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UNOCAL CORP  
Form 8-K  
April 25, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

Current Report Pursuant  
to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported) April 25, 2002  
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UNOCAL CORPORATION  
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(Exact name of registrant as specified in its charter)

Delaware  
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(State or Other Jurisdiction of Incorporation)

1-8483  
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95-3825062  
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(Commission File Number)

(I.R.S. Employer Identification No.)

2141 Rosecrans Avenue, Suite 4000, El Segundo, California 90245  
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(Address of Principal Executive Offices)

(Zip Code)

(310) 726-7600  
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(Registrant's Telephone Number, Including Area Code)

Item 5. Other Events

First Quarter 2002 Results  
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Unocal Corporation's net earnings for the first quarter of 2002 were \$22 million, or 9 cents per share (diluted). This compared to net earnings of \$295 million, or \$1.18 per share (diluted), for the first quarter of 2001.

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	For the Three Months Ended March 31,	
Millions of dollars	2002	2001
Earnings from continuing operations	\$ 22	\$ 292
Earnings from discontinued operations	-	4
Cumulative effect of accounting change	-	(1)
Net earnings	\$ 22	\$ 295

Earnings from continuing operations were \$22 million, or 9 cents per share (diluted), compared to \$292 million, or \$1.16 per share (diluted), for the same period a year ago. The decrease was primarily due to lower prices for natural gas and liquids (crude oil, condensate and natural gas liquids). The Company's worldwide average natural gas price, including a benefit of 9 cents per thousand cubic feet (mcf) from hedging activities, was \$2.39 per mcf in the first quarter of 2002, which was a decrease of \$2.02 per mcf, or 46 percent, from the same period a year ago. In the first quarter of 2002, the Company's worldwide average liquids price was \$18.28 per barrel, which was a decrease of \$6.35 per barrel, or 26 percent, from the same period a year ago. The lower natural gas prices reduced net earnings by approximately \$160 million, while the lower liquids prices reduced net earnings by approximately \$50 million. The first quarter of 2002 was also impacted by lower production compared to the same period a year ago, principally in the Lower 48 operations. The lower worldwide production reduced net earnings by approximately \$85 million. In the first quarter of 2002, \$3 million in higher pension expense compared to the same period a year ago also impacted net earnings. All of these negative factors were partially offset by \$13 million in lower after-tax losses in mark-to-market accruals for non-hedge commodity derivatives and \$10 million in lower after-tax provisions for environmental and litigation matters (the first quarter of 2002 included \$21 million while the first quarter of 2001 included \$31 million).

The first quarter of 2001 included \$4 million, or 2 cents per share (diluted), from discontinued operations, related to the Company's 1997 sale of its former West Coast refining, marketing and transportation assets.

In the first quarter of 2001, the Company recorded a one-time non-cash \$1 million after-tax charge consisting of the cumulative effect of a change in accounting principle related to the initial adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities".

Total revenues from continuing operations for the first quarter of 2002 were \$1.04 billion, compared with \$2.21 billion for the first quarter of 2001. The lower 2002 revenues primarily reflected lower commodity prices and lower crude oil marketing activity by the Company's Trade segment.

Capital expenditures in the first quarter of 2002 were \$390 million, compared with \$360 million, excluding major acquisitions, in the first quarter of 2001. In the first quarter of 2001, the Company's major acquisitions included the acquisition by the Company's Pure Resources, Inc., subsidiary of properties from International Paper Company for \$261 million.

The Company's total consolidated debt, including current maturities, at the end of the first quarter of 2002 was \$3.18 billion, compared with \$2.91 billion at the end of 2001. The debt-to-total capitalization ratio was 47 percent at the end of the first quarter of 2002 compared to 44 percent at the end of 2001.

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OPERATING HIGHLIGHTS (UNAUDITED)

	For the Three Months Ended March 31,	
	2002	2001
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North America Net Daily Production		
Liquids (thousand barrels)		
Lower 48 (a) (b)	56	53
Alaska	25	24
Canada	18	15
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Total liquids	99	92
Natural gas - dry basis (million cubic feet)		
Lower 48 (a) (b)	746	874
Alaska	101	138
Canada	90	140
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Total natural gas	937	1,152
North America Average Prices (c)		
Liquids (per barrel)		
Lower 48	\$ 18.48	\$ 26.75
Alaska	\$ 14.54	\$ 22.76
Canada	\$ 16.52	\$ 20.46
Average	\$ 17.19	\$ 24.60
Natural gas (per mcf)		
Lower 48	\$ 2.47	\$ 6.93
Alaska	\$ 1.57	\$ 1.20
Canada	\$ 2.25	\$ 4.22
Average	\$ 2.35	\$ 5.87
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International Net Daily Production (d)		
Liquids (thousand barrels)		
Far East	53	50
Other (a)	20	19
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Total liquids	73	69
Natural gas - dry basis (million cubic feet)		
Far East	822	793
Other (a)	75	57
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Total natural gas	897	850
International Average Prices (c)		
Liquids (per barrel)		
Far East	\$ 19.28	\$ 24.25
Other	\$ 21.96	\$ 25.55
Average	\$ 19.86	\$ 24.67
Natural gas (per mcf)		
Far East	\$ 2.44	\$ 2.48
Other	\$ 2.48	\$ 2.89
Average	\$ 2.44	\$ 2.50
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Worldwide Net Daily Production (a) (b) (d)		
Liquids (thousand barrels)	172	161
Natural gas - dry basis (million cubic feet)	1,834	2,002
Barrels oil equivalent (thousands)	477	495

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Worldwide Average Prices (c)		
Liquids (per barrel)	\$ 18.28	\$ 24.63
Natural gas (per mcf)	\$ 2.39	\$ 4.41

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The following table includes a reconciliation of consolidated net earnings to adjusted after-tax earnings. Special items represent certain significant transactions, the results of which are included in net earnings, that management determines to be unrelated to or not representative of the Company's ongoing operations. The purpose of the table is to provide the investment community supplemental financial data in addition to the data prepared in accordance with generally accepted accounting principles.

	For the Three Months Ended March 31,	
Millions of dollars	2002	2001
Net earnings (a)	\$ 22	\$ 295
Less: Earnings from discontinued operations	-	4
Less: Cumulative effect of accounting change	-	(1)
<hr style="border-top: 1px dashed black;"/>		
Earnings from continuing operations	22	292
Special items:		
Continuing operations		
Environmental and litigation provisions	(21)	(31)
Trading derivatives -- non-hedging	(4)	(17)
Insurance settlements related to environmental issues	2	-
Asset sales	2	-
<hr style="border-top: 1px dashed black;"/>		
Total special items from continuing operations	(21)	(48)
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Adjusted after-tax earnings (before special items) (a)	\$ 43	\$ 340

### Second Quarter and Full Year 2002 Outlook

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The Company estimates that its net earnings per share to be between 45 to 55 cents per share in the second quarter of 2002, reflecting an anticipated increase in commodity prices from the first quarter. The second quarter forecast assumes average NYMEX benchmark prices of \$26.35 per barrel of crude oil and \$3.55 per million British thermal units (MMBtus) for North America natural gas. The second quarter forecasted earnings are expected to change 4 cents per share for every \$1 change in its average worldwide realized price for crude oil and 2 cents per share for every 10-cent change in the Company's average realized North America natural gas price. The Company estimates that net worldwide daily production for the second quarter will average between 480,000 and 490,000 barrels-of-oil equivalent (BOE). The second quarter forecast also includes pre-tax dry hole costs of \$20 to \$30 million.

For the full-year 2002, the Company estimates that its net earnings per share to be between \$1.62 to \$1.82 cents per share. The full-year forecast assumes

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average NYMEX benchmark prices of \$24.80 per barrel of crude oil and \$3.35 per MMBtus for North America natural gas. The full-year forecasted earnings are expected to change 16 cents per share for every \$1 change in its average worldwide realized price for crude oil and 8 cents per share for every 10-cent change in the Company's average realized North America natural gas price. The Company estimates that net worldwide daily production for the full-year will average between 490,000 and 500,000 BOE. The full-year forecast also includes pre-tax dry hole costs of \$120 to \$130 million.

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Forward-looking statements and estimates regarding projected earnings, commodity prices, dry hole costs, production levels and capital expenditures, in this filing are based on assumptions about operational, market, competitive, regulatory, environmental, political and other considerations. Actual results could differ materially as a result of factors discussed in Unocal's 2001 Annual Report on Form 10-K and subsequent reports.  
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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNOCAL CORPORATION  
(Registrant)

Date: April 25, 2002  
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By: /s/ JOE D. CECIL  
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Joe D. Cecil  
Vice President and Comptroller

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