UNOCAL CORP
Form 11-K
June 29, 2005

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

FORM 11-K

Annual Report Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

(Mark One)

[X] Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2004

Or

[ ] Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934
For the transition period from ____________ to ______________

Commission file number 1-8483

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

UNOCAL SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the Plan and the address of its principal executive office:

Unocal Corporation,
2141 Rosecrans Avenue, Suite 4000, El Segundo, California 90245

INDEX TO FINANCIAL STATEMENTS OF THE UNOCAL SAVINGS PLAN

The following financial statements reflect the status of the Unocal Savings Plan as of December 31, 2004 and 2003, and the results of its transactions for each of the years then ended.

* Supplemental schedules required by the Employee Retirement Income Security Act of 1974 that are omitted are not applicable to the Unocal Savings Plan.

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of the Unocal Savings Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Unocal Savings Plan (the "Plan") at December 31, 2004 and 2003, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets (held at end of year) and reportable transactions as of and for the year ended December 31, 2004 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Los Angeles, California
June 24, 2005

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Unocal Savings Plan
Statements of Net Assets Available for Benefits

	December 31, 2004	December 31, 2003
Assets:		
Investments at fair value	$ 541,258,393	$ 488,461,290
Cash	344,805	1,470,472
Total assets	541,603,198	489,931,762
Net assets available for benefits	$541,603,198	$489,931,762

See accompanying notes to financial statements.

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Unocal Savings Plan
Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31, 2004	Year Ended December 31, 2003
Additions:		
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	$ 52,240,663	$ 79,474,860
Interest	931,031	714,532
Dividends	8,578,162	6,612,079
Total investment income	61,749,856	86,801,471

Contributions:		
Participants'	30,821,418	22,899,570
Employer's	12,630,971	12,610,053
Total contributions	43,452,389	35,509,623
Total additions	105,202,245	122,311,094
Deductions:		
Deductions from net assets attributed to:		
Benefits paid to participants	53,510,189	41,336,310
Administrative expenses	20,620	7,700
Total deductions	53,530,809	41,344,010
Net increase	51,671,436	80,967,084
Net assets available for benefits:		
Beginning of year	489,931,762	408,964,678
End of year	$541,603,198	$489,931,762

See accompanying notes to financial statements.

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UNOCAL SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Description of the Plan

General

Unocal Corporation ("Unocal" or the "Company") was incorporated in Delaware on March 18, 1983, as the parent of Union Oil Company of California which is the sponsor of the Unocal Savings Plan (the "Plan"). The Plan provides for participants' voluntary pre-tax and/or after-tax contributions. The Plan also provides for Company matching contributions of participants' pretax contributions. Putnam Fiduciary Trust Company is the trustee ("Trustee") of the Plan and invests funds contributed by the Company and participants as directed by participants. The Plan is subject to certain provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") as a defined contribution plan.

The Plan booklets dated August 2002, January 1, 2001, and May 1, 2000, constitute part of a prospectus covering securities that have been registered under the Securities Act of 1933. The Plan booklets constitute the Summary Plan Description of the Plan.

Participation

Regular, full-time employees are eligible to participate in the Plan immediately upon employment by the Company. Part-time and temporary employees are eligible to participate following the first service year in which they complete at least 1,000 hours of service.

Contributions

Participant Contributions -- Participant contributions are voluntary and can be all pre-tax, all after-tax, or a combination of both. A participant's total annual pre-tax contribution limit is 75 percent of the participant's annual base pay. The pre-tax contributions are also known as "401(k) contributions". A participant's contributions shall not exceed the maximum amount allowed by law. A participant's after-tax contribution limit is 15 percent of base pay. The total pre-tax contributions and after-tax contributions cannot exceed 75 percent of base pay.

Company Matching Contributions -- The Company matches employee pre-tax 401(k) contributions on a dollar for dollar basis, up to six percent of the contributing participant's base pay.

At its discretion, the Company directs the Trustee to purchase shares attributable to Company matching contributions either on the open market or by private purchases directly from the Company. During 2004, all purchases were on the open market.

Participant Accounts

Each participant's account is credited with the contributions and the respective net investment earnings or losses of the individual funds as governed by the participant's investment selection.

Vesting

Participants are always 100 percent vested in participant contributions and in the dividends and interest on those contributions. Vesting in the Company contributions portion of participants' accounts and the dividends thereon is based on years of vesting service. Participants are 100 percent vested in Company contributions and dividends thereon after two years of vesting service. Special vesting rules also apply to certain participants depending on the date of and reason for termination of employment. Effective January 1, 2005, all persons who were employees on or after that date were immediately vested in Company contributions.

Payment of Benefits

Following termination of employment, participants may elect to receive their account balance or defer their distribution until a later date chosen by the participant, but not beyond April 1 of the year following attainment of age 70-1/2.

Following termination of employment, participants may receive partial withdrawals if they have attained age 55.

The Plan also allows in-service distributions of participant after-tax contributions. The Plan also allows hardship withdrawals, subject to applicable legal limitations.

Rollovers into the Plan

The Plan will accept rollovers from the Unocal Retirement Plan and other employers' qualified plans, subject to certain restrictions.

Loans

All employees who are participants of the Plan and have a sufficient balance in their employee pre-tax contributions account are eligible to apply for a loan. Members borrow against their own pre-tax account balance and all payments of principal and interest are credited back to their account. Loan types available are "any reason" (except investment in registered securities); "home purchase" (for purchase of a primary residence only); and loans "forced" by a hardship withdrawal request. Repayment periods range from 1 to 15 years depending on the type of loan. The Unocal Savings Plan Loan and Hardship Withdrawal Committee determines the interest rate for loans based on appropriate market rates and applicable federal regulations. Participants are allowed to have no more than two loans at a time, with the loan amount(s) subject to the limits established by federal law.

Federal Income Tax Status

The Company obtained its latest determination letter on October 2, 2002, from the Internal Revenue Service, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the "Code"). The Plan has been amended since receiving the determination letter. However, the plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

The maximum employee pay eligible for benefit purposes under a qualified plan was $205,000 per year for 2004. If an employee's pay exceeded $205,000, only the first $205,000 of pay was eligible for calculating employee and Company contributions.

Federal regulations place an annual dollar limit on the amount of employee pre-tax contributions. The limit was $13,000 for 2004 and $12,000 for 2003. "Catch-up" contributions allow employees who were at least age 50 to contribute an additional pre-tax contribution of $3,000. These limits are subject to adjustment in future years, in accordance with federal regulations. If pre-tax contributions reach the annual limit before year-end, they are suspended for the balance of the year. The Company matching contributions are also suspended if the annual limit is reached before year-end.

Withdrawals from the Plan are generally subject to federal income tax. Also, in-service withdrawals and withdrawals following termination of employment prior to retirement may be subject to a 10 percent federal income tax penalty. Retiring employees and former employees who are at least age 55 may make a withdrawal from their plan account without a tax penalty.

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Plan Amendment or Termination

The Company expects to continue the Plan indefinitely, but as future conditions cannot be foreseen, the Company may at any time or from time to time amend or terminate the Plan in whole or in part. In the event of termination, participants become fully vested in their individual accounts, and the net assets of the Plan must be allocated among the participants and beneficiaries of the Plan in the order provided by ERISA. The Company has no present intent to discontinue the Company matching contributions or to terminate the Plan.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the

United States of America. In addition, the following accounting policies are applied:

a. Purchases and sales of Unocal common stock:

During normal trading by participants, the Trustee will aggregate all participant directed stock trades throughout the day into batches and will go to market to execute the transactions in each batch up to nine times per day.

During abnormal conditions or heavy trading by participants, the Trustee may not be able to execute and complete participant directed trades on the same day without affecting the share price. The Trustee is authorized, at its discretion, to buy or sell a portion of the trades during the next day or days. Participants receive the market price for all purchases or sales calculated for the batch in which their shares are included.

b. Dividend income is recorded on the ex-dividend date.

c. Interest income is recorded as earned on the accrual basis.

d. Benefits are recorded when paid.

The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

Valuation of Investments

The Plan's investments are stated at fair value. Shares of registered investment companies are valued at the net asset value of shares held by the Plan at year-end. The Unocal common stock is valued at the closing price as reported for the New York Stock Exchange Composite Transactions at December 31, 2004 and 2003. Investments in common trust funds are valued based on information provided by the Plan's investment custodian at fair value.

Use of Estimates in Preparation of the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of additions to and deductions from net assets during the reporting periods. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

NOTE 3 - Investments

The following table presents investments that represent 5 percent or more of the Plan's net assets available for benefits:

Shares in thousands	December 31, 2004	2003
Unocal Common Stock (a)		
3,601 and 4,866 shares, respectively	$ 155,712,297	$ 179,222,190
Putnam S&P 500 Index Fund 2,932 and 2,972 shares, respectively	90,091,878	82,568,954
Putnam Money Market Fund 60,096 and 48,431 shares, respectively	60,095,673	48,431,431
George Putnam Fund of Boston 2,019 and 2,094 shares, respectively	36,559,392	35,638,217
Putnam New Opportunities Fund 682 and 892 shares, respectively	29,227,358	34,617,322

The Plan's investments appreciated as follows:

	December 31, 2004	2003
Mutual funds	$ 16,040,895	$ 28,247,163
Common or collective trusts	9,118,976	18,551,173
Common stock	27,080,792	32,676,524
	$ 52,240,663	$ 79,474,860

Nonparticipant-Directed Investments

The nonparticipant-directed investments and the significant components of the changes in those net assets are as follows:

	December 31, 2004	2003
Assets:		
Unocal common stock	$ 72,050,039	$ 80,643,140
Total assets	72,050,039	80,643,140
Total nonparticipant-directed net assets	$ 72,050,039	$ 80,643,140

	Year Ended December 31, 2004	2003
Changes in net assets:		
Contributions	$ 12,630,971	$ 12,610,053
Dividends	1,553,146	1,935,664
Net appreciation	12,547,251	14,912,862
Benefits paid to participants	(5,812,577)	(4,997,021)
Transfers to participant - directed investments	(29,511,892)	(16,098,394)
Net increase (decrease)	$ (8,593,101)	$ 8,363,164

The Company matches employee pre-tax 401(k) contributions on a dollar for dollar basis, up to six percent of the contributing participant's base pay in Unocal stock. Once the Company purchases the shares attributable to its matching contributions, the participant has the option to sell and transfer that portion out of Unocal common stock into any other investment offered in the Plan.

NOTE 4 - Forfeitures by Members

Company contributions and earnings thereon under the Plan were forfeited by employees whose employment terminated before vesting was attained. However, if an employee is re-employed by the Company and performs an hour of service within five years after the date of termination of employment, the forfeited shares will be restored to the employee's Plan account. Amounts forfeited are used to restore previously forfeited accounts when necessary. Remaining amounts forfeited are used to offset future Company contributions to participant accounts.

At December 31, 2004 and 2003, forfeited nonvested accounts totaled $66,063 and $102,930, respectively.

NOTE 5 - Parties-in-interest

Certain of the Plan's investments are shares of mutual funds managed by the Trustee, as defined by the Plan Agreement. Therefore, these transactions qualify as party-in-interest transactions for which a statutory exemption exists. Fees paid by the Plan for investment management services are included in the net asset value of the shares of the mutual funds; other fees paid by the Plan are disclosed on the face of the statement of changes in net assets available for benefits for the years ended December 31, 2004 and 2003.

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The Company, who also qualifies as a party-in-interest, absorbed certain administrative expenses of the Plan. Such transactions with the Company qualify for a statutory exemption. The Company did not pay any such expenses in 2004. Total expenses paid by the Company were $37,361 for the year ended December 31, 2003.

NOTE 6 - Subsequent Events

On April 4, 2005, Unocal entered into a merger agreement with Chevron Corporation ("Chevron") and Blue Merger Sub Inc., a direct wholly-owned subsidiary of Chevron. The merger agreement provides that, upon the terms and subject to the conditions set forth in the merger agreement, Unocal will merge with and into Blue Merger Sub, with Blue Merger Sub continuing as the surviving corporation and a wholly-owned subsidiary of Chevron. In the merger, Unocal stockholders may elect to receive either 1.03 shares of Chevron stock, $65 in cash or a combination of $16.25 in cash and 0.7725 of a share of Chevron common stock for each share of Unocal common stock; however, the all-stock and all-cash elections will be subject to proration to preserve the overall mix of 0.7725 of a share of Chevron common stock and $16.25 in cash for all outstanding shares of Unocal common stock taken together.

Consummation of the merger is subject to customary conditions, including approvals by Unocal stockholders and certain regulatory agencies, such as the U.S. Federal Trade Commission ("FTC"). The FTC has notified Chevron and Unocal that Chevron's plans to acquire Unocal have been accepted by the FTC for public comment.

On June 22, 2005, Unocal received a proposal from CNOOC Limited, an affiliate of China National Offshore Oil Company, to acquire all outstanding shares of Unocal for $67 per share in cash. Unocal intends to evaluate the CNOOC proposal in a manner consistent with the Unocal board's fiduciary duties and its obligations under the Chevron agreement. There can be no assurance that the proposal would result in a definitive agreement with CNOOC.

For additional information regarding the pending acquisition, refer to Unocal's current reports on Form 8-K, as amended, filed with the SEC on April 4, April 7, June 9, June 10, June 23 and June 24, 2005, and any subsequent current or periodic reports that may be filed by Unocal with the Securities and Exchange Commission in connection with the pending merger transaction. Please also refer to the Form S-4 registration statement filed by Chevron and the proxy statement that will be filed by Unocal, in each case with the Securities and Exchange Commission in connection with the pending merger transaction.

Unocal Savings Plan
Schedule of Assets (Held at End of Year)***
At December 31, 2004

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value
*	Unocal Corporation	Unocal Corporation Common Stock 3,601,117 shares
**	Putnam Investments	Putnam S&P 500 Index Fund 2,931,724 shares
**	Putnam Investments	Putnam Money Market Fund & Money Market Fund-SDB 60,095,673 shares
**	Putnam Investments	George Putnam Fund of Boston 2,018,741 shares
**	Putnam Investments	Putnam New Opportunities Fund 682,404 shares
	Vanguard Group	Vanguard Windsor II Fund 446,861 shares
**	Putnam Investments	Putnam Voyager Fund 1,170,260 shares

**	Putnam Investments	Putnam International Equity Fund 631,815 shares
**	Putnam Investments	Putnam Bond Index Fund 905,047 shares
	Royce Funds	Royce Opportunity Fund 1,193,473 shares
	Allianz Funds	Allianz OCC Renaissance Fund 460,038 shares
	Wells Fargo Funds	Wells Fargo Small Cap Opportunities Fund 585,122 shares
	Vanguard Group	Vanguard Life Strategy Moderate Growth Fund 646,793 shares
	Vanguard Group	Vanguard Life Strategy Growth Fund 405,252 shares
	Vanguard Group	Vanguard Life Strategy Income Fund 551,536 shares
	Vanguard Group	Vanguard Life Strategy Conservative Growth Fund 248,964 shares
**	Putnam Investments	Brokerage Securities 10,753,735 shares
**	Putnam Investments	Participant Loans (General loan term varies up to 5 years; primary residence loan varies up to 15 years; interest rate 5.5% t
		Total assets held for investment purposes

* Sponsor and employer and, therefore, a party-in-interest for which a statutory exemption exis

** Trustee for the Plan and, therefore, a party-in-interest for which a statutory exemption exis

*** Under ERISA, an asset held for investment purposes is any asset held by the Plan on the last fiscal year or acquired at any time during the Plan's fiscal year and disposed of at any time of the Plan's fiscal year, with certain exceptions.

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UNOCAL SAVINGS PLAN
Schedule of Reportable Transactions (1)
Year Ended December 31, 2004

(a) Identity of Party Involved		(b) Description of Assets (including Interest Rate And Maturity in Case of a loan)	(c) Purchase Price	(d) Selling Price	(e) Lease Rental	(f) Expense Incurred With Transaction	(g) Cost of Asse
Unocal Corporation	(2)	Common Stock (318 transactions)	$ 26,456,017				$ 26,456,0
Unocal Corporation	(2)	Common Stock (733 transactions)		$ 77,046,701			60,272,5

(1) Under ERISA, a reportable transaction is defined as a transaction or series of transactions d more than 5 percent of the fair value of the Plan's net assets at the beginning of the Plan y

(2) Sponsor and employer and, therefore, a party-in-interest for which a statutory exemption exis

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Committee appointed by the Board of Directors of the Company to administer the Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

UNOCAL SAVINGS PLAN

Date: June 29, 2005

By: /s/ John A. Briffett

John A. Briffett
Unocal Savings Plan Committee Member

EXHIBIT INDEX

Exhibit 23	Consent of PricewaterhouseCoopers LLP