999	1998
Discount rates	7.73%	7.90%	7.18%	7.74%	7.75%	7.00%
Rate of salary increases	4.45%	4.74%	4.25%	4.50%	4.50%	4.00%
Expected return on plan assets	9.28%	9.33%	9.41%	N/A	N/A	N/A

The health care cost trend rate used in measuring the 2000 benefit obligation for the U.S. plan was 9 percent, decreasing ratably to 5 percent in 2004. A one-percentage-point change in the assumed health care cost trend rate would have had the following effects on 2000 service and interest cost and the accumulated postretirement benefit obligation at December 31, 2000.

Millions of dollars	One percent Increase	One percent Decrease
Effect on total of service and interest cost components of net periodic expense	$ 2	$ (2)
Effect on postretirement benefit obligation	$ 24	$ (22)

Net periodic pension and postretirement benefits cost are comprised of the following components:

Millions of dollars	Pension Benefits 2000	1999	1998	Other Postretirement Benefits 2000	1999	1998
Service cost (net of employee contributions)	$ 24	$ 26	$ 27	$ 3	$ 3	$ 3
Interest cost	73	75	67	17	13	13
Expected return on plan assets	(110)	(104)	(102)	-	-	-
Amortization of:						
Transition obligation	-	-	(17)	-	-	-
Prior service cost	4	4	4	1	1	1
Net actuarial (gains) losses	3	1	2	-	-	(1)
Curtailment and settlement (gains) losses	(13)	1	-	(6)	2	-
Cost of special separation benefits	-	-	4	-	-	-
Net periodic pension cost (credit)	$ (19)	$ 3	$ (15)	$ 15	$ 19	$ 16

The projected benefit obligations, accumulated benefit obligations and fair values of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were approximately $98 million, $66 million and nil, respectively as of December 31, 2000 and approximately $107 million, $62 million and nil, respectively as of December 31, 1999.

In 2000, 1999 and 1998, the Company recorded costs for employees displaced as a result of asset sales and the Company's restructuring programs. In 2000 and 1998, the Company completed the transfer of pension assets and liabilities from retirement plans from subsidiaries to the Unocal Corporation (the Parent Company) retirement plan.

The Parent Company has a 401(k) defined contribution savings plan designed to supplement retirement income for U.S. employees. The Company's contributions to the plan were $13 million, $14 million, and $16 million in 2000, 1999, and 1998, respectively, which were used by the plan trustee to purchase shares of the Parent Company's common stock in the open market. The Parent Company has the option to direct the trustee to purchase the Parent Company's common stock either in the open market or from it directly.

The Company also provides benefits such as workers' compensation and disabled employees' medical care to former or inactive employees after employment but before retirement. The accumulated postemployment benefit obligation was $11 million and $13 million at December 31, 2000 and 1999 respectively.

NOTE 16 - LONG-TERM DEBT AND CREDIT AGREEMENTS

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

Millions of dollars	2000	1999
Bonds and debentures		
9-1/4% Debentures due 2003	$ 89	$ 89
9-1/8% Debentures due 2006	200	200
6-1/5% Industrial Development Revenue Bonds due 2000 to 2008	21	22
7% Debentures due 2028	200	200
7-1/2% Debentures due 2029	350	350
Notes		
Commercial paper	-	125
Medium-term notes due 2001 to 2015 (8.08%) (a)	569	624
Bank Credit Agreement	-	60
9-3/4% Notes due 2000	-	65
8-3/4% Notes due 2001	39	39
6-3/8% Notes due 2004	200	200
7-1/5% Notes due 2005	200	200
6-1/2% Notes due 2008	100	100
7.35% Notes due 2009	350	350
Azerbaijan Limited Recourse Loan	47	55
Other		
Northrock consolidated debt and capital leases	82	185
Pure Resources consolidated debt	68	-
Other miscellaneous debt	2	2
Bond (discount) premium	(11)	(12)
Total debt and capital leases	2,506	2,854
Less current portion of long-term debt and capital leases	114	1
Total long-term debt and capital leases	$ 2,392	$ 2,853

(a) Weighted average interest rate at December 31, 2000.

At December 31, 2000, the amounts of long-term debt maturing in 2002, 2003, 2004, and 2005 were $172 million, $108 million, $271 million and $357 million, respectively.

During 2000, the Company decreased its commercial paper borrowings by $125 million to a zero outstanding balance. The Company also reduced its borrowings under the $1 billion bank credit agreement by $60 million to a zero outstanding balance. In addition, the Company retired $55 million of maturing medium-term notes and the 9 ¾ percent notes which matured in 2000. As of December 31, 2000, the Company had classified as current liabilities $114 million of its long-term debt and capital leases, primarily consisting of $67 million of its medium-term notes and $39 million of its 8 ¾ percent notes, which it plans to retire by December 31, 2001.

The Company had other undrawn letters of credit available at year-end 2000 that approximated $50 million. The majority of these letters of credit are maintained for operational needs. Borrowings under the bank credit agreement bear interest at a margin above London Interbank Offered Rates (LIBOR) and the agreement calls for a facility fee on the total commitment. The bank credit agreement provides for the termination of the commitment and requires the prepayment of all outstanding borrowings in the event that any person or group becomes the beneficial owner of more than 30 percent of the then outstanding voting stock of the Parent Company other than in a transaction having the approval of the Parent Company's Board of Directors, at least a majority of which are continuing directors, or if continuing directors shall cease to constitute at least a majority of the Board.

At December 31, 2000, the Company had $47 million outstanding on its Azerbaijan limited recourse loan. The Company completed the limited recourse project financing for its separate share of the Azerbaijan International Operating Company Early Oil Project under an International Finance Corporation and European Bank for Reconstruction and Development loan structure for up to $77 million. The borrowing bears interest at a margin above LIBOR. The lenders' principal and interest payments are payable only out of the cash flow from the Company's sales of crude oil from the project.

The Company's consolidated debt at December 31, 2000, included $68 million of its Pure subsidiary. The debt consisted of $65 million under a $250 million unsecured revolving credit facility and $3 million under an unsecured working capital revolving credit facility with a $10 million maximum line. Pure also entered into a separate $250 million 364-day revolving credit facility with a zero outstanding amount as of December 31, 2000. Borrowings under the revolving credit facility agreements bear interest at variable rates. The weighted average interest rates for the $250 million revolving credit facility and the working capital revolving credit facility were 7.9 percent and 8.21 percent, respectively.

The Company's consolidated debt at December 31, 2000, also included $82 million of its Northrock subsidiary. The debt was primarily composed of $35 million and $40 million for two senior U.S. dollar-denominated notes which bear interest of 6.54 and 6.74 percent, respectively. Principal payments are not due on the $35 million note until it matures in 2004. Principal payments of approximately $13 million are due on the $40 million note in each of 2006, 2007 and 2008. Northrock entered into Canadian dollar currency swap agreements for the senior U.S. dollar-denominated notes, which converts the interest and principal payments to Canadian dollars and effectively reduce the interest rates on the notes to 6.325 and 6.04 percent, respectively. The remaining $7 million of Northrock's debt primarily consisted of long-term capital leases.

NOTE 17 - ACCRUED ABANDONMENT, RESTORATION AND ENVIRONMENTAL LIABILITIES

At December 31, 2000, the Company had accrued $465 million for the estimated future costs to abandon and remove wells and production facilities. The total costs for abandonments are predominantly accrued for on a unit-of-production basis and are estimated to be approximately $640 million. This estimate was derived in large part from abandonment cost studies performed by independent third party firms and is used to calculate the amount to be amortized.

At December 31, 2000, the Company's reserve for environmental remediation obligations totaled $213 million, of which $124 million was included in current liabilities. The reserve included estimated probable future costs of $14 million for federal Superfund and comparable state-managed multi-party disposal sites; $46 million for active sites owned and/or controlled by the Company and utilized in its present operations; $51 million for formerly-operated sites for which the Company has remediation obligations and sites related to businesses or operations that have been sold with contractual remediation or indemnification obligations; and $102 million for Company-owned or controlled sites where facilities have been closed or operations shut down.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

The Company has certain contingent liabilities with respect to material existing or potential claims, lawsuits and other proceedings, including those involving environmental, tax and other matters, certain of which are discussed more specifically below. The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company's estimates of the outcomes of these matters and its experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which could have a material effect on the Company's future results of operations and financial condition or liquidity.

Environmental matters

The Company is subject to loss contingencies pursuant to federal, state, local and foreign environmental laws and regulations. These include existing and possible future obligations to investigate the effects of the release or disposal of certain petroleum, chemical and mineral substances at various sites; to remediate or restore these sites; to compensate others for damage to property and natural resources, for remediation and restoration costs and for personal injuries; and to pay civil penalties and, in some cases, criminal penalties and punitive damages. These obligations relate to sites owned by the Company or others and are associated with past and present operations, including sites at which the Company has been identified as a potentially responsible party (PRP) under the federal Superfund laws and comparable state laws. Liabilities are accrued when it is probable that future costs will be incurred and such costs can be reasonably estimated.

However, in many cases, investigations are not yet at a stage where the Company is able to determine whether it is liable or, even if liability is determined to be probable, to quantify the liability or estimate a range of possible exposure. In such cases, the amounts of the Company's liabilities are indeterminate due to the potentially large number of claimants for any given site or exposure, the unknown magnitude of possible contamination, the imprecise and conflicting engineering evaluations and estimates of proper clean-up methods and costs, the unknown timing and extent of the corrective actions that may be required, the uncertainty attendant to the possible award of punitive damages, the recent judicial recognition of new causes of action, the present state of the law, which often imposes joint and several and retroactive liabilities on PRPs, the fact that the Company is usually just one of a number of companies identified as a PRP, or other reasons.

As disclosed in note 17, at December 31, 2000, the Company had accrued $213 million for estimated future environmental assessment and remediation costs at various sites where liabilities for such costs are probable. At those sites where investigations or feasibility studies have advanced to the stage of analyzing feasible alternative remedies and/or ranges of costs, the Company estimates that it could incur possible additional remediation costs aggregating approximately $245 million.

Tax matters

The company believes it has adequately provided in its accounts for tax items and issues not yet resolved. Several prior material tax issues are unresolved. Resolution of these tax issues impact not only the year in which the items arose, but also the company's tax situation in other tax years. With respect to 1979-1984 taxable years, all issues raised for these years have now been settled, with the exception of the effect of the carryback of a 1993 net operating loss (NOL) to tax year 1984 and resultant credit adjustments. The 1985-1990 taxable years are before the Appeals division of the Internal Revenue Service. All issues raised with respect to those years have now been settled, with the exception of the effect of the 1993 NOL carryback and resultant adjustments. The settlements were subject to review by the Joint Committee on Taxation of the U.S. Congress. The Joint Committee has reviewed the settled issues with respect to 1979-1990 taxable years and no additional issues have been raised. While all tax issues for the 1979-1990 taxable years have been agreed and reviewed by the Joint Committee, these taxable years will remain open due to the 1993 NOL carryback. The 1993 NOL results from certain specified liability losses which occurred during 1993 and which resulted in a tax refund of $73 million. Consequently, these tax years will remain open until the

specified liability loss, which gave rise to the 1993 NOL, is finally determined by the Internal Revenue Service and is either agreed to with the IRS or otherwise concluded in the Tax Court proceeding. In 1999, the United States Tax Court granted the Parent Company's motion to amend the pleadings in its Tax Court cases to place the 1993 NOL carryback in issue. The 1991-1992 taxable years are now before the Appeals division of the Internal Revenue Service. The 1993-1994 taxable years are under examination by the Internal Revenue Service.

Pure Resources, Inc. Employment and Severance Agreements

Under circumstances specified in the employment and/or severance agreements entered into between the Company's Pure subsidiary and its officers, each covered officer will have the right to require Pure to purchase its common shares currently held or subsequently obtained by the exercise of any option held by the officer at a calculated "net asset value" per share. The net asset value per share is calculated by reference to each common share's pro rata amount of the present value of Pure's proved reserves discounted at 10 percent, times 110 percent, less funded debt, as defined. At December 31, 2000, Pure estimated that the amount which it would have to repurchase under these agreements was approximately $136 million, which is reflected in other deferred credits and liabilities on the consolidated balance sheet. An estimated quarterly pre-tax non-cash charge to expense of $7 million through May 2003 will be made to amortize the deferred compensation recorded as a result of these agreements. The repurchase amount and deferred compensation will fluctuate with the market value of Pure's common stock and/or changes in the net asset value per share.

Other matters

The Company has a five-year lease agreement relating to its *Discoverer Spirit* deepwater drill ship. The future remaining minimum lease payment obligation was approximately $361 million at December 31, 2000. The drillship has a minimum daily rate of approximately $210,000.

The Company's Molycorp subsidiary, working cooperatively and collaboratively with the New Mexico Environmental Department and other state agencies, has secured new and revised permits covering discharges from its Questa, New Mexico, molybdenum mine. This process involved the posting by Molycorp of two performance bonds totaling $152 million that are intended to provide financial assurance of completion of temporary closure plans (only required upon cessation of operations) and other obligations required under the terms of the permits. These costs are based on estimations provided by the state of New Mexico agencies.

The Company also has certain other contingent liabilities with respect to litigation, claims, and contractual agreements arising in the ordinary course of business. Although these contingencies could result in expenses or judgments that could be material to the Company's results of operations for a given reporting period, on the basis of management's best assessment of the ultimate amount and timing of these events, such expenses or judgments are not expected to have a material adverse effect on the Company's consolidated financial condition or liquidity.

NOTE 19 - OTHER FINANCIAL INFORMATION

The consolidated balance sheet included the following at December 31:

Millions of dollars	2000	1999
Other deferred credits and liabilities:		
Postretirement medical benefits obligation	$ 213	$ 217
Pure Resources stock subject to repurchase	136	-
Advances related to future production	123	28
Reserves for litigation and other claims	119	111
Other employee benefits	110	96
Prepaid forward sales	86	101
Northrock trading capitalized hedge losses	71	14
Other	110	53
Total other deferred credits and liabilities	$ 968	$ 620
Allowances for doubtful accounts and notes receivables	$ 97	$ 71
Allowances for investments and long-term receivables	$ 80	$ 81

NOTE 20 – ADVANCE SALES OF NATURAL GAS

The Company entered into a long-term fixed price natural gas sales contract for the delivery of 72 million cubic feet of gas per day beginning in January 1999 and ending in December 2009. In January 1999, the Company received a non-refundable payment of approximately $120 million pursuant to the contract. The Company will also receive a fixed monthly reservation fee over the life of the contract. The Company entered into a ten-year natural gas price swap agreement, which effectively refloats the fixed price that the Company received under the long-term natural gas sales contract. The Company did not dedicate a portion of its natural gas reserves to the contract and it has the option to satisfy contract delivery requirements with natural gas purchased from third parties. Accordingly, the obligation associated with the future delivery of the natural gas has been recorded as deferred revenue and will be amortized into revenue as scheduled deliveries of natural gas are made throughout the contract period. Of the remaining unamortized balance at year-end 2000, approximately $85 million related to deliveries scheduled to be made in the years 2002 through 2009 and was recorded in other deferred credits and liabilities on the consolidated balance sheet. Approximately $12 million was included in other current liabilities on the consolidated balance sheet, representing deliveries to be made in 2001.

NOTE 21 – MINORITY INTERESTS

As discussed in note 3, in 2000, the Company acquired the remaining outstanding common shares of Northrock. The net result of this transaction was to reduce minority interests by approximately $137 million. The Company's minority interest on the consolidated balance sheet related to Northrock at December 31, 1999 was approximately $158 million. The Pure transaction, also discussed in note 3, increased minority interests by $110 million in 2000.

In 1999, the Company contributed fixed-price overriding royalty interests from its working interest shares in certain oil and gas producing properties in the Gulf of Mexico to Spirit Energy 76 Development, L.P. (Spirit LP), a limited partnership. In exchange for its overriding royalty contributions, valued at $304 million, the Company received an initial general partnership interest in Spirit LP of approximately 55 percent. An unaffiliated investor contributed $250 million in cash to the partnership in exchange for an initial limited partnership interest of approximately 45 percent. The fixed-price overrides are subject to economic limitations of production from the affected fields. The limited partner is entitled to receive a priority allocation of profits and cash distributions. The limited partner's share has a maximum term of 20 years, but may terminate after six years, subject to certain conditions.

For 2000 as well as for 1999, the minority interests in earnings were paid out to the limited partner as cash distributions and amounted to approximately $18 million and $12 million, respectively. The minority interest on the Company's consolidated balance sheet related to this transaction remained at approximately $250 million at December 31, 2000.

NOTE 22 - CAPITAL STOCK

Common Stock

Authorized - 260,000,000

$2-1/12 Par value per share

Thousands of shares	2000	1999	1998
Outstanding at beginning of year	1,000	1,000	1,000
Outstanding at end of year	1,000	1,000	1,000

At December 31, 2000, the Company had 260,000,000 shares of $2-1/12 par value common stock authorized. Of this authorized amount, 1,000 shares were outstanding at year-end 1999. All of the outstanding stock of Union Oil Company of California was owned by the Parent Company at December 31, 2000.

NOTE 23 – LOANS TO CERTAIN OFFICERS AND KEY EMPLOYEES

The Company's Pure subsidiary had a loan program for certain of its officers and key employees. At December 31, 2000, loans under this program totaled $7 million and were reflected as a reduction to shareholder's equity on the consolidated balance sheet.

NOTE 24 - FINANCIAL INSTRUMENTS AND COMMODITY HEDGING

The Company does not hold or issue financial instruments for trading purposes other than those that are hydrocarbon based.

The counterparties to the Company's financial instruments include regulated exchanges, international and domestic financial institutions and other industrial companies. All of the counterparties to the Company's financial instruments must pass certain credit requirements deemed sufficient by management before trading physical commodities or financial instruments with the Company. Even though these counterparties may expose the Company to losses in the event of non-performance, it does not anticipate that such losses will be realized. In the opinion of management, the off-balance-sheet credit risk associated with these instruments is immaterial.

Interest rate contracts - The Company enters into interest rate swap contracts to manage its debt with the objective of minimizing the Company's borrowing costs. Net payments or receipts under the contracts are recorded in interest expense on a current basis. The related amounts payable to, or receivable from, the counterparties are included in interest payable on the consolidated balance sheet. The Company had no interest rate swap contracts outstanding at December 31, 2000. The Company's Northrock subsidiary had interest rate swap contracts outstanding at year-end 1999 that effectively reduced the interest rates on $60 million of its Canadian dollar senior debt borrowings. The fair values of the interest rate swap contracts at December 31, 1999 were immaterial.

The Company may also enter into interest rate option contracts to protect its interest rate positions, depending on market conditions. The Company had no interest rate option contracts outstanding at December 31, 2000 and 1999. In February 1999, the Company issued and sold $350 million of its 7.50 percent 30-year debentures and terminated a related U.S. Treasury interest rate option, which it had purchased in 1998.

Foreign currency contracts – The Company enters into various foreign currency contracts such as forwards, swaps, and option contracts to manage its exposures to adverse impacts of foreign currency fluctuations related to its outstanding debt and other obligations. Foreign currency gains or losses on outstanding contracts generally offset the foreign currency gains or losses of the underlying obligations. Where the Company has employed foreign currency contracts to hedge its firm commitments denominated in a foreign currency, gains and losses related to foreign currency exchange rate fluctuations are deferred and recognized as components of the transactions at settlement. For financial reporting purposes, fair values for foreign currency contracts were determined by comparing the contract rates to the forward rates in effect at December 31 and represent the estimated costs the Company would incur, or proceeds the Company would receive, if the contracts were terminated at year-end.

At December 31, 1999, the Company's Unocal Canada Limited (UCL) subsidiary had a currency swap contract outstanding that was designed to swap a $60 million denominated loan back to its functional Canadian dollar currency. The Company also had a corresponding Canadian dollar currency swap contract designed to mitigate exchange rate fluctuations to the consolidated Company related to the subsidiary's swapped Canadian dollar loan. During the year ended December 31, 2000, UCL repaid the $60 million loan and retired $60 million of related Canadian dollar currency swap contracts. Gains realized on the retirement of the currency swap contracts offset losses realized on the debt retirement. The Company also retired the $60 million of corresponding U.S. dollar currency swap contracts. Losses related to the U.S. dollar currency swap contracts were immaterial.

The Company's Northrock subsidiary also had currency swap contracts outstanding that were designed to swap its $75 million debt back to its functional Canadian dollar currency (see note 16 on page 20). The fair values of the currency swap contracts at December 31, 2000 and December 31, 1999 were liabilities of approximately $1 million and $3 million, respectively.

At December 31, 2000, Northrock had forward contracts outstanding to purchase 87 million Canadian dollars for $62 million. These contracts were designed to mitigate Northrock's exposure to the dollar-indexed prices it will receive for the forward sale of a portion of its Canadian crude oil production through 2002. The counterparties have options to add an additional $1 million monthly purchase through 2002 and to extend purchases of $2 million per month through 2005. The fair values of the forward contracts and related options at December 31, 2000 were approximately $9 million in liabilities. At December 31, 1999, Northrock had forward contracts for the sale of $193 million outstanding with a fair value of $4 million in liabilities.

To hedge the Company's exposure for selected local foreign currency denominated obligations and receivables, the Company entered into foreign currency forward contracts. At December 31, 2000, the Company had foreign currency forward contracts outstanding to purchase 22 million Netherlands guilders for approximately $11 million and to purchase 2.1 billion Thai baht for approximately $48 million. The fair values at December 31, 2000 of the purchase contracts for Netherlands guilders and Thai baht were $(1) million and $1 million, respectively.

The Company had foreign currency forward contracts to purchase $30 million of Thai baht and $13 million of Netherlands guilders outstanding at year-end 1999. The fair values of the baht contracts were approximately $2 million at December 31, 1999. The fair values of the guilder contracts were immaterial.

Commodity hedging activities - The Company uses hydrocarbon derivatives, such as futures contracts, swaps and options, to hedge its exposure to fluctuations in prices of crude oil and natural gas (non-trading activities). Generally, hydrocarbon derivatives have been used to limit the Company's exposure to adverse price fluctuations. In some cases, the instruments may also limit the Company's ability to participate fully in future gains from favorable commodity price movements. Hydrocarbon derivatives used in the Company's non-trading activities are accounted for as hedges, with unrealized gains and losses deferred and recognized as a component of crude oil and natural gas revenues upon the sale of the underlying commodities. The Company determines its unrealized gains and losses using New York Mercantile Exchange settlement prices, dealer quotes, or by financial modeling using underlying commodity prices.

At December 31, 2000, the Company had futures contracts outstanding for the purchase of approximately 1.2 million barrels of crude oil and refined products and the sale of approximately 0.4 million barrels of crude oil and refined products. The Company utilizes crude oil and natural gas futures contracts as a component of its overall risk management strategy to mitigate fixed price exposures. The refined products futures contracts primarily offset the price risk of inventory purchases. The pre-tax unrealized losses on crude oil and natural gas futures contracts were $4 million and $1 million, respectively, at December 31, 2000. These losses approximated pre-tax unrealized gains on the corresponding crude oil and natural gas sales at December 31, 2000.

The Company had futures contracts for the purchase of 5.4 million barrels of crude oil outstanding at year-end 1999. The Company had pre-tax unrealized gains of $7 million attributable to the futures contracts that approximated the pre-tax unrealized losses on the corresponding crude oil sales at year-end 1999. Pre-tax unrealized losses related to the Company's non-trading natural gas futures activities were immaterial at December 31, 1999.

At December 31, 2000, the Company had various hydrocarbon option contracts (options) outstanding with several counterparties designed to hedge the prices to be received for the sale of portions of its crude oil and natural gas production for the period January 2001 to December 2001. These options are generally accounted for as hedges, with gains and losses deferred and recognized as adjustments to commodity revenues upon the sale of the underlying production. Portions of the unrealized losses, related to hedging contracts of the Company's Pure subsidiary, were capitalized as components of the acquisition costs. At December 31, 2000, the Company's pre-tax unrealized losses not capitalized approximated $14.5 million for natural gas options. After minority interests, the Company's share of these pre-tax unrealized losses was approximately $9.1 million. Unrealized losses for crude oil options were immaterial at December 31, 2000. At December 31, 1999, the company had pre-tax unrealized losses related to crude oil and natural gas options of $11 million and $7 million, respectively. After minority interests, the Company's shares of these pre-tax unrealized losses were approximately $8 million and $3 million, respectively.

At December 31, 2000, the Company's Northrock subsidiary had swap contracts in place to obtain fixed sales prices for an average volume of 38 million cubic feet per day of natural gas through October 2004. Portions of the unrealized losses relating to these contracts were capitalized as components of the acquisition costs of Northrock. The pre-tax unrealized losses not capitalized approximated $66 million at December 31, 2000.

The Company had a gas price swap agreement with eight years remaining at December 31, 2000, related to a prepaid fixed price forward sale (see note 20). The pre-tax unrealized gain related to this agreement at December 31, 2000, was approximately $104 million. The gain was offset by a corresponding unrealized loss on the prepaid fixed price forward sale. At December 31, 1999, the pre-tax unrealized gain was approximately $20 million, which was likewise offset by a corresponding unrealized loss on the forward sale.

At December 31, 2000, the Company's Northrock subsidiary had various fixed-price long-term natural gas sales and purchase contracts outstanding. The contract periods range from January 2001 through October 2002. Portions of the unrealized losses related to these fixed-price based contracts were capitalized as components of the acquisition costs. Pre-tax unrealized losses not capitalized which related to these contracts were estimated to be approximately $94 million at December 31, 2000. At December 31, 1999, the pre-tax unrealized losses not capitalized which related to these contracts were approximately $18 million. After minority interests, the Company's share was approximately $9 million in 1999.

Commodity trading activities – The Company trades hydrocarbon commodities and related hydrocarbon derivatives, including futures, forwards, options and swaps, based upon expectations of future market conditions. The Company determines the market values of its non-hedging hydrocarbon derivatives using New York Mercantile Exchange settlement prices, dealer quotes, or by financial modeling using underlying commodity prices. In the year ended December 31, 2000, the Company recorded $140 million in pre-tax losses ($71 million after-tax, after minority interests) related to its non-hedging hydrocarbon derivatives. Of the total $140 million pre-tax losses, the Company's Northrock subsidiary contributed $134 million in losses ($67 million after-tax, after minority interest) resulting from the marking to market of Northrock's non-hedging instruments held at the time of the Company's acquisition of the outstanding common stock of Northrock. During the year ended December 31, 1999, the Company recorded approximately $9 million in pre-tax gains ($3 million after-tax, after minority interest) related to the marking to market of Northrock's non-hedging hydrocarbon derivatives.

Listed below are the fair values and physical notional amounts related to the Company's derivative trading activities:

Commodity-based derivatives used in trading activities	Natural Gas			Liquids (a)			Natural Gas			Liquids (a)		
	Notional Volumes (bcfs)	Fair Value Asset (Liability)		Notional Volumes (mmbbls)	Fair Value Asset (Liability)		Notional Volumes (bcfs)	Fair Value Asset (Liability)		Notional Volumes (mmbbls)	Fair Value Asset (Liability)	
Millions of dollars	Dec. 31, 2000	Dec. 31, 2000	Average for 2000	Dec. 31, 2000	Dec. 31, 2000	Average for 2000	Dec. 31, 1999	Dec. 31, 1999	Average for 1999	Dec. 31, 1999	Dec. 31, 1999	Average for 1999
Futures:												
Long	3	$ 31	$ 16	-	$ 3	$ 30	3	$ 7	$ 8	2	$ 41	$ 66
Short	-	-	(3)	-	(3)	(9)	-	-	(6)	(2)	(45)	(44)
Options:												
Held	3	$ 11	$ 12	26	$ 46	$ 15	17	$ -	$ 4	2	$ 1	$ 7
Written	(20)	(50)	(32)	(28)	(55)	(46)	(36)	(6)	(2)	(15)	(9)	(10)
Swaps:												
Pay	(36)	$ (1,198)	$ (374)	(4)	$ (184)	$ (153)	(37)	$ (68)	$ (43)	(5)	$ (114)	$ (73)
Receive	36	1,142	343	4	164	148	37	66	42	5	121	76

(a) includes crude oil and petroleum-based products.

Fair values for debt and other long-term instruments -The estimated fair value of the Company's long-term debt was $2,610 million and $2,823 million at year-end 2000 and 1999, respectively. Fair value was based on the discounted amounts of future cash outflows using the rates offered to the Company for debt with similar remaining maturities.

Concentrations of credit risks - Financial instruments that potentially subject the Company to concentrations of credit risks primarily consist 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. The concentration of trade receivable credit risk is generally limited due to the Company's customers being spread across industries in several countries. The Company's management has established certain credit requirements that its customers must meet before sales credit is extended. The Company monitors the financial condition of its customers to help ensure collections and to minimize losses.

The majority of the Company's trade receivables balance at December 31, 2000, was attributable to the sale of crude oil and natural gas produced by the Company or purchased by the Company for resale. The Company has receivable concentrations for its crude oil and natural gas sales and geothermal steam and related electricity sales in certain Asian countries that are subject to currency fluctuations and other factors affecting the region. At December 31, 2000, approximately $121 million or 17 percent of the Company's net accounts receivable balance was due from the Petroleum Authority of Thailand. This amount primarily represented payments due for sales of natural gas production from the Company's fields in the Gulf of Thailand and offshore Myanmar. No other individual crude oil and natural gas customer accounted for ten percent or more of the Company's consolidated net trade receivable balance at December 31, 2000.

As of December 31, 2000, the Company's Indonesian Geothermal business unit had a gross receivable balance of approximately $286 million. Approximately $118 million was related to Gunung Salak electric generating Units 1, 2, and 3, of which $115 million represents past due amounts and accrued interest resulting from partial payments for March 1998 through December 2000. Although invoices generally have not been paid in full, amounts that have been paid have been received in a timely manner in accordance with the steam sales contract. The remaining $168 million primarily relates to Salak electric generating Units 4, 5 and 6. Provisions covering a portion of these receivables were recorded in 1998, 1999 and 2000. Approximately 50 percent of the gross outstanding receivable balance was included in accounts and notes receivables and the remainder was included in investments and long-term receivables on the consolidated balance sheet, net of provisions. The Company continues to pursue collection of the outstanding receivables.

NOTE 25 – SEGMENT AND GEOGRAPHIC DATA

The Company's reportable segments are as follows:

Exploration and Production Segment - This category includes the Company's North American and International operations. North America includes the U.S. Lower 48, Alaska and Canada oil and gas operations. The Company's International operations include oil and gas exploration and production activities outside of North America and are categorized under Far East and Other International. The Company's International operations produce crude oil and/or natural gas in seven countries: Thailand, Indonesia, Myanmar, Bangladesh, the Netherlands, Azerbaijan and the Democratic Republic of Congo. The Company is also involved in exploration and development activities in Asia, Latin America and West Africa. In 2000, $697 million, or approximately eight percent, of the Company's total external sales and operating revenues were attributable to the sale of natural gas and condensate to the Petroleum Authority of Thailand. The Company's International crude oil is primarily sold to third parties at spot market prices.

Global Trade Segment - The Global Trade segment conducts most of the Company's worldwide crude oil, condensate, natural gas and refined products trading and marketing activities, excluding those of Pure and Northrock. It is also responsible for commodity-specific risk management activities on behalf of most of the Company's Exploration and Production segment, excluding Pure. Global Trade also purchases crude oil, condensate and natural gas from certain royalty owners, joint venture partners and other unaffiliated oil and gas producing and trading companies for resale. In addition, Global Trade takes pricing positions in hydrocarbon derivative instruments.

Pipelines Segment - The Pipelines business segment principally includes the Company's worldwide equity interests in various petroleum pipeline companies and wholly-owned pipeline systems throughout the U.S.

Geothermal and Power Operations Segment - This business segment produces geothermal steam for power generation, with operations in the Philippines and Indonesia. The segment's current activities also include the operation of power plants in Indonesia and equity interests in three power plants in Thailand. The Company's non-exploration and production business development activities, primarily power-related, are also included in this segment.

Carbon and Minerals Segment - The Carbon and Minerals business segment produces and markets petroleum coke and specialty minerals, including lanthanides, molybdenum and niobium. In 2000, the graphites business was sold.

Corporate and Unallocated - Corporate and Unallocated expense includes general corporate overhead, miscellaneous operations (including real estate activities) and other unallocated costs. Net interest expense represents interest expense, net of interest income and capitalized interest.

The following tables present the Company's financial data by business segment and geographic area of operations. Intersegment revenues in business segment data are primarily sales from the Exploration and Production segment to the Global Trade segment. Intersegment sales prices approximate market prices. Geographic revenues primarily represent sales of crude oil and natural gas produced within the countries or regions shown.

SEGMENT DATA

2000 Segment Information *Millions of dollars*	Exploration & Production North America Lower 48	 Alaska	 Canada	 International Far East	 Other	Global Trade	Pipelines
Sales & operating revenues	$ 298	$ 254	$ 168	$ 1,003	$ 145	$ 6,693	$ 35
Other income (loss) (a)	63	-	25	16	(22)	-	5
Inter-segment revenues	1,528	48	-	207	98	8	11
Total	1,889	302	193	1,226	221	6,701	51
Depreciation, depletion & amortization	427	57	111	221	50	1	12
Dry hole costs	85	3	7	58	3	-	-
Earnings (loss) from equity investments	18	-	-	(1)	19	-	57
Earnings (loss) from continuing operations before income taxes and minority interests	756	146	(74)	691	62	6	63
Income taxes (benefit)	267	54	(69)	274	16	1	10
Minority interests	39	-	(20)	-	-	-	-
Earnings (loss) from continuing operations	450	92	15	417	46	5	53
Discontinued operations (net)	-	-	-	-	-	-	-
Net earnings (loss)	450	92	15	417	46	5	53
Capital expenditures	628	34	164	325	62	1	16
Assets	2,701	315	1,119	2,251	603	655	316
Equity investments	128	-	3	143	27	10	189

	Geothermal & Power Operations	Carbon & Minerals	Corporate & Unallocated Administrative & General	 Net Interest Expense	 Environmental & Litigation	 Other (b)	Total
Sales & operating revenues	$ 150	$ 166	$ -	$ -	$ -	$ 2	$ 8,914
Other income (loss) (a)	28	14	-	31	-	118	278
Inter-segment revenues	-	-	-	-	-	(1,900)	-
Total	178	180	-	31	-	(1,780)	9,192
Depreciation, depletion & amortization	17	63	-	-	-	12	971
Dry hole costs	-	-	-	-	-	-	156
Earnings (loss) from equity investments	(2)	31	-	-	-	12	134
Earnings (loss) from continuing operations before income taxes and minority interests	45	(65)	(121)	(178)	(134)	65	1,262
Income taxes (benefit)	21	(36)	(35)	(30)	(50)	77	500
Minority interests	-	-	-	(3)	-	-	16
Earnings (loss) from continuing operations	24	(29)	(86)	(145)	(84)	(12)	746
Discontinued operations (net)	-	-	-	-	-	37	37
Net earnings (loss)	24	(29)	(86)	(145)	(84)	25	783
Capital expenditures (c)	18	26	-	-	-	28 (c)	1,302 (c)
Assets	574	190	-	-	-	1,299	10,023
Equity investments	50	58	-	-	-	10	618

(a) Includes interest, dividends and miscellaneous income, and gain (loss) on sales of assets.

(b) Includes eliminations and consolidation adjustments.

(c) Includes capital expenditures for discontinued operations (agricultural products) of $14 million.

SEGMENT DATA (Continued)

1999 Segment Information *Millions of dollars*	Exploration & Production North America Lower 48	Alaska	Canada	International Far East	Other	Global Trade	Pipelines
Sales & operating revenues	$ 72	$ 129	$ 160	$ 723	$ 103	$ 4,301	$ 38
Other income (loss) (a)	4	-	15	3	4	1	(6)
Inter-segment revenues	974	63	-	177	65	8	10
Total	1,050	192	175	903	172	4,310	42
Depreciation, depletion & amortization	385	53	54	207	63	1	12
Dry hole costs	82	-	4	41	21	-	-
Earnings (loss) from equity investments	3	-	-	(3)	(1)	3	64
Earnings (loss) from continuing operations before income taxes and minority interests	78	50	26	390	(52)	(7)	73
Income taxes (benefit)	22	19	7	166	(26)	(5)	11
Minority interests	11	-	5	-	-	-	-
Earnings (loss) from continuing operations	45	31	14	224	(26)	(2)	62
Discontinued operations (net)	-	-	-	-	-	-	-
Net earnings (loss)	45	31	14	224	(26)	(2)	62
Capital expenditures	530	28	112	321	117	3	7
Assets	2,178	326	946	1,856	586	439	299
Equity investments	87	-	2	192	19	2	185

	Geothermal & Power Operations	Carbon & Minerals	Corporate & Unallocated Administrative & General	Net Interest Expense	Environmental & Litigation	Other (b)	Total
Sales & operating revenues	$ 153	$ 159	$ -	$ -	$ -	$ 4	$ 5,842
Other income (loss) (a)	12	(4)	-	21	-	69	119
Inter-segment revenues	-	-	-	-	-	(1,297)	-
Total	165	155	-	21	-	(1,224)	5,961
Depreciation, depletion & amortization	22	11	-	-	-	10	818
Dry hole costs	-	-	-	-	-	-	148
Earnings (loss) from equity investments	-	29	-	-	-	1	96
Earnings (loss) from continuing operations before income taxes and minority interests	27	23	(115)	(176)	(49)	17	285
Income taxes (benefit)	13	-	(35)	(36)	(18)	10	128
Minority interests	-	2	-	(2)	-	-	16
Earnings (loss) from continuing operations	14	21	(80)	(138)	(31)	7	141
Discontinued operations (net)	-	-	-	-	-	24	24
Net earnings (loss)	14	21	(80)	(138)	(31)	31	165
Capital expenditures (c)	21	12	-	-	-	20 (c)	1,171 (c)
Assets (d)	532	277	-	-	-	1,544 (d)	8,983 (d)
Equity investments	24	42	-	-	-	3	556

(a) Includes interest, dividends and miscellaneous income, and gain (loss) on sales of assets.

(b) Includes eliminations and consolidation adjustments.

(c) Includes capital expenditures for discontinued operations (agricultural products) of $10 million.

(d) Includes assets for discontinued operations (agricultural products) of $289 million.

SEGMENT DATA (Continued)

1998 Segment Information *Millions of dollars*	Exploration & Production					Global Trade	Pipelines
	North America			International			
	Lower 48	Alaska	Canada	Far East	Other		
Sales & operating revenues	$ 106	$ 110	$ 77	$ 723	$ 84	$ 3,057	$ 40
Other income (loss) (a)	32	1	247	(20)	(69)	-	5
Inter-segment revenues	918	74	-	250	11	1	9
Total	1,056	185	324	953	26	3,058	54
Depreciation, depletion & amortization	410	71	22	212	46	1	10
Dry hole costs	121	-	-	42	21	-	-
Earnings (loss) from equity investments	(2)	-	-	(4)	1	-	63
Earnings (loss) from continuing operations before income taxes and minority interests	-	9	168	443	(115)	33	81
Income taxes (benefit)	7	3	48	248	(36)	12	14
Minority interests	2	-	-	-	-	-	-
Earnings (loss) from continuing operations	(9)	6	120	195	(79)	21	67
Discontinued operations (net)	-	-	-	-	-	-	-
Net earnings (loss)	(9)	6	120	195	(79)	21	67
Capital expenditures	767	43	15	472	275	2	28
Assets	2,094	329	115	1,848	526	317	298
Equity investments	6	-	2	197	20	(3)	183

	Geothermal & Power Operations	Carbon & Minerals	Corporate & Unallocated				Total
			Administrative & General	Net Interest Expense	Environmental & Litigation	Other (b)	
Sales & operating revenues	$ 168	$ 207	$ -	$ -	$ -	$ 55	$ 4,627
Other income (loss) (a)	36	6	-	33	-	109	380
Inter-segment revenues	-	-	-	-	-	(1,263)	-
Total	204	213	-	33	-	(1,099)	5,007
Depreciation, depletion & amortization	21	44	6	-	-	6	849
Dry hole costs	-	-	-	-	-	-	184
Earnings (loss) from equity investments	10	26	-	-	-	2	96
Earnings (loss) from continuing operations before income taxes and minority interests	44	(28)	(112)	(144)	(161)	85	303
Income taxes (benefit)	14	(19)	(34)	(31)	(59)	14	181
Minority interests	-	5	-	-	-	-	7
Earnings (loss) from continuing operations	30	(14)	(78)	(113)	(102)	71	115
Discontinued operations (net)	-	-	-	-	-	37	37
Net earnings (loss)	30	(14)	(78)	(113)	(102)	108	152
Capital expenditures (c)	27	42	-	-	-	33 (c)	1,704 (c)
Assets (d)	598	419	-	-	-	1,427 (d)	7,971 (d)
Equity investments	23	47	-	-	-	4	479

(a) Includes interest, dividends and miscellaneous income, and gain (loss) on sales of assets.

(b) Includes eliminations and consolidation adjustments.

(c) Includes capital expenditures for discontinued operations (agricultural products) of $8 million.

(d) Includes assets for discontinued operations (agricultural products) of $305 million.

GEOGRAPHIC INFORMATION

2000 Geographic Disclosures

Millions of dollars	U. S.	Canada	Thailand	Indonesia	Other Foreign	Corporate & Unallocated	Total
Sales and operating revenues from continuing operations	$ 6,956	$ 168	$ 735	$ 689	$ 365	$ 1	$ 8,914
Long lived assets:							
Gross	8,620	1,200	2,803	2,390	1,793	372	17,178
Net	2,699	975	967	921	720	151	6,433

1999 Geographic Disclosures

Millions of dollars	U. S.	Canada	Thailand	Indonesia	Other Foreign	Corporate & Unallocated (a)	Total (a)
Sales and operating revenues from continuing operations	$ 4,333	$ 160	$ 618	$ 483	$ 252	$ (4)	$ 5,842
Long lived assets: (a)							
Gross	8,698	998	2,641	2,063	1,734	381	16,515
Net	2,626	868	952	657	713	164	5,980

(a) Includes long lived assets for discontinued business (agricultural products) of $621 million (gross) / $197 million (net).

1998 Geographic Disclosures

Millions of dollars	U. S.	Canada	Thailand	Indonesia	Other Foreign	Corporate & Unallocated (a)	Total (a)
Sales and operating revenues from continuing operations	$ 3,157	$ 77	$ 595	$ 531	$ 213	$ 54	$ 4,627
Long lived assets: (a)							
Gross	8,823	168	2,537	1,928	1,594	419	15,469
Net	2,792	91	982	582	630	199	5,276

(a) Includes long lived assets for discontinued business (agricultural products) of $681 million (gross) / $203 million (net).

NOTE 26 – SUBSEQUENT EVENTS

In January 2001, the Company's Pure subsidiary acquired oil and gas properties, certain general and limited oil and gas partnership interests and fee mineral and royalty interests from International Paper Company for approximately $261 million in cash. Included in the transaction were total proved reserves of approximately 25 million barrels of oil equivalent (unaudited) and ownership in 6 million gross fee mineral acres (3.2 million net) (unaudited) along with participation in several offshore exploration programs. The transaction was funded from Pure's credit facilities. Pure's acquisition has expanded its business areas into the Gulf Coast region and offshore in the Gulf of Mexico.

SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES

Results of Operations - Results of operations of oil and gas exploration and production activities are shown below. Sales revenues are shown net of purchases. Other revenues primarily include gains or losses on sales of oil and gas properties and miscellaneous rental income. Production costs include lifting costs and taxes other than income. Exploration expenses consist of geological and geophysical costs, leasehold rentals and dry hole costs. Other operating expenses primarily include administrative and general expense. Income tax expense is based on the tax effects arising from the operations. Results of operations do not include general corporate overhead, interest costs, minority interests expense or Global Trade activities.

	North America			International		
Millions of dollars	Lower 48	Alaska	Canada	Far East	Other	Total
2000						
Sales						
To public	$ 109	$ 248	$ 218	$ 990	$ 126	$ 1,691
Intercompany	1,442	47	-	207	98	1,794
Other revenues	75	3	31	9	1	119
Total	1,626	298	249	1,206	225	3,604
Production costs	208	80	51	152	45	536
Exploration expenses	175	6	14	99	36	330
Depreciation, depletion and amortization	427	57	111	221	50	866
Other operating expenses	78	9	13	61	32	193
Pre-tax results of operations	738	146	60	673	62	1,679
Income taxes	267	54	(20)	274	16	591
Results of operations	$ 471	$ 92	$ 80	$ 399	$ 46	$ 1,088
Results of equity investees (a)	18	-	-	18	-	36
Total	$ 489	$ 92	$ 80	$ 417	$ 46	$ 1,124
1999						
Sales						
To public	$ 39	$ 121	$ 125	$ 683	$ 87	$ 1,055
Intercompany	781	61	-	177	65	1,084
Other revenues	28	3	13	9	2	55
Total	848	185	138	869	154	2,194
Production costs	167	70	35	134	44	450
Exploration expenses	156	2	11	77	73	319
Depreciation, depletion and amortization	385	53	54	207	63	762
Other operating expenses	65	10	12	58	25	170
Pre-tax results of operations	75	50	26	393	(51)	493
Income taxes	22	19	7	166	(26)	188
Results of operations	$ 53	$ 31	$ 19	$ 227	$ (25)	$ 305
Results of equity investees (a)	3	-	-	(3)	(1)	(1)
Total	$ 56	$ 31	$ 19	$ 224	$ (26)	$ 304

(a) Union Oil's proportional shares of investees accounted for by the equity method.

Results of Operations (continued)

	North America			International		
Millions of dollars	Lower 48	Alaska	Canada	Far East	Other	Total
1998						
Sales						
To public	$ 67	$ 93	$ 40	$ 709	$ 73	$ 982
Intercompany	737	73	-	246	14	1,070
Other revenues	55	11	174	(6)	2	236
Total	859	177	214	949	89	2,288
Production costs	187	82	17	123	49	458
Exploration expenses	196	2	-	101	77	376
Depreciation, depletion and amortization	410	71	22	212	46	761
Other operating expenses	63	13	7	70	33	186
Pre-tax results of operations	3	9	168	443	(116)	507
Income taxes	-	3	48	248	(36)	263
Results of operations	$ 3	$ 6	$ 120	$ 195	$ (80)	$ 244
Results of equity investees (a)	(3)	-	-	-	1	(2)
Total	$ -	$ 6	$ 120	$ 195	$ (79)	$ 242

(a) Union Oil's proportional shares of investees accounted for by the equity method.

Costs Incurred - Costs incurred in oil and gas property acquisition, exploration and development activities, both capitalized and charged to expense, are shown below. Data for the Company's capitalized costs related to oil and gas exploration and production activities are presented in note 15 on page 17.

	North America			International		
Millions of dollars	Lower 48	Alaska	Canada	Far East	Other	Total
2000 (a)						
Property acquisition						
Proved (b) (c)	$ 312	$ -	$ 346	$ 157	$ 18	$ 833
Unproved	57	-	6	6	1	70
Exploration	294	6	34	134	46	514
Development	279	30	70	237	33	649
Costs incurred by equity investees (d)	103	-	-	-	-	103
1999 (e)						
Property acquisition						
Proved (f)	$ 18	$ -	$ 283	$ -	$ 22	$ 323
Unproved	29	1	5	6	15	56
Exploration	320	4	26	155	95	600
Development	240	25	76	204	44	589
Costs incurred by equity investees (d)	11	-	-	4	-	15
1998						
Property acquisition						
Proved	$ 53	$ -	$ -	$ -	$ 10	$ 63
Unproved	223	-	-	4	49	276
Exploration	358	3	1	205	97	664
Development	207	42	13	352	101	715
Costs incurred by equity investees (d)	-	-	-	27	20	47

(a) Includes costs of $154 million attributable to outstanding minority interests in consolidated subsidiaries.

(b) Lower 48 includes $244 million for the acquisition of the common stock of Titan Exploration, Inc.

(c) Canada includes $161 million of cash, $82 million of net debt and $65 million of hedge liabilities for the remaining interest in Northrock Resources Ltd.

(d) Represents Union Oil's proportional shares of costs incurred by investees accounted for by the equity method.

(e) Includes costs of $53 million attributable to outstanding minority interests in consolidated subsidiaries.

(f) Canada includes $205 million of common stock and $69 million of net debt for the acquisition of a 48 percent interest in Northrock Resources Ltd.

BUSINESS UNIT	Authority for Expenditure	AFE NUMBER 90011040
COMPANY	Molycorp	DATE PREPARED 12/9/00
		RESPONSIBLE CLIENT

AFE TITLE (NOT TO EXCEED 60 CHARACTERS INCLUDING SPACES)
YORK, PA DECONTAMINATION AND DECOMMISSIONING (D&D)

PURPOSE

- [X] Necessary to comply with Environmental Regulations
- [ ] Necessary to comply with Health/Safety Regulations
- [X] Necessary maintenance, repairs, equipment, or services
- [ ] Loans, Guarantees, Legal Settlements or agreements which include contingent liabs.
- [ ] Asset Replacement
- [ ] Discretionary Expenditure
- [ ] Developmental Properties
- [X] Other (Describe) NRC License Req't

PROJECT NAME & LOCATION/ADDRESS

York PA Facility
350 N. Sherman St.
York, PA

	YES	NO
BUDGETED:	X	
NPV REQUIRED		
DPI REQUIRED		

MASTER AFE # :
WORK ORDER # :

AMOUNT REQUESTED	
ORIGINAL AUTHORIZATION	$ 3,648,000
SUPPLEMENTAL AUTHORIZATION	$ 0
TOTAL AUTHORIZATION	$ 3,648,000
RECOVERY (MEMO)	$ 0

NPV: DPI: CALCULATED BY: CHECKED BY:

EXPENDITURE JUSTIFICATION (INCLUDES PROJECT DESCRIPTION AND ECONOMIC JUSTIFICATION)

Costs are for decontamination and demolition (D&D) activities associated with NRC License requirements. Request is for 00 and '01 costs only. Excluded are any costs associated with RCRA (non-radiological) issues.

ESTIMATED PROJECT COMPLETION DATE: 2004
ACTUAL PROJECT COMPLETION DATE:
ESTIMATED ENGINEERING MANHOURS:

CAPITALIZED INTEREST: YES NO
CAPITALIZED OVERHEAD: YES NO
PROJECT #:

TEMPLATE:
ASSET ID #:

ITEM DESCRIPTION	ENTITY/CO#	COST CENTER	ACCOUNT CODING	AMOUNT REQUESTED
CAPITAL				$ 0
				$
				$
EXPENSE				$
Project				$ 3,393,000
Demolition/Abatement				$ 255,000
			TOTAL	$ 3,648,000

Project Initiated By: R. Horn

AMG / CONSULTANTS

Forward to Molycorp, Inc for Project Approval

ORIGINATOR NAME (PLEASE PRINT): Richard G. Horn
SIGNATURE: DATE 12/14/00

MANAGER NAME (PLEASE PRINT): Ed Wong
SIGNATURE: DATE 12/15/00

Project Initiated By:

Molycorp, Inc

ORIGINATOR NAME (PLEASE PRINT)
SIGNATURE DATE
APPROVAL SIGNATURE DATE
APPROVAL SIGNATURE DATE
APPROVAL SIGNATURE DATE

If President, Molycorp Inc approval required. Route Through: 1 - 2 - 3 (3 if required)

1 -COMPTROLLER, MOLYCORP, Inc DATE 12/19/00
2 -PRESIDENT, MOLYCORP, Inc DATE 12-21-00
3 -EXECUTIVE COMMITTEE-MOLYCORP, Inc DATE

YORK AFE – D&D 11/00

Facility Description: The site is comprised of process buildings, warehouses, and an industrial office on 6 acres. Lathanide chemical were produced at the facility from 1962-92. The facility ceased operations in 1993.

Chronology:

1962 – Molycorp begins production of lathanides . Residues containing thorium are accumulated onsite and stored outside.
1980 – PADEP requests NRC evaluate Molycorp York for a source material license after drum storage reaches 10,000.
1981 – Molycorp is issued a Source Material License from the NRC (includes a D&D requirement)
1982 – Surface impoundment is closed and groundwater impacts containing sulfates, chlorides and heavy metals are discovered. A pump and treat system is initiated.
1983-90 – Residues from onsite landfills and 20,000 drums are returned to Mountain Pass for reprocessing
1991 – Additional groundwater assessment reveals increased groundwater contamination from leaking lines.
1992-93 – NRC releases a Site Decommissioning Management Plan (SDMP) list (York is identified). The Plan requires timely D&D of the facility. The facility is closed in '93 triggering the site characterization process.
1994-95 – Site characterization and D&D Plan are submitted.
1996-98 – Partial D&D completed on process equipment and most of the buildings.
1999 – Decision made to remove subsurface waste material to a disposal facility instead of transfer to Molycorp Washington facility.

Project Description:

2000

The NRC approved the D&D Plan on June 6, 2000. The majority of the costs for this year can be associated with "pre-decommissioning activities", or preparing the site for final decommissioning. There are also costs associated with investigation activities for non-radiological parameters in the soil and groundwater. This is done at the request of the Pennsylvania DEP and will be addressed in more detail after final decommissioning is complete. A breakdown of 2000 costs are summarized below:

I. Field Work
- Consolidate and repackage co-product
- Characterize and decon bldgs. 14 & 15
- Evaluate contaminated drains and sumps
- Determine boundaries of affected and non-affected areas
- Drain and decon the clarifier
- GW sampling and additional characterization
- Perform final survey and prepare report

$260,000

II. Project Management
- Gamma log validation
- Radionuclide ratios
- Evaluate unrestricted use criteria
- NRC interaction

$90,000

III. Maintenance/Utilities/Legal

$138,000

IV. NRC Oversight Costs

$100,000

2000 Costs Total = $588,000

2001

Projected costs for '01 are for the final decommissioning of the facility. After decommissioning is complete for unrestricted use, we can apply to terminate our source material license with the NRC. Because of weather constraints, the bulk of the field work will not be initiated until April '01. The excavation, transportation, and disposal of the impacted subsurface material is based upon our estimate of 4,000 cubic yards. A breakdown of the costs is given below:

I. Upgrade RR siding/spur

$63,000

II. Abandon monitor wells and re-install

$80,000

III. Remove contaminated material from site:

- Excavation/loading $320,000
  Estimate includes mobilization, installation of staging area, excavation of contaminated material, loading of railcars, per diem, and demobilization and decontamination

- Transportation (gondola) $485,000
  5,600 tons estimated (4,000 X 1.4) at $8,650 per 100 ton Gondola car

- Disposal (WCS) $595,000
  4,000 yards estimated at $106/ton; assuming 1.4 tons per cubic yard

- Operational radiation protection $491,000
  Based upon time and materials to cover demolition and excavation activities. Also includes mobilization and travel along with development and implementation of the radiation protection program.

$1,891,000

IV. Demolition

- Gravel removal/asphalt removal
- T&D of debris
- Asbestos abatement

$255,000

V. Site Reclamation

$325,000

VI. Project Management/NRC Oversight

$366,000

VII. Maintenance/Utilities/Legal

$80,000

2001 Costs Total = $3,060,000

Total Costs of AFE ('00 and '01) = $3,648,000

Cost Estimate Methodology:

The work proposed for 2000 and 2001 activities is associated with the final stages of D&D requirements and follows specific guidelines as outlined in the NRC Source Materials License. The costs associated with this work were gathered by several different methods. Direct consultant costs for radiation monitoring and support, project management, NRC interaction, etc. were proposed by Radiological Services, Inc. (RSI) on a time and materials not to exceed basis. RSI then obtained competitive lump sum bids for asbestos abatement, demolition, T&D demolition debris, and asphalt and gravel removal and disposal. RSI will contract all of the work above to qualified subcontractors.

Soil excavation, railcar loading, waste material handling, and site reclamation costs were also competitively obtained by RSI on a cost plus fixed fee basis. RSI will subcontract this work also. Rail transportation from the York facility to Waste Control Specialists (WCS) in Texas was competitively bid and will be subcontracted by RSI on a fixed rate per Gondola car shipped.

Final disposal of the waste material was bid through both Unocal and RSI. Final contracting was negotiated by Unocal with WCS for a not to exceed maximum of 5,000 cubic yards of material. The contract was signed by Unocal and terminates on 12/31/01.

Costs associated with maintenance, utilities, legal, and NRC oversight fees are Unocal estimates either based upon past experience with the site and/or estimates of the level of regulatory participation and oversight.

HES Protocol:

As required by the license conditions set forth in the NRC Source Materials License for York, a Radiation Protection Plan (RPP) has been approved by the NRC in accordance with the Decommissioning Plan. This RPP is focused on health physics procedures specifically air sampling analysis procedures, an external dosimetry program, personnel decontamination, respiratory protection,

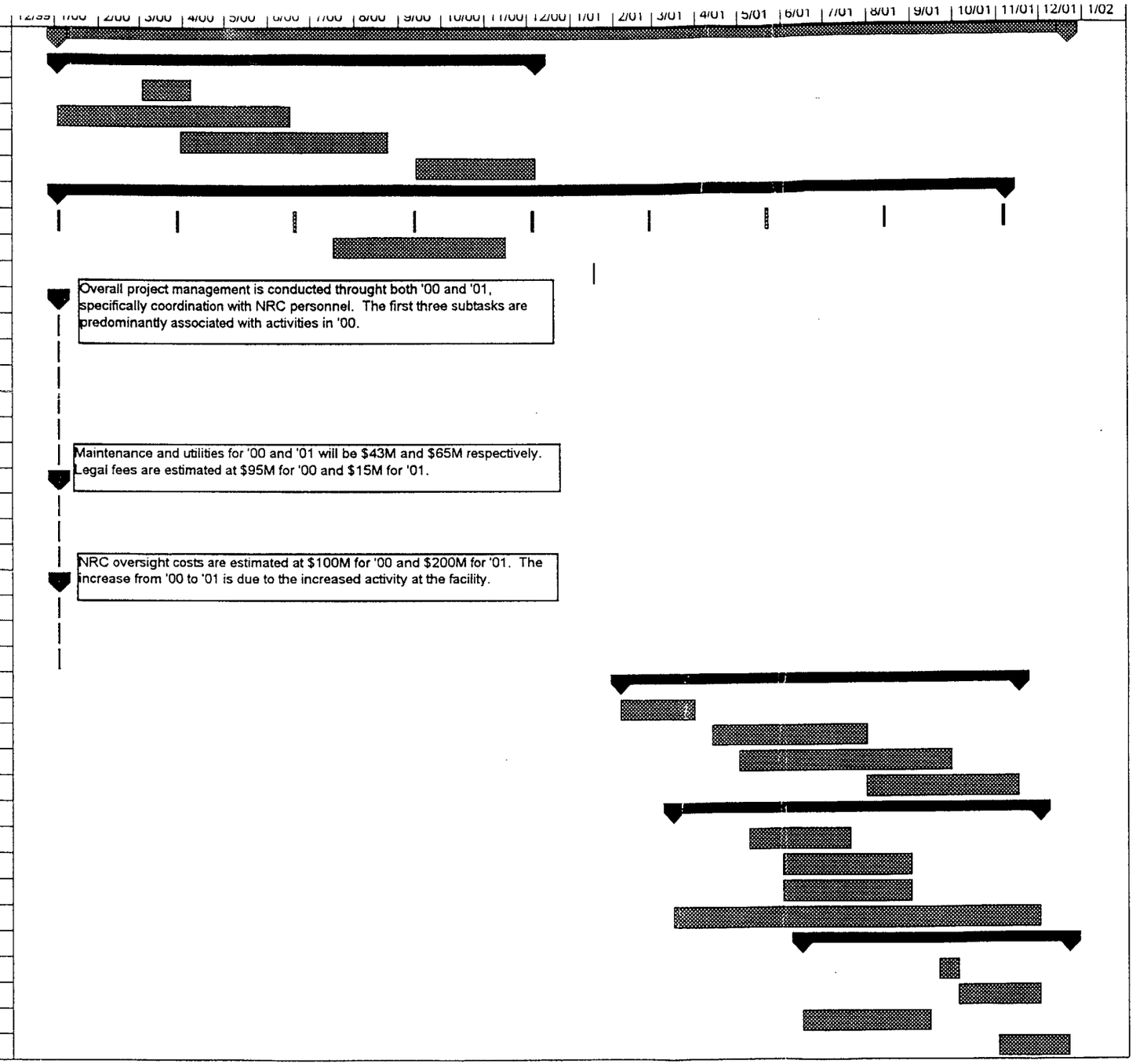
release of materials from controlled areas, routine surveillance, radiation survey techniques, and release and permitting requirements. The RPP is maintained by the Molycorp company Radiation Safety Officer (RSO) who is responsible to ensure its compliance.

Project Risk Factors:

The main risk associated with expenditures for this project are associated with both the volume and characterization of the waste material. More than 50% of the estimated expenditures for the decommissioning are contained in the excavation, transportation, and disposal of the material. An over variance of 20% in the volume estimation will increase the overall project cost by approximately $400,000. Another concern is the acceptance of the waste material by the disposal company. Analyses for non-radialogical parameters may cause some mixed waste concerns. These concerns most likely would cause scheduling difficulties that may become more crucial than any project overtures.

Because the Decommissioning Plan has already been approved by the NRC, a public meeting has already been performed with the surrounding citizens, and the NRC has already approved WCS as the designated disposal facility, other potential risks seem to be minimal or will not have a significant impact on the overall cost of the project.

ID	Estimate	Task Name
0		**York Schedule**
1	**$220M**	**1 Pre-Decommissioning Activities**
2	$15M	1.1 Consolidate and repackage co-product
3	$110M	1.2 Characterize bldgs, drains, and affected areas
4	$45M	1.3 Decon. Bldgs 14 & 15 and clarifier
5	$50M	1.4 Perform final survey and report
6	**$120M**	**2 Sampling and Characterization**
7	$15M	2.1 Periodic sampling and analysis of GW
17	$25M	2.2 Characterize for PA Act 2 and volume estimation
18	$80M	2.3 Abandon & re-install monitor wells
19	**$256M**	**3 Project Management**
20	$40M	3.1 Gamma log validation
21	$45M	3.2 Radionuclide ratio anaysis
22	$56M	3.3 Evaluate unrestricted use criteria
23	$30M	3.4 NRC ineraction
24	$60M	3.5 Contractor oversight/contracting
25	$25M	3.6 Radiation Protection Program
26	**$218M**	**4 Recurring Costs**
27	$58M	4.1 Maintenance/security
28	$50M	4.2 Utilities
29	$110M	4.3 Legal fees
30	**$300M**	**5 NRC Oversight**
31	$110M	5.1 Onsite inspections
32	$65M	5.2 Conference calls/interaction
33	$125M	5.3 Document Review
34	**$318M**	**6 Construction/Demolition (Non-rad)**
35	$63M	6.1 upgrade RR spur
36	$40M	6.2 Asbestos abatement
37	$140M	6.3 Removal of bldgs./T&D debris
38	$75M	6.4 Gravel/asphalt removal
39	**$1,891M**	**7 Contaminated Material Removal**
40	$320M	7.1 Excavation/loading
41	$485M	7.2 Transportation
42	$595M	7.3 Disposal
43	$491M	7.4 Operational radiation protection
44	**$325M**	**8 Site Reclamation**
45	$75M	8.1 Backfill material
46	$60M	8.2 Grading
47	$30M	8.3 Runoff control/plan/survey
48	$160M	8.4 Demobilization/decontamination



Horn, Rick G.

From: Cherniske, Ray
Sent: Wednesday, May 09, 2001 12:42 PM
To: Inabu, Roger T.; Dezwart, Fred P.
Cc: Schramm, William C.; Horn, Rick G.; Dawes, George; Hinkel, Robert (auto-cc secy)
Subject: FW: Financial Assurance - Washington & York

Rick - Thanks for the breakdown for financial assurance, this should help get us to where we need to be by the end of the month.

Roger & Fred,

This should provide you with enough background information to proceed with obtaining financial assurance for Washington ($ 24.212MM) and York ($ 3.060MM). The Washington #'s were derived by utilizing the agreed upon P(50) volume estimate for the remediation. We agreed to have financial assurance in place (in NRC's hands) by May 31st. Rick/George will provide a spreadsheet that represents the #'s below to be used as an attachment to the NRC package submittal.

Please let us know if you need additional information to help achieve this deadline.

Thanks
Ray

-----Original Message-----
From: Horn, Rick G.
Sent: Tuesday, May 08, 2001 1:50 PM
To: Cherniske, Ray
Cc: Dawes, George
Subject: Financial Assurance - Washington & York

As we discussed today, here are the numbers that were discussed for financial assurance purposes. This is based upon the utilization of the P50 soil volume estimate and

- Information obtained from Mactec
- AFE Cost estimate spreadsheet (includes costs from Mactec above)
- soil volume statistical analysis (e-mail from 3/01)

Washington

For financial assurance purposes costs are only extracted for Phase 2 and 3. Phase 1 costs are not included because the $ has already been spent and costs associated with WBS Tasks 4-6 (AFE spreadsheet, Communications, Real Estate, and Miscellaneous) are not directly related to the D&D.

The Phase 2 estimate is extracted directly from the spreadsheet and includes equipment surveys and disposition, building surveys, and demolition activities.

Phase 2 = $1.2MM

The P50 soil volume estimate is 71,000 cy. This is roughly 53% of what the AFE estimating for soil volume is based upon (135,000 cy). If we use Mactec's approach that not all of the material will be blended; they assumed 6,750 cy at the P75 estimate will need to be disposed of as non-exempt material (Envirocare). Using a "straight-line method", the amount of material based on P50 would be:

6,750 X 53% = 3,578cy

This leaves (71,000 - 3,578) 67,422 cy of material that can be disposed of as exempt material. As we discussed in the past meeting at Washington, there are two factors that need to be accounted for in the soil volume estimate: a "swell factor" and the blending of some of the material. This was discussed in great detail in the past and I believe the percentage that was discussed to account for both factors was 17%. Utilizing the disposal prices for Phase 1, the estimates are as follows:

67,422 X 1.17 X $3.78 X 27 = $8.051MM (exempt)
3,578 X 1.17 X $25.00 X 27 = $2.826MM (non-exempt)

Phase 3 Disposal = $10.877MM

Soil transportation is based upon the same soil volume and the prices were obtained from Mactec (the Mactec estimates for transportation were "in line" with what was obtained for Phase 1 pricing):

67,422 X 1.17 X $91.85 = $7.245MM
3,578 X 1.17 X $138.00 = $0.578MM

Phase 3 Transportation = $7.823MM

The other two items that are directly affected by the amount of soil removed is excavation/loading and radiation protection/project management. If we use the same 53% assumption as above, and extract the estimates from the spreadsheet, we have:

$3.3MM X 53% = $1.749MM (excavation/loading)
$2.1MM X 53% = $1.113MM (rad. protect/proj mgt.)

Phase 3 Field work = $2.862MM

There are additional costs associated with Phase 3 activities that are related to the D&D, and therefore should be covered by financial assurance. They include design/excavation plan, satisfy access issues, satisfy license conditions, final survey, etc. These costs are estimated at:

Phase 3 Miscellaneous = $1.450MM

Phase 2		$ 1.200MM
Phase 3		
	Disposal	$10.877MM
	Trans.	$ 7.823MM
	Field Work	$ 2.862MM
	Misc.	$ 1.450MM
Total		**$24.212MM**

York

The AFE for York completed in 12/00 was for $3.648MM and was for costs that would be incurred in '00 and '01. For financial assurance purposes, I would utilize the budget estimate for '01 which was $3.060MM. At this point, we have no reason to believe that figure would be any different.

If any questions, please call.

Rick.

Decommissioning Cost Estimate
Molycorp – Washington, PA Facility

I. Facility Description

The license for the facility is a Part 30 Source Materials License designated #SMB-1393. The license allows the storage and transfer of products, by-products, and mixtures of slags and contaminated soils containing combined thorium and uranium.

Uranium	218 kg
Thorium	18,000 kg

Between 1964-70, the facility produced a ferro-columbium alloy from an ore that contained sufficient quantities of radioactive metals that required a source material license. Although the process of this ore was discontinued in 1970, Molycorp continues to operate the facility; currently producing a ferro-molybdenum alloy. A large portion of the slag by-product produced in the mid 1960's was utilized as fill material on site property. The majority of the current buildings and equipment located onsite were not utilized in connection with the ferro-columbium operations and are considered unaffected.

II. Cost Estimate

The applicability of this cost estimate, as it relates to the attached financial assurance, covers proposed activities associated with completing the decommissioning at the facility. In 2000, Molycorp removed and disposed of approximately 15,000 cubic yards of licensed waste located in a storage pile and rolloffs onsite (Phase 1). This disposal of licensed waste constituted approximately 50% of the total thorium and uranium at the facility. Phase 2 will consist of equipment and building surveys, equipment disposition, and demolition of buildings. Phase 3 will consist of excavation and disposal of licensed waste currently buried onsite.

A. Phase 2
As stated above, the Phase 2 work can divided into buildings and equipment.
    1. Buildings
    Several buildings will need to be demolished as licensed waste is buried underneath these buildings. These buildings were erected several years after the licensed operations ceased and our believed to be unaffected.

Bldg #	SQFT
23	5,320
28	3,600
29	4,400
32	3,600
33	7,200
34	9,750
35	7,200
36	7,150
38	1,600
39	4,200
42	7,150

The cost elements and estimate for this portion of the Phase 2 work is as follows:

Plan. And Prep.	$ 40,000
Mobilization	$ 35,000
Equipment (survey)	$ 60,000
Final survey	$190,000
Equipment (demolition)	$146,000
Demolition	$200,000
Demobilization	$ 29,000
NRC Oversight/Coord.	$ 75,000
Subtotal	**$775,000**

2. Equipment
   Equipment is currently stored in the buildings that need to be surveyed and demolished as described above. It is believed that only a very small percentage of this equipment was utilized during licensed operations and will be affected. However, all equipment will staged, surveyed, and either disposed of or kept depending on the results of the equipment surveys. The cost estimate to perform this work is $425,000.

B. Phase 3
   Phase 3 consists of excavation, transportation, and disposal of the remaining buried licensed material onsite. The total soil volume estimate for the buried licensed material is 71,000 cubic yards (compacted). The cost elements associated with this work are as follows:

1. Planning/Preparation
   This task is associated with completing a design/excavation plan, procurement, satisfying access issues, NRC oversight and coordination, and satisfying current license conditions prior to initiating excavation activities. The estimate for this work is $1,450,000.

2. Exacavation/Loading
   The cost to excavate and load rail cars based upon the estimated soil volume is $1,749,000.

3. Radiation Protection/Project Mgt.
   This estimate includes providing the implementation of the radiation protection program for the site and general project management for the project. The estimated cost for this task is $1,113,000.

4. Waste Transportation
   Based upon the total soil volume of 71,000 cy, it is estimated that approximately 3,578 cy of this material will be classified as non-exempt, low-level radioactive material. The remaining 67,422 cy is estimated to be exempt, unimportant source material. In addition, a 17% "swell" factor will be applied to account for the excavation of the material. Based upon this, and costing provided from Phase 1 activities, the estimate for waste transportation is calculated below:

   3,578 cy X 1.17 X $138/cy = $578,000
   67,422cy X 1.17 X $91.85/cy = $7,245,000

5. Waste Disposal
   Based upon the same data as given for waste transportation, the cost estimate for disposal is calculated below (a factor of 27 is utilized to convert cubic yards to cubic foot pricing):

   3,578 cy X 1.17 X 27 X $25.00/cf = $2,826,000
   67,422cy X 1.17 X 27 X $3.78/cf = $8,051,000

The total cost estimate as proposed for financial assurance is summarized below:

Cost Element	Cost ($)	% of Work
A. Phase 2		
1. Buildings	775,000	3%
2. Equipment	425,000	2%
B. Phase 3		
1. Planning/Prep.	1,450,000	6%
2. Excavation/Loading	1,749,000	7%
3. Radiation Protect/Mgt.	1,113,000	4%
4. Transportation	7,823,000	33%
5. Disposal	10,877,000	45%
Subtotal	24,212,000	100%
Contingency (25%)	6,053,000	
Total	**30,265,000**	

III. Key Assumptions

With regards to the Phase 2 and 3 work, some of the assumptions include:

- There are no asbestos containing materials in the buildings that require demolition.
- All surveyed building will be radiologically clean.
- All building foundations will be radiologically clean and can be disposed of as "clean" construction debris.
- Radiologically "affected" equipment will be minimal.
- Equipment classification based upon process history will allow less than 100% survey.
- No hazardous or mixed waste exists.
- The estimated soil volume and associated pricing will remain as estimated when the work is initiated.
- Excavated soils can be released in "grids" to allow backfill and expeditious completion of Phase 3 work.

Decommissioning Cost Estimate
Molycorp – York, PA Facility

I. Facility Description

The license for the facility is a Part 30 Source Materials License designated #SMB-1408. The license allows the storage and transfer of products, by-products, and mixtures of rare earth metals containing a combined thorium and uranium content of less than 0.25% by weight.

Uranium	315 kg	Natural uranium as oxide and fluorocarbonate
Thorium	1000,000 kg	Natural thorium as oxide hydrate, fluoride, and fluorocarbonate

The facility ceased operations and was closed in 1993. The remaining licensed material exists as follows:

- As a buried waste (soil/slag contaminant) in discrete locations onsite.
- As a concrete contaminant in and around floor sumps and drains.
- Residual contaminant in the wall of one former process building (#14).

The total quantity of this material is estimated at 4,000 cubic yards with contaminant levels not exceeding exempt, unimportant source material.

II. Cost Estimate

The applicability of this cost estimate as it relates to the attached financial assurance, covers activities that have or will be performed in this calendar year and until the decommissioning is completed, which is estimated at yearend. Previous work associated with decommissioning activities, including building surveys, confirmation of the surveys, equipment disposition and surveys, have all been completed and costs already incurred. This final phase of decommissioning consists of the following cost elements:

A. Upgrade RR Spur/Siding
In order for the remaining licensed material to be disposed of, the existing railroad spur that is located onsite needs to be upgraded

and a new switch put in. This work has been contracted and is estimated to cost $63,000.

B. Abandon and Re-Install Monitor Wells
This cost element is associated with Amendment No. 10 of the source material license (dated 3/21/01) and consists of abandoning monitor wells to allow the decommissioning to proceed expeditiously. The cost also includes the re-installation of the wells after demolition is completed to comply with license conditions. The abandonment portion of this work has been completed and the estimate for this cost element is $80,000.

C. Removal of Contaminated Material
As stated earlier, this cost element is based upon the 4,000 cubic yards of contaminated material and is further subdivided into the following items:

1. Excavation/Loading $320,000
   This estimate includes mobilization, installion of staging areas, excavation of contaminated material, loading of RR cars, per diem, decontamination, and demobilization.
2. Transportation $485,000
   This estimate is based upon providing 100 ton Gondola cars for transportation of material via rail to WCS in Texas.

   4,000 cy X 1.4 (cy to ton) X $8,650 per 100 ton gondola

3. Disposal $595,000

   4,000 cy X 1.4 X $106/ton

All of this work has been contracted and Waste Control Specialists (WCS) has been approved by the NRC as an acceptable disposal site for this material.

D. Demolition Activities
This cost element consists of asbestos abatement and disposal, gravel and asphalt removal and disposal, and free released building demolition and debris disposal. This work has been contracted and is currently ongoing. The estimate for this work is $255,000.

E. Operational Radiation Protection
This estimate is based upon time and materials to cover demolition and excavation activities. Includes mobilization, travel, per diem, and implementation of the radiation protection program. This work has been contracted and is currently ongoing. The estimate for this work is $491,000.

F. Site Reclamation
This cost element is associated with post decommissioning activities and would include grading and seeding activities for erosion control and sheetflow management of surface water. This cost is estimated at $325,000.

G. Project Management/NRC Oversight
This element includes project management costs associated with ensuring the execution of the decommissioning work, client and NRC interface and coordination, and document preparation and submittal. NRC oversight costs are associated with NRC field and management costs. This estimate is $366,000.

H. Maintenance and Utilities
This cost element is associated with providing utilities and security for the facility during onsite activities. This cost is estimated at $80,000.

The total cost estimate as proposed for financial assurance is summarized below:

Cost Element	Cost ($)	% of Work
A. Upgrade RR	63,000	2%
B. Monitor Wells	80,000	3%
C. Material Removal		
1. Excavation/Loading	320,000	10%
2. Transportation	485,000	16%
3. Disposal	595,000	19%
D. Demolition	255,000	8%
E. Radiation Protection	491,000	16%
F. Site Reclamation	325,000	11%
G. Pro. Mgt./NRC Oversight	366,000	12%
H. Maintenance/Utilities	80,000	3%
Subtotal	3,060,000	100%
Contingency (25%)	765,000	
Total	**3,825,000**	

III. Key Assumptions

Over 80% of the estimates given above have already been contracted and the funds have been allocated; therefore, unknowns associated with rates, rentals, equipment, etc. have been eliminated. However, the costs associated with transportation and disposal of the affected material could change based upon the volume of material that is estimated (4,000 cy).

Other assumptions include the estimate for re-installing the monitor wells, site reclamation, and NRC oversight. On the first issue, the estimate to re-install the monitor wells is based upon replacing the designated wells contained as a license condition. Any additional well installation is not included in this estimate. The second issue, site reclamation, is difficult to assess until the buildings and asphalt have been removed. It is anticipated that some amount of grading may be required to allow necessary percolation of surface water into the ground. Planting grass seed and trees will assist in this process as well as prevent erosion of the site property. The estimate for NRC oversight is based upon prior experience of NRC field involvement and is not a large cost element in the decommissioning process as a whole.