UNOCAL CORP
Form DEFA14A
July 25, 2005

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [ü]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ]	Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))	
[ü] Definitive Proxy Statement	
[ü] Definitive Additional Materials	
[ ] Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-2.	

UNOCAL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

[ü] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-12.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

Table of Contents

Supplement to Proxy Statement/ Prospectus
Amendment to Agreement and Plan of Merger with Chevron Corporation Your Vote is Very Important
July 22, 2005

To Unocal Corporation Stockholders:

On or about July 1, 2005, we mailed to you a proxy statement/ prospectus relating to a special meeting of stockholders of Unocal Corporation scheduled for August 10, 2005 to consider a proposal to approve and adopt the Agreement and Plan of Merger (the Merger Agreement) dated as of April 4, 2005, by and among Unocal, Chevron Corporation and Blue Merger Sub Inc., a wholly owned subsidiary of Chevron.

On July 19, 2005, Unocal, Chevron and Blue Merger Sub entered into an amendment to the Merger Agreement. This amendment has the effect of increasing the merger consideration paid to Unocal stockholders for their shares. Pursuant to the amended merger agreement, each Unocal stockholder would have the right to elect to receive, for each Unocal share:

a combination of 0.618 of a share of Chevron common stock and $27.60 in cash;

1.03 shares of Chevron common stock; or

$69 in cash.

The all-stock and all-cash elections above are subject to proration to preserve an overall per share mix of 0.618 of a share of Chevron common stock and $27.60 in cash for all of the outstanding shares of Unocal common stock taken together.

Based on the closing price of Chevron s common stock on the New York Stock Exchange on July 21, 2005, the value of the per share consideration to be received by Unocal stockholders who elect to receive only Chevron common stock would be $58.68 (assuming no proration), and the value of the mixed election consideration would be approximately $62.81 per share.

The implied value of the stock consideration will fluctuate as the market price of the Chevron common stock fluctuates, and, because your election is subject to proration as described above, you may receive some Chevron common stock, rather than cash, even though you make an all-cash election (and vice versa). Unocal common stock trades on the New York Stock Exchange under the ticker symbol UCL. Chevron common stock trades on the New York Stock Exchange under the ticker symbol CVX. We urge you to obtain current market quotations of Chevron and Unocal common stock. Upon completion of the merger, we estimate that Unocal s former stockholders will own approximately 7.5% of the common stock of Chevron.

Completion of the merger requires the approval of Unocal stockholders. **Unocal s board of directors unanimously recommends that stockholders vote FOR adoption of the amended merger agreement and any adjournment of the special meeting.** The time, date and place of the Unocal special meeting of stockholders has not changed. The meeting will still be held on August 10, 2005, at 10:00 a.m., Pacific Daylight Time, at The Hilton Los Angeles Airport Hotel, 5711 West Century Blvd., Los Angeles, California 90045. The record date for the special meeting has not changed. Only stockholders who held shares of Unocal common stock at the close of business on June 29, 2005 are entitled to vote at the special meeting. Attached to this letter is a supplement to the proxy statement/ prospectus containing additional information about Chevron, Unocal and the amended merger agreement. We urge you to read this document carefully and in its entirety. We also encourage you, if you have not done so already, to review the proxy statement/ prospectus dated June 29, 2005. **In particular, see Risk Factors beginning on page 19 of the June 29 proxy statement/ prospectus.**

We have enclosed a proxy card with this proxy supplement. If you have already delivered a properly executed proxy, you do not need to do anything unless you wish to change your vote. If you have not previously voted or if you wish to revoke or change your vote, please complete, date, sign and return the enclosed proxy card or vote by telephone or over the Internet.

Whether or not you plan to attend the special meeting, please vote as soon as possible so that your shares are represented at the meeting. If you do not vote, it will have the same effect as voting against the merger.

Sincerely,

Charles R. Williamson
Chairman of the Board of Directors and
Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or determined if this document is accurate or complete. Any representation to the contrary is a criminal offense.

This supplement is dated July 22, 2005 and is first being mailed to Unocal stockholders on or about July 25, 2005.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This supplement and the SEC filings that are incorporated by reference into this supplement contain or incorporate by reference forward-looking statements that have been made pursuant to the provisions of, and in reliance on the safe harbor under, the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections. Words such as anticipates, expects, intends, plans, believes, seeks, could, should, will, projects, estimates and similar expres identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. In that event, Unocal s or Chevron s business, financial condition or results of operations could be materially adversely affected, and investors in Unocal s or Chevron s securities could lose part or all of their investment. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this supplement or, in the case of documents incorporated by reference, the date referenced in those documents. We are not obligated to update these statements or publicly release the result of any revision to them to reflect events or circumstances after the date of this supplement or, in the case of documents incorporated by reference, the date referenced in those documents, or to reflect the occurrence of unanticipated events.

You should understand that the following important factors, in addition to those discussed elsewhere in this document and in the documents which are incorporated by reference, could affect the future results of Chevron and Unocal, and of the combined company after the merger, and could cause those results or other outcomes to differ materially from those expressed in our forward-looking statements:

Economic and Industry Conditions

materially adverse changes in economic, financial or industry conditions generally or in the markets served by our companies

the competitiveness of alternative energy sources or product substitutes

actions of competitors

crude oil and natural gas prices

refining and marketing margins

petrochemicals prices and competitive conditions affecting supply and demand for aromatics, olefins and additives products

changes in demographics and consumer preferences

Transaction or Commercial Factors

the outcome of negotiations with partners, governments, suppliers, unions, customers or others

our ability to successfully integrate the operations of Chevron and Unocal after the merger and to minimize the diversion of management s attention and resources during the integration process

the process of, or conditions imposed in connection with, obtaining regulatory approvals for the merger

Political/ Governmental Factors

political instability or civil unrest in the areas of the world relating to our operations

political developments and laws and regulations, such as forced divestiture of assets, restrictions on production or on imports or exports, price controls, tax increases and retroactive tax claims, expropriation of assets, cancellation of contract rights, and environmental laws or regulations

potential liability for remedial actions under environmental regulations and litigation

Operating Factors

potential failure to achieve expected production from existing and future crude oil and natural gas development projects

potential delays in the development, construction or start-up of planned projects
successful introduction of new products
labor relations
accidents or technical difficulties
changes in operating conditions and costs
weather and natural disasters

Advances in Technology

crude oil, natural gas and petrochemical project advancement
the development and use of new technology by us or our competitors

TABLE OF CONTENTS

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER, THE AMENDMENT TO THE MERGER AGREEMENT AND THE SPECIAL STOCKHOLDER MEETING

The following questions and answers briefly address some commonly asked questions about the merger, the amendment to the merger agreement dated July 19, 2005 and Unocal s special meeting of stockholders. They may not include all of the information that is important to you. We urge you to read carefully this entire supplement, including the annexes, the June 29 proxy statement/ prospectus and the other documents we refer to in this supplement and in the June 29 proxy statement/ prospectus.

About the Merger

Q: Why are you sending me this supplement to the June 29 proxy statement/ prospectus?

A: We are sending you this supplement to the proxy statement/ prospectus because on July 19, 2005, Unocal Corporation and Chevron Corporation amended the original merger agreement dated April 4, 2005. This supplement to the proxy statement/ prospectus provides information on the amended transaction and updates the June 29, 2005 proxy statement/ prospectus, which was previously mailed to you.

Q: What are Unocal s reasons for Unocal and Chevron amending the original agreement?

A: Please see the sections entitled Unocal s Reasons for the Merger; Recommendations of Unocal s Board of Directors beginning on page S-20 of this supplement and page 31 of the June 29 proxy statement/ prospectus for discussions of the reasons why the Unocal board of directors reached its decision to approve both the original merger agreement and the amendment to the merger agreement.

Q: What does the Unocal board of directors recommend?

A: The board of directors of Unocal unanimously recommends that Unocal s stockholders vote **FOR** adoption of the merger agreement, as amended, and the merger and any adjournment of the special meeting.

Q: What will I now receive in exchange for my Unocal shares?

A: Pursuant to the amended merger agreement, you may elect to receive, for each Unocal common share that you own, either:

a combination of 0.618 of a share of Chevron common stock and $27.60 in cash;

1.03 shares of Chevron common stock; or

$69 in cash.

Unless you make an all-cash or an all-stock election, you will receive the mixed consideration in the merger. In addition, the all-cash and all-stock elections are subject to proration in order to preserve an overall per share mix of 0.618 of a share of Chevron common stock and $27.60 in cash for all of the outstanding shares of Unocal common stock taken together.

If you are a participant in the Unocal Savings Plan, the Molycorp, Inc. 401(k) Retirement Savings Plan or the Pure Resources 401(k) and Matching Plan (which we collectively refer to in this supplement as the Unocal Plans), you will receive instructions from the relevant plan trustee on how to elect to have cash consideration or share consideration allocated to your plan account in exchange for Unocal common stock in your plan account. See Information About the Special Meeting and Voting Voting and Elections by Participants in the Unocal Plans beginning on page 72 of the June 29 proxy statement/ prospectus for detailed instructions.

Unocal Plan holders may be subject to an election deadline earlier than the general deadline of the day before the Unocal special meeting. Therefore, you should carefully read any materials you receive from your broker or the relevant plan trustee or administrator.

Q: When do you expect to complete the merger?

A: Unocal and Chevron currently expect to complete the merger promptly after Unocal stockholders approve and adopt the amended merger agreement, and the merger at the special meeting, currently scheduled to be held on August 10, 2005, and after the satisfaction or waiver of all other conditions to the merger. We currently expect this to occur shortly after the special meeting. However, there can be no assurance that the conditions to closing will be

Table of Contents

met or that the merger will be completed shortly after the special meeting.

Q: Will I be taxed on the consideration that I receive in exchange for my Unocal shares?

A: The transaction is intended to be tax-free to Unocal stockholders for U.S. federal income tax purposes, except with respect to any cash received. See The Merger Material Federal Income Tax Consequences of the Merger beginning on page 34 of the June 29 proxy statement/ prospectus.

Q: Do I have dissenters or appraisal rights with respect to the merger?

A: Yes. Under Delaware law, you have the right to dissent from the merger and, in lieu of receiving the merger consideration, obtain payment in cash of the fair value of your shares of Unocal stock as determined by the Delaware Chancery Court. To exercise appraisal rights, you must strictly follow the procedures prescribed by Delaware law. These procedures are summarized under The Merger Appraisal Rights beginning on page 37 of the June 29 proxy statement/ prospectus. In addition, the text of the applicable provisions of Delaware law is included as Annex C to the June 29 proxy statement/ prospectus.

About the Amended Merger Agreement

Q: What are the significant changes in the amendment to the merger agreement?

A: The terms of the amendment to the merger agreement are described beginning on page S-5 of this supplement under the heading Summary of Amendment to the Merger Agreement. The amendment to the merger agreement increases the consideration to be paid to Unocal stockholders. The amounts and nature of the increase are described beginning on page S-5.

About the Special Stockholders Meeting

Q: When and where is Unocal s special stockholder meeting?

A: The date, time and location of the special meeting of Unocal stockholders has not changed. It will take place on August 10, 2005, at 10:00 a.m., Pacific Daylight Time, and will be held at The Hilton Los Angeles Airport Hotel, 5711 West Century Blvd., Los Angeles, California 90045.

Q: Who is entitled to vote at the special meeting?

A: The record date for determining who is entitled to vote at the special meeting has not changed. Holders of record of Unocal common stock at the close of business on June 29, 2005 are entitled to vote at the special meeting.

Q: What is the required vote to approve and adopt the merger agreement and the merger?

A: The holders of a majority of the outstanding shares of Unocal common stock as of June 29, 2005, the record date for the special meeting, must vote to approve and adopt the merger agreement, as amended, in order for the merger to be completed. Abstentions from voting and broker non-votes are not considered affirmative votes and therefore will have the same practical effect as a vote against the merger.

No vote of the stockholders of Chevron is required to complete the merger.

Q: What if I already voted using the proxy you sent me earlier?

A: First, carefully read this supplement, including the annexes, and the June 29 proxy statement/ prospectus. If you already have delivered a properly executed proxy, you will be considered to have voted on the amended merger agreement, and you do not need to do anything unless you wish to change your vote. If you are a registered holder and you have not already delivered a properly executed proxy, or wish to change your vote, please complete, sign and date the enclosed proxy card and return it in the accompanied prepaid envelope or vote by telephone or on the

Internet to ensure that your shares will be represented at the special meeting. If your shares are held in street name by your broker, and you have not already delivered a properly executed proxy, or wish to change your vote, please refer to your voting card or other information forwarded by your broker, bank or other holder of record to determine whether you may vote by telephone or on the Internet and follow the instructions on the card or other information provided by the record holder.

Table of Contents

Q: What do I do if I want to change my vote?

A: You may change your vote at any time before your proxy is voted at the special meeting. If your shares of Unocal common stock are registered in your own name, you can do this in one of three ways.

First, you can deliver to Unocal prior to the special meeting a written notice stating that you want to revoke your proxy. The notice should be sent to the attention of the Corporate Secretary, 2141 Rosecrans Avenue, Suite 4000, El Segundo, CA 90245, to arrive by the close of business on the day before the special meeting, which is currently scheduled for August 10, 2005.

Second, you can complete and deliver prior to the special meeting a new proxy card. The proxy card should be sent to the addressee indicated on the pre-addressed envelope enclosed with your initial proxy card to arrive by the close of business on the day before the special meeting, which is currently scheduled for August 10, 2005. The latest dated and signed proxy actually received by this addressee before the special meeting will be counted, and any earlier proxies will be considered revoked.

If you vote your proxy electronically through the Internet or by telephone, you can change your vote by submitting a different vote through the Internet or by telephone, in which case your later-submitted proxy will be recorded and your earlier proxy revoked.

Third, you can attend the Unocal special meeting and vote in person. Simply attending the meeting, however, will not revoke your proxy, as you must vote at the special meeting in order to revoke a prior proxy.

If you are a street-name stockholder and you vote by proxy, you may later revoke your proxy instructions by informing the holder of record in accordance with that entity s procedures.

Q: If I beneficially own Unocal shares held pursuant to a Unocal Plan, will I be able to vote on adoption of the amended merger agreement?

A: Yes. If you are a participant in a Unocal Plan, please submit the voting form you receive from the plan administrator or trustee to indicate to the relevant plan administrator or trustee how you want the Unocal common stock allocated to your plan account to be voted.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: If you do not provide your broker with instructions on how to vote your street name shares, your broker will not be permitted to vote them on the merger. Therefore, you should be sure to provide your broker with instructions on how to vote your shares. Please check the voting form used by your broker to see if it offers telephone or Internet voting.

About Election Forms

Q: May I submit a consideration election form if I vote against the merger?

A: Yes. You may submit an election form even if you vote against adopting the amended merger agreement. However, if you submit a properly executed election form, you will thereby withdraw any previously filed written demand for appraisal and will not be entitled to appraisal rights. See The Merger Appraisal Rights beginning on page 37 of the June 29 proxy statement/ prospectus.

Table of Contents

Q: What if I have already returned the first election form mailed to me based on the old terms of the merger agreement?

A: If you have previously made an election by submitting the prior version of the election form and you wish to maintain the same election under the revised terms found in the amended merger agreement, you do not need to send in a new election form or take any other action. If you have already returned your election form and you want to change the election made, you should return the additional election form with your new election; the new election form will replace the election form you originally submitted. If you have already returned your election form and you want to revoke your election altogether, contact the exchange agent, Mellon Investor Services LLC, at (866) 865-6324. If you are a bank, broker or hold your shares in street name, you should call MacKenzie Partners at (800) 322-2885.

Q: When is my election form due?

A: Your election form and your Unocal stock certificates must be **RECEIVED** by the exchange agent, Mellon Investor Services LLC, by the election deadline, **which is 5:00 p.m., Eastern Daylight Time, on August 9, 2005.** If you hold your shares through a broker or other nominee, you must return your election instructions to them in time for them to respond by the election deadline. Please refer to the instructions provided by your broker or other nominee.

How to Get More Information

Q: Where can I find more information about Unocal and Chevron?

A: You can find more information about Unocal and Chevron from various sources described under the heading Additional Information for Stockholders Where You Can Find More Information beginning on page S-33 of this supplement.

Q: Whom do I call if I have questions about the meeting or the merger?

A: If you have any questions about the amended merger agreement or if you need additional copies of this supplement, the June 29 proxy statement/prospectus or the enclosed proxy card, you should contact:

MacKenzie Partners, Inc.
105 Madison Avenue
New York, NY 10016
(800) 322-2885

If you need an additional election form, you should contact the exchange agent:

Mellon Investor Services
85 Challenger Road
Ridgefield Park, NJ 07660
(866) 865-6324

Table of Contents

SUMMARY OF AMENDMENT TO THE MERGER AGREEMENT

On July 19, 2005, Unocal and Chevron entered into Amendment No. 1 to the Agreement and Plan of Merger, dated April 4, 2005, by and among Unocal, Chevron and Blue Merger Sub Inc., a wholly owned subsidiary of Chevron. The June 29 proxy statement/ prospectus includes the original merger agreement as an annex and also includes a summary of the merger agreement, beginning on page 55 of that proxy statement/ prospectus.

The amendment to the merger agreement is included as Annex A to this supplement and is incorporated by reference into this discussion. The following discussion summarizes the material changes that the amendment to the merger agreement made to the original merger agreement and the material effects of these changes.

Increase in Merger Consideration

The amendment to the merger agreement provides for an increase in the merger consideration to be received by Unocal stockholders in the merger. Under the merger agreement, as amended, you will have the right to elect to receive, for each Unocal share that you own:

a combination of 0.618 of a share of Chevron common stock and $27.60 in cash;

1.03 shares of Chevron common stock; or

$69 in cash.

Unocal stockholders may elect to receive one of these three categories of consideration. Unless you make an all-cash or an all-stock election, you will receive the mixed consideration in the merger. In addition, the all-cash and all-stock elections are subject to proration in order to preserve an overall per share mix of 0.618 of a share of Chevron common stock and $27.60 in cash for all of the outstanding shares of Unocal common stock taken together, providing a blended value of approximately $63.01 per share of Unocal common stock based on the closing price of Chevron common stock on the day that Unocal and Chevron entered into the amendment to the merger agreement. In the aggregate, Chevron will issue approximately 168 million shares of Chevron common stock and pay approximately $7.5 billion in cash in the merger.

Proration of the Stock and Cash Elections

The following discussion updates the discussion in the section entitled The Merger Agreement Merger Consideration Explanation of the Proration of the Stock and Cash Elections beginning on page 56 of the June 29 proxy statement/ prospectus, in light of the amendment to the merger agreement.

The total amount of cash that will be paid to holders of Unocal common stock in the merger will be equal to $27.60 multiplied by the total number of shares of Unocal common stock outstanding immediately prior to completion of the merger (less any dissenting shares and any shares held by Unocal or Chevron). The overall amount of Chevron common stock that will be issued in the merger to holders of Unocal common stock will be equal to the product of (x) the total number of shares of Unocal common stock outstanding immediately prior to completion of the merger (less any dissenting shares and any shares held by Unocal or Chevron) multiplied by (y) 0.618. All-stock and all-cash elections are subject to proration to preserve an overall per share mix of 0.618 of a share of Chevron common stock and $27.60 in cash for all of the outstanding shares of Unocal common stock taken together. Therefore, unless the number of all-stock elections is significantly greater than the number of all-cash elections, Unocal stockholders making the all-cash election will not receive $69.00 in cash for each share of Unocal common stock, but instead will receive a mix of stock and cash calculated to preserve the overall mix of stock and cash described above, after taking into account all of the elections made by all of the Unocal stockholders. In all cases, Unocal stockholders who make the all-cash election will receive at least as much cash as is received by stockholders electing the mixed merger consideration. Similarly, if too few stockholders elect the all-cash consideration, Unocal stockholders making the all-stock election will not receive 1.03 shares of Chevron common stock for each share of Unocal common stock, but instead will receive a mix of stock and cash calculated to preserve the overall stock and cash mix described above, after taking into account

Table of Contents

all of the elections made by all of the Unocal stockholders. In all cases, Unocal stockholders who make the all-stock election will receive at least as much stock as is received by stockholders electing the mixed merger consideration. Unocal stockholders who elect the mixed merger consideration will not be subject to proration.

We illustrate below how the proration mechanism will be used. For ease of reference, we refer to the amount of cash derived by multiplying $27.60 by the total number of shares of Unocal common stock outstanding immediately prior to the completion of the merger (less any dissenting shares and any shares held by Unocal or Chevron) as the aggregate cash amount.

Proration If Too Much Cash Is Elected

Unless the number of all-stock elections is significantly greater than the number of all-cash elections, Unocal stockholders making the all-cash election will not receive $69.00 in cash for each share of Unocal common stock, but instead will receive a mix of stock and cash calculated in the following manner:

Step 1: Derive the available cash election amount: The available cash election amount is the aggregate cash amount *minus* the amount of cash to be paid in respect of shares of Unocal common stock as to which a valid election for the mixed merger consideration was made or is deemed to have been made.

Step 2: Derive the elected cash amount: The elected cash amount is an amount equal to $69.00 *multiplied by* the number of shares of Unocal common stock as to which a valid all-cash election was made.

Step 3: Derive the cash proration factor: The cash proration factor equals the available cash election amount *divided by* the elected cash amount.

Step 4: Derive the prorated cash merger consideration: The prorated cash merger consideration is an amount in cash equal to $69.00 *multiplied by* the cash proration factor.

Step 5: Derive the prorated stock merger consideration: The prorated stock merger consideration is a number of shares of Chevron common stock equal to (x) 1.03 *multiplied by* (y) a number equal to 1 *minus* the cash proration factor.

Step 6: Determine the stock and cash mix: Each share of Unocal common stock as to which a valid all-cash election was made will be converted into the right to receive the prorated cash merger consideration and the prorated stock merger consideration.

Proration If Too Many Shares of Chevron Common Stock Are Elected

If too few stockholders elect the all-cash consideration, Unocal stockholders making the all-stock election will not receive 1.03 shares of Chevron common stock for each share of Unocal common stock, but instead will receive a mix of stock and cash calculated in the following manner:

Step 1: Derive the available cash election amount: As stated above, the available cash election amount is the aggregate cash amount *minus* the amount of cash to be paid in respect of shares of Unocal common stock as to which a valid election for mixed merger consideration was made or is deemed to have been made.

Step 2: Derive the elected cash amount: As stated above, the elected cash amount is an amount equal to $69.00 *multiplied by* the number of shares of Unocal common stock as to which a valid all-cash election was made.

Step 3: Derive the excess cash amount: The excess cash amount is the difference between the available cash amount and the elected cash amount.

Step 4: Derive the prorated cash merger consideration: The prorated cash merger consideration is an amount in cash equal to the excess cash amount *divided by* the number of shares of Unocal common stock as to which a valid all-stock election was made.

Table of Contents

Step 5: Derive the stock proration factor: The stock proration factor is a fraction the numerator of which is equal to $69.00 *minus* the per share prorated cash consideration calculated in Step 4 and the denominator of which is $69.00.

Step 6: Derive the prorated stock merger consideration: The prorated stock merger consideration is a number of shares of Chevron common stock equal to 1.03 *multiplied by* the stock proration factor.

Step 7: Determine the stock and cash mix: Each share of Unocal common stock as to which a valid all-stock election was made will be converted into the right to receive the prorated cash merger consideration and the prorated stock merger consideration.

Dissenting Shares

Under the amended merger agreement, any stockholder that has properly complied with the appraisal rights provisions contained in Section 262 of the Delaware General Corporation Law as of the election deadline but subsequently withdraws the demand for appraisal (or otherwise forfeits its appraisal rights) will receive the mixed merger consideration (or the all-stock consideration, if necessary to preserve the intended tax treatment of the merger). See The Merger Appraisal Rights beginning on page 37 of the June 29 proxy statement/ prospectus for more information.

Table of Contents

COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

Set forth below are the Chevron and Unocal historical and pro forma amounts per share of common stock for income from continuing operations, cash dividends and book value. The exchange ratio for the pro forma computations is 0.618 of a share of Chevron common stock for each share of Unocal common stock. The basic consideration for the transaction is 0.618 of a share of Chevron common stock and $27.60 in cash for each share of Unocal common stock outstanding immediately prior to completion of the merger.

You should read the information below together with the historical financial statements and related notes contained in the Chevron and Unocal Annual Reports on Form 10-K for the year ended December 31, 2004, and other information filed with the SEC and incorporated by reference. See Additional Information for Stockholders Where You Can Find More Information on page S-33 of this supplement.

The unaudited pro forma combined data below is for illustrative purposes only. The pro forma adjustments for the balance sheet are based on the assumption that the transaction was consummated on March 31, 2005. The pro forma adjustments for the income statements are based on the assumption that the transaction was consummated on January 1, 2004.

The financial results may have been different had the companies always been combined. You should not rely on this information as being indicative of the historical results that would have been achieved had the companies always been combined or of the future results of the combined company. See Notes Concerning the Preliminary Estimate of the Deemed Purchase Price for Unocal on the following page for a discussion of the pro forma financial data used in the comparative per-share amounts in the table below.

		Three Months Ended March 31, 2005(1)	Year Ended December 31, 2004(1)
Chevron historical(2)			
Income from continuing operations	basic	$ 1.28	$ 6.16
Income from continuing operations	diluted	1.28	6.14
Cash dividends		0.40	1.53
Book value at end of period		22.21	21.47
Chevron pro forma combined(2)			
Income from continuing operations	basic	1.37	6.17
Income from continuing operations	diluted	1.36	6.13
Cash dividends(3)		0.40	1.53
Book value at end of period		25.94	N/A(4)
Unocal historical			
Income from continuing operations	basic	1.66	4.36
Income from continuing operations	diluted	1.64	4.25
Cash dividends		0.20	0.80
Book value at end of period		21.64	19.82
Unocal pro forma (equivalent)(5)			
Income from continuing operations	basic	0.85	3.81
Income from continuing operations	diluted	0.84	3.79
Cash dividends		0.25	0.95
Book value at end of period		16.03	N/A(4)

(1)

No adjustments have been made for events occurring after the period for which data are presented. On July 8, 2005, Unocal entered into an agreement with Pogo Producing Company to sell all of the outstanding capital stock

Table of Contents

in Unocal s wholly owned Canadian subsidiary, Northrock Resources Ltd., to Pogo for $1.8 billion in cash. See Recent Developments on page S-13 of this supplement for additional information.

(2) Both periods reflect a two-for-one stock split effected as a 100 percent stock dividend in September 2004.

(3) Same as Chevron historical since no change in dividend policy is expected as a result of the merger. In April 2005, Chevron increased its quarterly dividend to $0.45 per share.

(4) Book value is presented on a pro forma basis only for the most recent balance sheet date, March 31, 2005.

(5) Derived using per-share amounts for Chevron pro forma combined times the exchange ratio of 0.618 Chevron common shares for each Unocal common share. This computation does not include the benefit to the Unocal stockholder of the cash component of the transaction.

Notes Concerning the Preliminary Estimate of the Deemed Purchase Price for Unocal

The preliminary estimate of the deemed purchase price for Unocal is $17.284 billion, composed of the following:

		(Millions of dollars)
Cash (272,295,814 Unocal shares times $27.60 per share)	$	7,515
Chevron stock 272,295,814 Unocal shares times 0.618 shares times $56.92 per Chevron share		9,579
(Weighted-average price of Chevron stock for a five-day period beginning two days before the date of announcement of amendment to merger agreement)		
Unocal stock options estimated fair value that will fully vest at the date of close		168
Transaction costs estimated direct fees		22
Total	$	17,284

This estimated purchase price does not represent a significant acquisition for Chevron under the significance tests of the SEC for business combinations. That is, each of the following tests computes to a measure less than 20 percent:

Purchase price as a percentage of total assets of Chevron at December 31, 2004.

Unocal assets as a percentage of Chevron assets at December 31, 2004.

Unocal before-tax income from continuing operations for the year ending December 31, 2004, as a percentage of Chevron before-tax income from continuing operations for the same period.

The pro forma per-share data on the previous page were based on a preliminary allocation of the $17.284 billion purchase price to the estimated fair values of the Unocal assets and liabilities at March 31, 2005. An independent appraisal firm was engaged to provide estimates of the fair values of tangible and intangible assets. These and other preliminary estimates will change as additional information becomes available and is assessed by Chevron and the valuation firm.

The $17.284 billion purchase price was allocated as follows:

	(Millions of dollars)
Carryover basis of Unocal net assets	$ 5,878

Net increase in assets to estimated fair value:			
Upstream	Proved properties	3,938	
Upstream	Unproved properties	5,888	
Midstream and other assets		1,459	11,285
Net increase in liabilities to fair value, including $4,305 million of deferred income taxes			(4,909)
Goodwill			5,030
Total			$ 17,284

Table of Contents

Chevron deems the $5.0 billion of goodwill to represent benefits of the acquisition that are additional to the fair values of the individual assets and liabilities acquired. Chevron believes the going-concern element of the Unocal businesses presents the opportunity to earn a higher rate of return on the assembled collection of net assets than would be expected if those assets were acquired separately. These benefits include growth opportunities in upstream Asia-Pacific, Gulf of Mexico and Caspian regions, some of which contain Unocal operations that are complementary to those of Chevron. Chevron also expects to achieve cost savings through the elimination of duplicate activities, high-grading of the asset portfolio and sharing of best practices in the operations of each company.

Not included in the initial purchase price allocation was an expected liability for the combined company s restructuring activities following the date of close, including severance costs associated with a workforce reduction for redundant operations. As plans for these restructuring activities become finalized, the associated liability will be among the final adjustments to the purchase price allocation.

The effects of the purchase accounting estimates discussed above on the pro forma income from continuing operations and reflected in the per-share amounts on page S-11 of this supplement were not significant. The largest of the pro forma adjustments related to depreciation, depletion and amortization expense for the increase in properties to their fair values. These net pro forma adjustments were approximately 1% of the historical amounts for the combined Unocal and Chevron income from continuing operations for both the year ended December 31, 2004, and the three months ended March 31, 2005.

Table of Contents

COMPARATIVE MARKET VALUE OF SECURITIES

The following table sets forth the closing price per share of Chevron common stock and the closing price per share of Unocal common stock on April 1, 2005 (the last business day preceding the public announcement of the merger agreement), July 19, 2005 (the last business day preceding the public announcement of the amended merger agreement) and July 21, 2005 (the most recent practicable trading date). The table also presents the equivalent market value per share of Unocal common stock using the terms of the original merger agreement for April 1, 2005, and using the terms of the revised merger agreement for July 19 and July 21, 2005:

- for a mixed election, by multiplying the closing price per share of Chevron common stock on April 1, 2005 by the original mixed election exchange ratio of 0.7725 and adding $16.25 and on each of July 19 and July 21, 2005 by the mixed election exchange ratio of 0.618 and adding $27.60; and

- for an all-stock election, by multiplying the closing price per share of Chevron common stock on each of the dates by the all-stock election exchange ratio of 1.03, assuming no proration.

You are urged to obtain current market quotations for shares of Chevron common stock and Unocal common stock before making a decision with respect to the merger.

No assurance can be given as to the market prices of Chevron common stock or Unocal common stock at the closing of the merger. Because the exchange ratio will not be adjusted for changes in the market price of Chevron common stock, the market value of the shares of Chevron common stock that holders of Unocal common stock will receive at the effective time of the merger may vary significantly from the market value of the shares of Chevron common stock that holders of Unocal common stock would have received if the merger were consummated on the date of the merger agreement or on the date of this supplement.

	Closing Price per Share		
	April 1, 2005	**July 19, 2005**	**July 21, 2005**
Chevron Common Stock	$ 59.31	$ 57.30	$ 56.97
Unocal Common Stock	$ 64.35	$ 64.99	$ 64.90
Unocal Mixed Election Equivalent	$ 62.07[1]	$ 63.01	$ 62.81
Unocal Stock Election Equivalent (assuming no proration)	$ 61.09	$ 59.02	$ 58.68
Unocal Cash Election (assuming no proration)	$ 65.00[1]	$ 69.00	$ 69.00

(1) Applying the terms of the amended merger agreement to April 1, 2005, stock prices for Chevron and Unocal, the Unocal Mixed Election Equivalent would have an equivalent market value per share of $64.25 and the Unocal Cash Election would have a value per share of $69.00.

Table of Contents

HISTORICAL MARKET PRICE AND DIVIDEND DATA

The following table sets forth the high and low intraday trading price per share of Chevron and Unocal common stock, as adjusted for all stock splits and as reported on the New York Stock Exchange, for the periods indicated:

	Chevron(1)			Unocal		
For the quarterly period ended:	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
2002						
March 31, 2002	$ 45.80	$ 40.40	$ 0.35	$ 39.24	$ 33.09	$ 0.20
June 30, 2002	$ 45.52	$ 41.78	$ 0.35	$ 39.70	$ 35.25	$ 0.20
September 30, 2002	$ 44.47	$ 32.82	$ 0.35	$ 36.92	$ 29.14	$ 0.20
December 31, 2002	$ 37.72	$ 32.70	$ 0.35	$ 32.40	$ 26.58	$ 0.20
2003						
March 31, 2003	$ 35.20	$ 30.65	$ 0.35	$ 31.76	$ 24.97	$ 0.20
June 30, 2003	$ 38.11	$ 31.06	$ 0.35	$ 31.38	$ 26.14	$ 0.20
September 30, 2003	$ 37.28	$ 35.02	$ 0.36	$ 32.45	$ 27.79	$ 0.20
December 31, 2003	$ 43.49	$ 35.57	$ 0.37	$ 37.08	$ 30.72	$ 0.20
2004						
March 31, 2004	$ 45.71	$ 41.99	$ 0.36	$ 39.40	$ 35.12	$ 0.20
June 30, 2004	$ 47.50	$ 43.95	$ 0.37	$ 39.70	$ 34.18	$ 0.20
September 30, 2004	$ 54.49	$ 46.21	$ 0.40	$ 43.50	$ 34.65	$ 0.20
December 31, 2004	$ 56.07	$ 50.99	$ 0.40	$ 46.50	$ 40.56	$ 0.20
2005						
March 31, 2005	$ 63.15	$ 50.40	$ 0.40	$ 63.98	$ 41.06	$ 0.20
June 30, 2005	$ 59.48	$ 49.81	$ 0.45	$ 66.50	$ 53.44	$ 0.20
July 1 - July 21, 2005	$ 58.99	$ 56.11		$ 66.79	$ 64.05	

(1) Prices in all periods have been adjusted for two-for-one stock split effected as a 100 percent stock dividend in September 2004.

Table of Contents

RECENT DEVELOPMENTS

Regulatory Approvals

On June 10, 2005, the U.S. Federal Trade Commission accepted for public comment a proposed agreement and consent order to resolve the only competitive issue identified by the FTC in its review of the proposed merger between Unocal and Chevron. Under the terms of the agreement, upon the consummation of the merger, Chevron and Unocal will take steps to cease enforcing Unocal s patents for reformulated gasoline. Acceptance of the agreement terminated the HSR waiting period. The agreement was placed on the public record for a 30-day public comment period, which expired on July 9, 2005.

Sale of Northrock Resources

On July 8, 2005, Unocal entered into an agreement with Pogo Producing Company to sell all of the outstanding capital stock in Unocal s wholly owned Canadian subsidiary, Northrock Resources Ltd., to Pogo for $1.8 billion in cash. Unocal expects to realize after-tax proceeds from the sale of approximately $1.5 billion.

Northrock represents essentially all of Unocal s Canadian oil and gas reserves and production. Based on Unocal s recent financial reports, Canada accounted for less than 7 percent of Unocal s worldwide hydrocarbon reserves (year-end 2004) and production (quarter ended March 31, 2005). The Northrock transaction, which is subject to customary Canadian regulatory approvals, is expected to close in the third quarter of 2005.

Congressional Reaction to CNOOC Bid

On July 1, the House of Representatives passed House Resolution 3058 appropriating funds for the U.S. Department of the Treasury for fiscal year 2006, which also prohibited the use of those funds to recommend approval of the sale of Unocal to CNOOC Limited.

On July 13, Representative Pombo, Chairman of the House Committee on Resources, wrote to Representative Joe Barton, Chairman of the House Committee on Energy and Commerce, to propose an amendment to the Conference Report for the Energy Policy Act of 2005 that would require the Secretary of Energy to conduct a 180-day review of issues surrounding the energy policy of the People s Republic of China prior to the commencement of the review by the committee on Foreign Investment in the United States (CFIUS) of CNOOC s proposed acquisition of Unocal.

On July 20, Senator Charles Schumer of New York introduced an amendment to the Foreign Operations Appropriations bill (HR 3057), which passed the Senate by voice vote. The amendment would delay any U.S. governmental approval of any acquisition by a foreign government-owned entity of a U.S. company until 30 days after delivery of an assessment by the Secretary of State as to whether there are reciprocal laws allowing for similar transactions in that foreign country. Neither this amendment nor the House Resolution discussed above is subject to a corresponding provision in legislation passed by the other body of Congress and thus enactment of such provisions into law would require adoption by the other body of Congress, as to which there can be no assurance.

Stockholder Litigation

The section entitled Recent Developments in the proxy statement/prospectus dated June 29, 2005 described purported class actions brought on behalf of public stockholders of Unocal and filed in the Superior Court for the State of California, County of Los Angeles. Plaintiff s counsel has informed Unocal s counsel that plaintiffs intend to make a motion for an injunction that would, among other things, result in a delay or postponement of the scheduled August 10, 2005 shareholder vote. The court has scheduled a hearing with respect to such a motion for August 5, 2005.

Table of Contents

UPDATE TO BACKGROUND OF THE MERGER

The June 29 proxy statement/ prospectus describes the background of the merger up to and including that date. The discussion below supplements that description.

As disclosed in the June 29 proxy statement/ prospectus, on April 4, David O Reilly, chairman of the board and chief executive officer of Chevron, and Charles R. Williamson, chairman of the board and chief executive officer of Unocal, signed a merger agreement and shortly thereafter Unocal and Chevron announced the transaction to the public through a joint press release issued before the opening of trading. The merger transaction provided for the conversion of outstanding Unocal shares into (i) 0.7725 of a share of Chevron common stock and $16.25 in cash per Unocal share, (ii) Chevron common stock at an exchange ratio of 1.03 Chevron shares per Unocal share or (iii) $65 in cash per Unocal share, with the all-stock and all-cash elections subject to proration to preserve an overall per share mix of 0.7725 of a share of Chevron common stock and $16.25 in cash for all of the outstanding shares of Unocal common stock taken together.

On June 1, the chairman and chief executive officer of CNOOC Limited communicated by telephone to a senior executive of Unocal that CNOOC was continuing to consider an acquisition proposal for Unocal, and that CNOOC intended to present an offer to Unocal in the next few days. No further details were conveyed to Unocal with respect to the terms or timing of any potential offer. The Unocal executive did not respond to the CNOOC executive at that time, other than to affirm the existence of contractual limitations on Unocal s ability to discuss such matters with CNOOC. The same day, Unocal notified Chevron of the conversation.

On June 22, Mr. Fu Chengyu, chairman and chief executive officer of CNOOC, telephoned Mr. Williamson and told him that Unocal would be receiving a merger proposal from CNOOC to acquire all outstanding shares of Unocal for $67 per share in cash. Thereafter, CNOOC announced the merger proposal, and later that day provided documentation, which indicated that the acquisition would be financed through approximately $16 billion of debt and approximately $3 billion of available cash of CNOOC and Unocal.

CNOOC attached to its written proposal commitment letters from three financing sources. The largest of these financing commitments was from the China National Offshore Oil Corporation (referred to as CNOOC Parent), which is wholly owned by the government of the People s Republic of China and which, as of this date, owns approximately 70.6% of the issued share capital of CNOOC. CNOOC Parent agreed to finance up to $7 billion of the purchase price in the form of subordinated debt financing, $2.5 billion of which would be in the form of a 30-year interest-free loan and up to $4.5 billion of which would be in the form of a 30-year loan bearing interest at 3.5% per annum, although that interest would not be payable if CNOOC s credit rating dropped below a certain threshold. Any interest not paid because of such a drop in CNOOC s credit rating would not cumulate and would never be payable. This CNOOC Parent financing would not include events of default and the $2.5 billion interest-free loan would include no affirmative or negative covenants. CNOOC Parent could require CNOOC to prepay the principal amount of the $4.5 billion loan no earlier than the fifth anniversary of the funding date and in any event only if CNOOC s credit rating after such prepayment would remain at or above BBB. The $2.5 billion interest-free loan would be prepayable at par out of the net cash proceeds of any equity offering by CNOOC, and CNOOC would be obligated to raise sufficient cash proceeds to repay such loan within two years after funding, with CNOOC Parent agreeing to purchase its proportionate share of such an offering under certain circumstances. Industrial and Commercial Bank of China, which is also wholly owned by the government of the People s Republic of China, committed to lend $6 billion in the form of a 364-day bridge loan facility bearing interest at LIBOR plus 50 basis points. Goldman Sachs Credit Partners L.P. and JP Morgan Chase Bank, N.A. also committed to provide, in the aggregate, $3 billion in the form of a 364-day bridge loan facility bearing interest at LIBOR plus 37.5 basis points and otherwise on substantially the same terms as the Industrial and Commercial Bank of China financing. Each financing commitment was subject to several conditions, including the completion of definitive documentation.

CNOOC also attached to its written proposal a draft merger agreement, which, according to CNOOC, reflected its view of the status of its negotiations with Unocal as of the morning of April 2,

Table of Contents

when Mr. Fu informed Mr. Williamson that CNOOC was not prepared to present a proposal to the Company s board. In its June 22 package, CNOOC also included a draft commitment by CNOOC Parent, in the form of a voting agreement, to vote in favor of a transaction with Unocal, in light of the fact that, under the rules of the Hong Kong Stock Exchange, CNOOC shareholder approval was a condition to CNOOC s completion of the transaction.

On that same day (but before receiving the additional documentation from CNOOC), the board of directors of Unocal met telephonically to discuss developments relating to the CNOOC proposal and the merger with Chevron. As a result of this meeting, Unocal announced that the board intended to evaluate the CNOOC proposal in a manner consistent with its fiduciary duties and Unocal s obligations under the merger agreement with Chevron and that the recommendation of its board of directors in favor of the merger with Chevron remained in effect. Unocal s advisors provided Chevron s advisors with copies of the relevant documentation received from CNOOC that day, in accordance with Unocal s obligations under the Chevron merger agreement, and discussed with Chevron s advisors the possibility for Unocal to engage in discussions with CNOOC immediately regarding CNOOC s proposal.

On June 23, Chevron granted Unocal a waiver under the merger agreement enabling Unocal, at any time prior to the date of the Unocal stockholder vote on the merger with Chevron, to negotiate with CNOOC and its representatives without the need for Unocal s board to make certain threshold determinations that otherwise would be required under the Chevron merger agreement. That same day, Unocal s advisors contacted CNOOC s advisors to commence negotiations relating to the CNOOC proposal. Unocal s management and advisors also continued to evaluate the threshold issues that remained to be addressed in the March and April negotiations with CNOOC, including issues relating to enforceability of any agreement with CNOOC and to CNOOC s likelihood of obtaining requisite regulatory approvals in the United States (including the approval of CFIUS) and Hong Kong (including any approvals required to be granted by the Hong Kong Stock Exchange).

On June 27, Mr. Williamson contacted Mr. Fu by telephone to discuss the anticipated process and timing for renewed negotiations and information exchange. Mr. Williamson expressed to Mr. Fu the board s intention to pursue the transaction that represented the greater stockholder value, based on the board s assessment of the consideration offered and the certainty of consummation. Mr. Williamson informed Mr. Fu that Unocal s board intended to act quickly to evaluate the CNOOC proposal, particularly in light of Unocal s contractual obligation to hold a stockholder vote on the Chevron merger promptly after finalizing Chevron s registration statement. Mr. Williamson also noted the need for the parties to work together to resolve quickly key threshold issues, including certainty of closing and enforceability of any agreement against CNOOC and CNOOC Parent.

Also on June 27, Mr. O Reilly sent to Mr. Williamson a memorandum detailing key issues raised by the CNOOC proposal that, in Chevron s view, mitigated the price differential between the two proposals. Mr. O Reilly requested that Mr. Williamson deliver the memorandum to the Unocal directors.

On June 28-30, representatives of Unocal s and CNOOC s management, as well as their respective advisors, held face-to-face meetings to discuss key issues relating to the CNOOC proposal. At the initial June 28 meeting, Unocal s management and advisors echoed Mr. Williamson s statement to Mr. Fu on the previous day to the effect that Unocal s objective was to obtain the greatest possible stockholder value considering all relevant factors. Unocal s representatives also made clear to CNOOC that the purpose of the June 28 meeting was to gather information to assist the board in understanding the CNOOC proposal, including assessing any uncertainties relating to that proposal, and that, until progress could be made in understanding these issues, and clear guidance was obtained from Unocal s board, neither Unocal nor its advisors was yet in a position to negotiate financial terms.

On June 28, at the conclusion of the first day of meetings, the Unocal board held a telephonic meeting, at which Mr. Williamson, along with Unocal s senior management and advisors, provided an update to the board of developments since the previous meeting and, in particular, of the discussions with CNOOC held earlier that day, and reviewed the points raised in the Chevron memorandum. At the conclusion of the board meeting, the board instructed Unocal s senior management to continue negotiations with CNOOC, and specifically noted the need to address the major contractual risks relating

to the CNOOC proposal, including the enforceability of agreements with CNOOC, before discussing its economic terms. On June 29, Unocal management forwarded the Chevron memorandum to each director.

Beginning on June 29, and continuing through the following two weeks, representatives of CNOOC conducted additional due diligence on Unocal. In this process, Unocal provided additional non-public information to CNOOC and its representatives. This information was subject to the existing confidentiality agreement between Unocal and CNOOC, and, to the extent not previously provided to Chevron, was provided to Chevron promptly after being made available to CNOOC, as required by the Chevron merger agreement.

At the June 29-30 meetings, Unocal s management expressed the need to address contractually certain fundamental matters that, based on Unocal s prior evaluation of proposals from CNOOC and its evaluation of the most recent CNOOC proposal, would be of particular concern to Unocal s board and consequently required resolution before discussing the economic terms of CNOOC s proposal. These matters included questions as to the enforceability of the proposed agreements against CNOOC (a Hong Kong entity) and CNOOC Parent (a company organized under the laws of the People s Republic of China and owned by that country s government); matters relating to U.S. regulatory review, particularly CFIUS approval (including the anticipated timing and likelihood of obtaining regulatory clearances); commitments relating to divestitures of non-U.S. assets if necessary to obtain required consents for the transaction; the impact on the proposed transaction of any future changes in Chinese or Hong Kong law; and Unocal s request that CNOOC assume responsibility for Unocal s obligation to pay termination fees of up to $500 million to Chevron were Chevron to terminate the Chevron merger agreement for reasons attributable to the proposed CNOOC transaction or to the inability to obtain the approval of Unocal s stockholders for the Chevron merger. As a result of these meetings, Unocal and CNOOC in principle agreed to the creation by CNOOC of an escrow of $2.5 billion to be held in the United States by a U.S. bank, which amount would be available to satisfy claims brought by Unocal resulting from CNOOC s failure to close due to breach by CNOOC of the merger agreement; and the payment by CNOOC directly of any termination fees payable by Unocal to Chevron under the Chevron merger agreement.

On June 29, Unocal s legal advisors sent a draft merger agreement to CNOOC s legal advisors, and the parties commenced negotiations relating to the documentation of CNOOC s proposal and the items referred to in the previous paragraph. During the following weeks, the parties continued negotiations relating to the documents, with a view to substantially completing all documentation prior to the next Unocal board meeting, which had been scheduled for July 14. During this time, Unocal also continued to consult with outside advisors on matters relating to regulatory approvals in the United States and Hong Kong (including the requirements and potential timing of such approvals), the features of a satisfactory escrow arrangement and issues relating to enforceability. Also during this time, senior management of Unocal kept Chevron representatives apprised of developments of negotiations, as required under the terms of the Chevron merger agreement.

On July 1, CNOOC filed a notice with CFIUS requesting initiation of CFIUS s review process relating to a potential transaction between CNOOC and Unocal.

On July 8, Mr. Williamson discussed with Mr. O Reilly by telephone the status of Unocal s negotiations with CNOOC. Mr. Williamson noted to Mr. O Reilly that the discussions with CNOOC had advanced significantly during the previous weeks. On July 11, pursuant to Unocal s obligations under the Chevron merger agreement, Unocal s management provided to Chevron a summary of the material terms of the then-current draft merger agreement with CNOOC.

On July 11-13, Unocal and its advisors continued discussions with Chevron and CNOOC and their respective advisors with a view to seeking improvements in the terms of each party s proposed transaction prior to the July 14 Unocal board meeting. In connection with those discussions, Unocal s advisors conveyed to CNOOC s advisors their expectation that the Unocal board would be willing to accept the considerably greater degree of transaction risk associated with the CNOOC proposal, as compared with the Chevron transaction, if the board were presented with a CNOOC proposal at a price that could be viewed as sufficient to compensate Unocal s stockholders for the additional risks. Also during this time, Messrs. Williamson and O Reilly spoke on two occasions. In those conversations, Mr. Williamson informed

Table of Contents

Mr. O Reilly that discussions with CNOOC had progressed significantly. Mr. Williamson also stated to Mr. O Reilly that he had spoken with several Unocal board members individually and informed Mr. O Reilly that the directors with whom Mr. Williamson had spoken viewed the value differential between the Chevron transaction and the CNOOC bid, in light of the status of negotiations between Unocal and CNOOC during the prior weeks, as potentially too significant to warrant continued board support of a Chevron transaction. Mr. Williamson also expressed to Mr. O Reilly his concern that, at its current value, the Chevron proposal might not be approved by Unocal s stockholders. Mr. O Reilly noted his desire to present fully his position to Unocal s board and, in that connection, presented to Mr. Williamson a second memorandum from Chevron, which was prepared based on the summary that Unocal had provided to Chevron and which detailed Chevron s position as to the uncertainties surrounding the CNOOC proposal and the superiority of the Chevron transaction. At that time, Mr. O Reilly also offered to make himself available to Unocal board members to discuss the Chevron transaction. Messrs. Williamson and O Reilly also discussed the process for communications between the parties subsequent to the July 14 board meeting, and Mr. Williamson told Mr. O Reilly that, after receiving guidance from the board at the upcoming meeting, he would call both Mr. O Reilly and Mr. Fu to discuss next steps.

On July 13, it was reported that CFIUS would not commence its review of the CNOOC transaction unless and until Unocal and CNOOC were to reach a definitive agreement. On that same day, the House of Representatives held hearings to address whether there were national security concerns raised by the proposed transaction.

On July 14, the Unocal board met and was briefed on the status of negotiations with CNOOC and recent discussions with Chevron. The board also discussed with its outside legal and financial advisors the principal material risks, including risks relating to regulatory timing and certainty of closing, associated with the CNOOC proposal on the terms that had been negotiated. After discussing the material terms of the contractual arrangements relating to the CNOOC proposal, as well as the matters raised in the memorandum that Mr. O Reilly had delivered to Mr. Williamson (a copy of which had been distributed to directors prior to the meeting), the board authorized Mr. Williamson to contact Messrs. Fu and O Reilly to seek an improved proposal from each so that the board would be in a position to fully evaluate the CNOOC proposal (including whether to change or withdraw its recommendation of the Chevron transaction) at a telephonic meeting on July 17. The consensus of the board at that meeting was that, in light of the current value differential between the Chevron merger agreement and the CNOOC proposal and assuming that neither Chevron nor CNOOC improved the financial terms of its proposed transaction, the board s inclination would be to withdraw its recommendation of the Chevron transaction. The board also expressed the view that, in light of the CNOOC proposal and assuming no improvement in the financial terms of the Chevron merger, it was unlikely that Unocal s stockholders would approve the Chevron merger at the special meeting of stockholders. After the board meeting, Mr. Williamson called Mr. Fu to advise him of the outcome of the board meeting, including the board s views concerning the risks attendant to a potential CNOOC transaction and his expectation that the Unocal board would be willing to accept those risks if CNOOC were to offer a price sufficient, in the board s view, to compensate Unocal s stockholders for the additional risk. Mr. Williamson thus emphasized to Mr. Fu that CNOOC should offer a higher per share transaction price. Mr. Fu informed Mr. Williamson that he would consider the matters discussed, and that he would call Mr. Williamson on July 16.

On July 15, Mr. Williamson called Mr. O Reilly and advised him of the board s discussions and of the likelihood that, unless Chevron improved the financial terms of its merger, the board would be inclined to change its recommendation and deliver a notice to Chevron to that effect, pursuant to the terms of the Chevron merger agreement. After Messrs. Williamson and O Reilly spoke, members of Unocal s and Chevron s senior management, and their respective advisors, discussed the status of Unocal s negotiations with CNOOC and agreed that Mr. Williamson would contact Mr. O Reilly before Unocal intended to deliver any formal notice of an intended change of recommendation. On that day, in accordance with Unocal s obligations under the Chevron merger agreement, Unocal s legal advisors sent to Chevron s advisors the then-current draft of the merger agreement with CNOOC, and in the following

Table of Contents

days provided to Chevron s advisors copies of agreements relating to the escrow and voting arrangements with CNOOC Parent.

Also on July 15, CNOOC s advisors informed Unocal that CNOOC had transferred to its accounts in the United States $2.5 billion of the funds that would be escrowed pursuant to the contractual arrangements that Unocal and CNOOC had negotiated, and that such funds were available to be deposited in escrow. CNOOC s advisors informed Unocal that the remaining $500 million would be available to be deposited into escrow by July 18. That same day, Mr. Williamson contacted Mr. Fu and again requested that CNOOC increase its price. Mr. Williamson also observed to Mr. Fu that a sufficiently large increase in the proposed consideration could likely result in a conclusion of the process, and he urged Mr. Fu to make his best offer.

On July 16, Mr. Fu called Mr. Williamson and informed him that, although CNOOC s board had authorized an increase in the CNOOC proposal to $69 per share in cash, CNOOC was not prepared to raise the proposed per share consideration beyond $67 per share. Mr. Fu discussed with Mr. Williamson the possibility of raising the proposed price to $69 but noted that, in such event, CNOOC would require Unocal to pay the termination fees due to Chevron under the Chevron merger agreement and in addition would require specific actions to be taken by Unocal in support of a CNOOC transaction, prior to the termination of the Chevron merger agreement, including with respect to efforts to influence the U.S. Congress. Mr. Williamson noted to Mr. Fu that Unocal s contractual obligations pursuant to the Chevron merger agreement would prevent such actions by Unocal, and he expressed dissatisfaction that Mr. Fu sought to reopen negotiations with respect to the previously-agreed treatment of the Chevron termination fee.

On July 17, the board met telephonically and was briefed by Mr. Williamson on his conversations with both Messrs. O Reilly and Fu. Unocal s senior management and advisors also updated the board on the status of the agreements with CNOOC. After discussion, the board authorized Mr. Williamson to speak with Mr. O Reilly to notify him of the status of the CNOOC discussions and the likelihood that, absent an improvement in the terms of the Chevron merger, the board would be inclined to change its recommendation, and to ask Mr. O Reilly to present any revised proposal that Chevron wished to make by midday, Pacific time, on July 19, the date set for the next Unocal board meeting. Following the board meeting, Mr. Williamson called Mr. O Reilly and conveyed that information and request.

Messrs. Williamson and O Reilly spoke on July 18, at which time Mr. O Reilly updated Mr. Williamson on his discussions with members of Chevron s board.

By July 17, Unocal s and CNOOC s advisors had substantially completed negotiation of the key documentation relating to the potential CNOOC transaction. The principal draft agreements that resulted from these negotiations a merger agreement, an escrow agreement for the $2.5 billion escrow and a voting agreement that would be executed by CNOOC Parent are attached to this supplement as Annexes C, D and E, respectively.

On July 19, Mr. O Reilly called Mr. Williamson and delivered a revised proposal. The consideration proposed consisted of an all-cash election at $69 per Unocal share, an all-stock election at 1.03 shares of Chevron common stock per Unocal share (with this election and the all-cash election subject to proration) and a mixed election of $27.60 in cash and 0.618 of a share of Chevron common stock per Unocal share. Mr. O Reilly noted that this proposal had been fully authorized by the Chevron board and had been designed to be, and, in his judgment, was, superior to a CNOOC bid of $69 per share, assuming CNOOC were to raise its bid to that level, as public reports intimated. Mr. O Reilly also noted that this proposal was subject to a confidentiality obligation, and specifically, that it was conditioned upon Unocal s execution of an amendment to the Chevron merger agreement reflecting the revised proposal and the issuance of a press release before the opening of trading the following morning, reaffirming Unocal s recommendation of the transaction with Chevron. Mr. O Reilly noted that Chevron s proposal was also conditioned on a commitment by Unocal not to contact, or disclose the terms of the proposed amendment to, CNOOC prior to such announcement.

Table of Contents

That evening, the Unocal board met and considered the amendment to the Chevron merger agreement. After a discussion, including reports from senior management and advisors, the board approved the amendment to the merger agreement with Chevron. The board was informed that, at the close of business on July 19, based on the trading price of Chevron shares on the New York Stock Exchange, the amended Chevron transaction had a blended value of approximately $63.01 per Unocal share, and that all other material terms of the Chevron merger agreement would continue in force following approval by the board, including Unocal s ability to continue to engage in negotiations with CNOOC. Unocal s board unanimously authorized management to negotiate and execute an amendment to the merger agreement on the terms discussed. The amendment to the merger agreement was executed as of July 19, and the transaction was announced to the public through a joint press release issued that evening.

Table of Contents

UNOCAL S REASONS FOR THE MERGER; RECOMMENDATION OF UNOCAL S BOARD OF DIRECTORS

The Unocal board of directors, at a special meeting held on July 19, 2005, determined that the Chevron merger and the merger agreement, as amended, are advisable, fair to and in the best interests of Unocal and its stockholders and approved the amendment to the Chevron merger agreement. **Accordingly, the Unocal board unanimously recommends that you vote FOR approval and adoption of the merger and the merger agreement, as amended, at the special meeting and any adjournment of the special meeting.**

In reaching its decision to reaffirm its recommendation that Unocal stockholders vote to approve the Chevron merger agreement, the board re-examined and reconsidered the matters described in The Merger Unocal s Reasons for the Merger; Recommendation of Unocal s Board of Directors beginning on page 31 of the June 29 proxy statement/ prospectus. In addition, the board considered the following material factors in the course of its meetings since CNOOC made its June 22, 2005 proposal:

the board s belief, supported by the views and information provided by Unocal s management and financial advisor, that the value of the consideration payable by Chevron pursuant to the amended merger agreement represented a premium to Unocal s unaffected stock price;

the review by the board with Unocal s legal and financial advisors of the blend of cash and stock consideration payable by Chevron under the amended merger agreement. In that regard, the board noted the fact that the revised consideration to be paid by Chevron consisted of 70% more cash and 20% less stock than the blended consideration payable under the April 4 agreement, and that this would reduce stockholders exposure to market volatility while continuing to provide stockholders an opportunity to retain an investment in the post-merger combined company, which the board continued to believe would be a highly competitive industry participant. The board also noted that its financial advisor, Morgan Stanley had observed that Chevron s stock may have been undervalued because of market pressures on its shares due to the uncertainties of the competitive bidding situation for Unocal;

advice that Unocal s financial advisor, Morgan Stanley, would be able to render to the board an opinion with respect to the fairness, from a financial point of view, of the consideration to be received by holders of Unocal common stock pursuant to the amended merger agreement, which opinion has since been requested and received by the board of directors of Unocal and states that, as of the date of that opinion, and based upon and subject to the qualifications, assumptions and limitations in the opinion, the consideration to be received by holders of Unocal s common stock pursuant to the amended merger agreement was fair from a financial point of view to those stockholders (see Opinion of Unocal s Financial Advisor beginning on page S-23 of this supplement and the copy of the opinion attached to this supplement as Annex B);

the anticipated timing for the consummation of the Chevron transaction as compared to the CNOOC proposal; in that regard, the board noted the fact that Unocal and Chevron had obtained all requisite regulatory clearances in connection with a Chevron merger and would be in a position to consummate the merger promptly following the adoption of the merger by Unocal s stockholders, which could occur on August 10, 2005;

the board s conclusion that, although it would be willing to accept the additional risks and complexities presented by a CNOOC transaction if the price offered were sufficient, in its view, to compensate Unocal s stockholders for such additional risks, it did not consider the CNOOC proposal, on the terms negotiated, to offer Unocal s stockholders sufficient compensation for assuming those risks. For that reason, the board did not consider the CNOOC proposal to be superior to the amended Chevron agreement. In that regard, the board noted the following concerns:

U.S. Regulatory Matters. The board, with the assistance of outside advisors, has monitored and taken note of developments in this area, including proposed legislation that would prevent the proposed CNOOC merger, as

well as other proposed legislation that, if adopted, could impose estimated delays of perhaps six to nine months on obtaining required approvals. The board also

Table of Contents

discussed Unocal s receipt in late June of a letter from the Attorneys General of four states in which Unocal has significant environmental obligations and financial security arrangements, expressing concerns regarding CNOOC s willingness to cause Unocal to honor certain environmental and employee pension obligations post-merger, and the implications of a review by any such state agency in terms of timing for completion of a CNOOC transaction; and

Hong Kong Regulatory Matters. The board, with the assistance of outside advisors, has monitored and taken note of developments in this area, including approvals by the Hong Kong Stock Exchange permitting CNOOC Parent to vote shares sufficient to ensure that shareholder approval of a merger with Unocal would be obtained. The board has also noted the considerable regulatory delays that may result due to the content requirements for the solicitation statement to be cleared with the Hong Kong Stock Exchange and sent to CNOOC s shareholders, notwithstanding the apparent willingness of the Hong Kong Stock Exchange to grant dispensations with respect to certain of its disclosure requirements.

Mechanisms and Limitations Relating to Unocal s and Stockholders Recovery Against CNOOC. The board noted that CNOOC had no assets in the United States, and that courts in Hong Kong (where CNOOC is organized) and the People s Republic of China (where the vast majority of its assets are located) are not subject to any treaty or convention obligating them to recognize the judgments rendered by courts in the United States, including the Delaware Court of Chancery (or, if jurisdiction was not achievable in that court, the United States District Court in Delaware), which CNOOC and Unocal sought to make the exclusive jurisdiction for any disputes relating to a CNOOC merger agreement. Accordingly, CNOOC agreed to establish an escrow of $2.5 billion, in the form of cash and/or letters of credit for the benefit of the escrow agent, JPMorgan Chase Bank (which would also serve as a lender in CNOOC s financing, and an affiliated entity of which is serving as financial advisor to CNOOC). A copy of the draft escrow agreement in the form negotiated by the parties is attached to this supplement as Annex D. The escrowed amount would be available in the event of a final non-appealable judgment finding a breach of the merger agreement by CNOOC (or the voting agreement by CNOOC Parent) as a result of which the merger with CNOOC is not consummated. The board noted, however, that:

a failure to consummate the CNOOC transaction due to regulatory impediments, such as CFIUS or any new legislation that the U.S. Congress may enact, would not constitute a breach by CNOOC of the merger agreement. Consequently, in that event neither Unocal nor its stockholders would be able to recover any amounts from the escrow (although the draft merger agreement would provide for CNOOC to pay the termination fees of up to $500 million due to Chevron under the Chevron merger agreement);

the draft CNOOC merger agreement, which is attached to this supplement as Annex C, would provide for Unocal to recover damages due to a breach by CNOOC for the benefit of the entity, Unocal, and also for the benefit of Unocal s stockholders, in the event that specific performance is not required or, if required, such decree is not complied with. The operation of these provisions is complex and untested and could result in lengthy litigation delays before any recovery would actually be received; and

any recovery of damages by Unocal might be subject to tax, which could reduce significantly the amount of money damages available to Unocal and/or its stockholders.

For these reasons, the board recognized that the amount of the escrow may prove to be insufficient to compensate Unocal and its stockholders for any damages that may be suffered as a result of a breach by CNOOC and may also prove to be an insufficient disincentive to CNOOC to refrain from breach. The board noted that, as a result of this limitation, Unocal (or a stockholder plaintiff) may be required to pursue recovery in foreign courts, particularly in the People s Republic of China or Hong Kong. In that regard, the board recognized the potential difficulties of enforcing U.S. court judgments in foreign tribunals.

Table of Contents

CNOOC s Divestiture Commitments. The board considered the fact that the draft CNOOC merger agreement provides that CNOOC would make such divestitures of U.S. assets as would be necessary to obtain CFIUS approval, so long as it is granted a reasonable time period to conduct an orderly sale process and, in the case of oil and gas properties, CNOOC retains the ability to control any sale or divestiture. The board noted, however, that CNOOC s commitment to divest or take other actions with respect to assets or operations located in a number of foreign jurisdictions is limited to actions where the loss of value to Unocal would not be more than immaterial in relation to the value of Unocal s assets or operations within the particular country at issue (although the board also noted that, as a practical matter, Unocal did not expect to confront difficulties in these countries);

Payment of Chevron Termination Fees. The board noted that, pursuant to the Chevron merger agreement, if the board changed its recommendation of the Chevron merger, that merger were not to be consummated and thereafter Unocal entered into a transaction with CNOOC, Unocal would be contractually obligated to pay Chevron termination fees of $500 million. In that regard, the board noted CNOOC s stated willingness, in connection with its proposal to acquire Unocal at $67 per share, to pay such termination fees directly to Chevron on Unocal s behalf upon the signing of a definitive merger agreement between CNOOC and Unocal. The board also noted that in subsequent discussions, CNOOC proposed that, if it were to raise its proposed consideration to $69 per share, CNOOC would not expect to pay these fees on Unocal s behalf. Under the terms of the draft agreements negotiated with CNOOC, absent a breach of the merger agreement by CNOOC, the payment of such fees to Chevron would be the only costs, other than customary transaction expenses, that CNOOC would bear if the CNOOC transaction would fail to be consummated as a result of U.S. regulatory matters, including CFIUS or any new legislation that the U.S. Congress may enact;

the board s concern that the materially longer time frame required to complete a transaction with CNOOC enhances the risk (which to some extent is inherent in most transactions) that external developments or adverse occurrences in Unocal s business could arise and result in the failure to consummate the transaction. These possibilities are of particular concern to the board because of the fact that Unocal has been operating in a potential change of control environment since January, and the attendant uncertainties and potential material prolonging of that environment impose difficulties in retaining and motivating employees;

the views and presentations of Unocal s senior management regarding the success of the integration planning process, in terms of business strategies, operations and personnel, that had been conducted by Unocal and Chevron since the announcement of the April 4 agreement;

the expectation that the Chevron merger would continue to qualify as a reorganization for U.S. federal income tax purposes; and

the board s conclusion, after discussions with Unocal s senior management and advisors, that, considering all relevant terms (including financial terms, timing and attendant risks) of the proposal presented to Unocal by CNOOC and the Chevron transaction as set forth in the amended merger agreement, the Chevron transaction is more favorable to Unocal and its stockholders than the CNOOC proposal.

The Unocal board of directors also considered, in the course of its meetings over the month since CNOOC made its proposal, potential risks associated with the Chevron merger, including the risks considered at its April 3 meeting and discussed in the June 29 proxy statement/ prospectus, as well as the following risks:

the fact that the consideration offered by CNOOC was nominally higher in value than the current value of the consideration payable by Chevron pursuant to the amended merger agreement. In that regard, the board evaluated countervailing factors that, in its view, mitigate such price differential (including the likely timing of consummation of the CNOOC transaction and the risks identified above);

Table of Contents

the risk that, if Unocal does not change its recommendation and stockholder approval for the Chevron merger is not obtained, CNOOC may choose to withdraw or adversely modify the price that it is currently proposing or the contractual terms that the parties have negotiated;

the risk that, if Unocal does not change its recommendation and stockholder approval for the Chevron merger is not obtained, Unocal may be unable to negotiate a definitive agreement with CNOOC, and Unocal would be obligated to pay Chevron a termination fee of $250 million for termination of the Chevron merger agreement and an additional $250 million if Unocal enters into a definitive agreement for the acquisition of Unocal or consummates such a transaction within 12 months of termination; and

the fact that Unocal and CNOOC had negotiated contractual provisions that lessened a number of the risks presented by the CNOOC offer. The board considered in particular the escrow arrangements to which CNOOC had agreed, CNOOC s commitment to divest assets to the extent necessary to obtain CFIUS approval and CNOOC s proposed agreement to pay the $500 million in breakup fees that Unocal may be obligated to pay to Chevron.

In view of the variety of factors and the quality and amount of information considered as well as the complexity of these matters, the board did not find it practicable to, and did not attempt to, make specific assessments of, quantify, rank or otherwise assign relative weights to the specific factors considered in reaching its determination. The Unocal board conducted an overall analysis of the factors described above and in the June 29 proxy statement/ prospectus, including thorough discussion with, and questioning of, Unocal management and Unocal s advisors, and generally considered the factors overall to be favorable to, and to support, its determination.

CHEVRON S REASONS FOR MERGER

Chevron s board of directors believes that a merger with Unocal, as amended, represents good value for Chevron s stockholders. Specifically, the merger provides Chevron the opportunity:

to acquire a portfolio of high quality upstream exploration and production assets that complement Chevron s core areas worldwide, including the Asia-Pacific, Gulf of Mexico and Caspian regions;

to improve Chevron s resource base, including through the addition of proved crude oil and natural gas reserves; and

to achieve synergies through the rationalization of duplicate activities, highgrading the combined company s investment programs and sharing best practices.

OPINION OF UNOCAL S FINANCIAL ADVISOR

Unocal retained Morgan Stanley to act as its financial advisor and to provide a fairness opinion to the board of directors of Unocal in connection with the merger. At the meetings of the board of directors on April 2 and April 3, 2005, Morgan Stanley rendered its oral opinion, which was subsequently confirmed in writing as of April 4, 2005, that based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration that was to be received by the holders of shares of Unocal common stock pursuant to the original merger agreement was fair from a financial point of view to such holders. On July 21, 2005, at the request of Unocal, Morgan Stanley provided an updated opinion to the board of directors of Unocal in writing that, as of July 21, 2005, based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by the holders of shares of Unocal common stock pursuant to the amended merger agreement was fair from a financial point of view to such holders.

The full text of Morgan Stanley s opinion, dated July 21, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken in rendering its opinion is attached as Annex B to this proxy statement. The summary of Morgan Stanley s fairness opinion set forth in this supplement proxy statement/ prospectus is qualified in its entirety by reference to the full text of the opinion. Stockholders should read this opinion carefully and in its entirety. Morgan Stanley s opinion is directed to the board of directors of

S-23

Table of Contents

Unocal, addresses only the fairness from a financial point of view of the consideration to be received by holders of Unocal common stock pursuant to the amended merger agreement, and does not address any other aspect of the merger. Morgan Stanley s opinion does not constitute a recommendation to any stockholders of Unocal as to how such stockholders should vote with respect to the proposed transaction or what election they should make with respect to the consideration offered.

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of Unocal and Chevron;

reviewed certain internal financial statements and other financial and operating data, including internal oil and gas reserve and production estimates, concerning Unocal prepared by the management of Unocal;

reviewed certain financial projections prepared by the management of Unocal;

discussed the past and current operations and financial condition and the prospects of Unocal, including internal oil and gas reserve and production estimates, with senior management of Unocal;

reviewed certain internal financial statements and other financial and operating data, including internal oil and gas production estimates, concerning Chevron prepared by the management of Chevron;

reviewed certain financial projections prepared by the management of Chevron;

discussed the past and current operations and financial condition and the prospects of Chevron, including internal oil and gas production estimates, with senior management of Chevron;

reviewed the pro forma impact of the merger on Chevron s earnings per share, cash flow per share, return on capital employed, and oil and gas reserves and production;

reviewed the reported prices and trading activity for Unocal Common Stock and for Chevron Common Stock;

compared the financial performance of Unocal and the prices and trading activity of Unocal Common Stock with that of certain other comparable publicly-traded companies and their securities;

compared the financial performance of Chevron and the prices and trading activity of Chevron Common Stock with that of certain other comparable publicly-traded companies and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

reviewed certain reserve reports prepared by Unocal;

discussed certain information prepared by the management of Unocal relating to strategic, financial and operational benefits anticipated from the merger and the strategic rationale for the merger with senior management of Unocal;

participated in discussions among representatives of Unocal, Chevron and certain other parties;

reviewed the amended merger agreement and certain related documents; and

performed such other analyses and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information supplied or otherwise made available to Morgan Stanley by Unocal and Chevron for the purposes of its opinion. With respect to the financial projections and other financial and operating data, Morgan Stanley assumed that they were reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of Unocal and Chevron. Morgan Stanley relied, without independent verification, on the assessment by the

Table of Contents

management of Unocal of the strategic rationale of the merger, including information related to certain strategic, financial and operational benefits anticipated from the merger. In addition, Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the amended merger agreement without material modification, waiver or delay, including, among other things, that the merger will be treated as a tax-free reorganization, pursuant to the Internal Revenue Code of 1986, as amended. Morgan Stanley assumed that in connection with the receipt of all the necessary regulatory approvals for the proposed merger, no restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed merger. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of Unocal or Chevron. With respect to the reserve estimates and reports referred to above, Morgan Stanley is not an expert in the engineering evaluation of oil and gas properties and, with the Unocal board s consent, it relied, without independent verification, solely upon the internal reserve estimates of Unocal. In addition, Morgan Stanley is not a legal, regulatory or tax expert and it relied, without independent verification, on the assessment of Unocal and Chevron and their advisors with respect to such matters. Morgan Stanley s opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of July 21, 2005.

Morgan Stanley understood that CNOOC Limited had proposed to acquire Unocal for $67 per share of Unocal common stock in cash (the CNOOC Proposal) and that Unocal had engaged in discussions with CNOOC Limited regarding the CNOOC Proposal. Morgan Stanley was not asked to express, and Morgan Stanley did not express, any opinion as to the CNOOC Proposal or any transaction other than the merger proposed pursuant to the amended merger agreement, nor was Morgan Stanley asked to express, and Morgan Stanley did not express, any opinion as to the relative merits of or consideration offered in the proposed merger as compared to the CNOOC Proposal. Morgan Stanley s opinion does not address the underlying business decision to enter the merger.

The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its opinion dated July 21, 2005. In connection with arriving at its opinion, Morgan Stanley considered all of its analyses as a whole and did not attribute any particular weight to any analysis described below. Some of these summaries include information in tabular format. In order to understand fully the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses.

In arriving at its opinion regarding the consideration to be paid to holders of Unocal common stock, Morgan Stanley calculated the implied blended merger consideration. This calculation was made on the basis that, in the aggregate, 40% of the consideration in the merger would consist of $69.00 in cash for each share of Unocal common stock and 60% of the consideration in the merger would consist of 1.03 shares of Chevron common stock for each share of Unocal common stock. As a result, Morgan Stanley calculated that the implied blended merger consideration was $63.01 per share of Unocal common stock as of July 19, 2005, which was the sum of $27.60 in cash (which equals 0.40 multiplied by $69.00) plus $35.41 (which equals 0.60 multiplied by 1.03 multiplied by $57.30, the closing price of Chevron common stock on July 19, 2005). Morgan Stanley also calculated the implied blended merger exchange ratio by dividing the blended merger consideration of $63.01 by the per share closing price of Chevron common stock of $57.30 on July 19, 2005, which yielded a ratio of 1.0997x.

Historical Share Price Analysis

Morgan Stanley performed an historical share price analysis to obtain background information and perspective with respect to the relative historical share prices of Unocal and Chevron common stock. Consequently, Morgan Stanley reviewed the historical price performance of Unocal and Chevron common stock from July 19, 2004 through July 19, 2005. For the period from July 20, 2004 through July 19, 2005, the closing price of Unocal s common stock ranged from $34.71 to $66.75 and Chevron s common stock ranged from $46.55 to $62.08. Morgan Stanley noted that the closing price of Unocal common stock on July 19, 2005 was $64.99 per share and the closing price of Chevron common stock was $57.30 per share. Morgan Stanley also noted that the per share implied blended merger consideration was $63.01 as of July 19, 2005.

Table of Contents

Unaffected Price and Unaffected Exchange Ratio Analysis

Morgan Stanley noted that Unocal s common stock price had been affected by rumors appearing in the financial press and the publicly announced acquisition proposals and performed an analysis to estimate the unaffected price of Unocal common stock. Morgan Stanley calculated the market value weighted average return between January 5, 2005, the day prior to the first news article regarding a possible transaction in the Financial Times, and July 19, 2005 for the common stock of those companies that are comparable to Unocal (see the list of comparable companies described under Comparable Company Analysis below) and a broader group of companies used by Unocal as historical benchmarks (comparable companies plus Chevron, ConocoPhillips and Kerr-McGee). Based upon and subject to the foregoing, Morgan Stanley calculated a market value weighted average return ranging from 33.7% to 47.9%. Morgan Stanley then applied the market value weighted average return to the closing price of Unocal common stock on January 5, 2005 of $41.19. These calculations yielded implied prices ranging from $55.05 to $60.91. Morgan Stanley, based on its experience with mergers and acquisitions and companies in the energy industry and taking into account the ranges expressed above and the current trading levels of companies comparable to Unocal, selected a representative unaffected price range from $56.00 to $61.00.

In addition, Morgan Stanley also analyzed the unaffected exchange ratio using the closing price of Unocal common stock of $41.19 and closing price of Chevron common stock of $50.88 on January 5, 2005. Morgan Stanley divided the Unocal common stock price of $41.19 by Chevron s stock price of $50.88 to derive the unaffected exchange ratio of 0.8096x.

Morgan Stanley noted that the implied blended merger consideration for Unocal common stock was $63.01 per share and that the implied blended merger exchange ratio was 1.0997x, both as of July 19, 2005.

The following table displays the implied percentage premium of the $63.01 implied blended merger consideration as of July 19, 2005 as compared to Unocal s closing common stock prices over various periods. The following analysis was performed to provide perspective on the historical trading price of Unocal common stock versus the implied merger consideration.

Per Share Merger Consideration Value as Compared to Unocal s Common Stock Price:

Consideration Value(1)	7/19/05	Unaffected(2)	10 Day Avg.	30 Day Avg.	60 Day Avg.	90 Day Avg.	LTM High	LTM Low	LTM Avg
$63.01	(3.0)%	3.3% - 12.5%	(4.1)%	(1.8)%	5.0%	5.7%	(5.6)%	81.5%	27.8%

(1) As of July 19, 2005.

(2) Calculation of unaffected price ranging from $56.00 to $61.00 described in Unaffected Price and Unaffected Exchange Ratio Analysis paragraph above.

The following table displays the implied percentage premium of the 1.0997 implied blended merger exchange ratio as of July 19, 2005 as compared to the exchange ratio implied by Unocal s and Chevron s closing common stock prices over various periods. The following analysis was performed to provide perspective on the historical exchange ratio of Unocal and Chevron common stock versus the implied blended merger exchange ratio.

Implied Blended Merger Exchange Ratio as Compared to Period Average Exchange Ratio:

Implied Blended Merger Exchange	10 Day	30 Day	60 Day	90 Day	LTM	LTM	LTM

Ratio(1)	7/19/05	Unaffected(2)	Avg.	Avg.	Avg.	Avg.	High	Low	Avg
$63.01	(3.0)%	35.8%	(4.3)%	(2.0)%	1.1%	2.5%	(5.7)%	49.1%	20.7%

(1) Implies blended merger exchange ratio of 1.0997x as of July 19, 2005.

Table of Contents

(2) Calculation of unaffected exchange ratio of 0.8096x described in Unaffected Price and Unaffected Exchange Ratio Analysis paragraph above.

Analyst Price Targets

Morgan Stanley reviewed the range of publicly available equity research analyst price targets for Unocal. As of April 1, 2005, this analysis resulted in a range of values of $45.00 to $75.00 per share of Unocal common stock. Based on equity research analyst reports published from June 22, 2005 through July 19, 2005, this analysis resulted in a range of values of $62.00 to $67.00 per share of Unocal common stock. Morgan Stanley noted that the per share implied blended merger consideration was $63.01 as of July 19, 2005.

Comparable Company Analysis

Morgan Stanley performed a comparable company analysis, which attempts to provide an implied value for Unocal by comparing it to similar companies. For purposes of its analysis, Morgan Stanley reviewed certain public market trading multiples for the following eight public companies which, based on its experience with companies in the energy industry, Morgan Stanley considered similar to Unocal in size and business mix:

Amerada Hess Corp.

Anadarko Petroleum Corp.

Apache Corp.

Burlington Resources Inc.

Devon Energy Corp.

EOG Resources Inc.

Marathon Oil Corp.

Occidental Petroleum Corp.

Selected multiples, which are commonly used by participants and investors in the energy industry, for Unocal and each of the comparable companies were reviewed in this analysis. The selected multiples analyzed for these companies included the following:

the per share price divided by 2005 and 2006 estimated cash flow per share

the per share price divided by 2005 and 2006 estimated earnings per share

the aggregate trading value divided by 2005 and 2006 estimated EBITDAX

EBITDAX is net earnings before interest, taxes, depreciation, depletion and amortization, impairments, exploration expenses, dry hole costs, special items and the cumulative effect of accounting changes. Morgan Stanley calculated these financial multiples and ratios based on publicly available financial data as of July 19, 2005.

A summary of the range of market trading multiples of the comparable companies and those multiples calculated for Unocal are set forth below:

Metric	Comparable Companies Range of Multiples	Average	Unocal
Price/ 2005E Cash Flow	4.8x - 7.1x	5.6x	5.5x
Price/ 2006E Cash Flow	4.2x - 7.1x	5.4x	5.6x
Price/ 2005E Earnings	9.1x - 16.2x	10.8x	10.9x

Price/ 2006E Earnings	8.1x - 16.5x	10.4x	11.9x
Aggregate Value/ 2005E EBITDAX	4.2x - 7.0x	5.0x	4.5x
Aggregate Value/ 2006E EBITDAX	4.1x - 7.0x	5.0x	4.6x

Morgan Stanley, based on its experience with mergers and acquisitions and companies in the energy industry and taking into account the ranges expressed above, selected for its comparable company analysis

Table of Contents

of Unocal, a representative multiple range of per share price divided by 2006 estimated cash flow of 4.9x to 5.9x and a range of aggregate value divided by 2006 estimated EBITDAX of 4.3x to 5.3x.

Based upon and subject to the foregoing, Morgan Stanley calculated an implied valuation range for Unocal common stock of $56.75 to $68.50 per share based on a price divided by the selected 2006 estimated cash flow multiple range and $60.25 to $75.00 base