UNOCAL CORP
Form 11-K
June 28, 2004

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, 2003

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:

MOLYCORP, INC. 401(K) RETIREMENT 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

## MOLYCORP, INC. 401(k) RETIREMENT SAVINGS PLAN
## INDEX TO FINANCIAL STATEMENTS

The following financial statements reflect the status of the Molycorp, Inc. 401(k) Retirement Savings Plan as of December 31, 2003 and 2002, 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 Molycorp, Inc. 401(k) Retirement Savings Plan.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Participants and the Administrative Committee of the Molycorp, Inc. 401(k) Retirement 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 Molycorp, Inc. 401(k) Retirement Savings Plan (the "Plan") at December 31, 2003 and December 31, 2002, 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 for the year ended December 31, 2003, 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.

PricewaterhouseCoopers LLP
Los Angeles, California
June 18, 2004

Molycorp, Inc. 401(k) Retirement Savings Plan
Statements of Net Assets Available for Benefits

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| Investments at fair value | $ 307,705 | $ 173,721 |
| Net assets available for benefits | $ 307,705 | $ 173,721 |

Molycorp, Inc. 401(k) Retirement Savings Plan
Statements of Changes in Net Assets Available for Benefits

| | Year Ended December 31, 2003 | Year Ended December 31, 2002 |
|---|---|---|
| Additions: | | |
| Additions to (deductions from) net assets attributed to: | | |
| Investment income (loss) | | |
| Net appreciation (depreciation) in fair value of investments | $ 28,962 | $ (11,982) |
| Interest | 846 | 1,464 |
| Dividends | 1,220 | 159 |
| Total investment gain (loss) | 31,028 | (10,359) |
| Contributions: | | |

| | | |
|---|---|---|
| Participant | 94,552 | 40,375 |
| Company | 16,834 | 2,233 |
| Total contributions | 111,386 | 42,608 |
| Total additions | 142,414 | 32,249 |
| Deductions: | | |
| Participant withdrawals and distributions | 8,430 | 1,198 |
| Total deductions | 8,430 | 1,198 |
| Net increase | 133,984 | 31,051 |
| Net assets available for benefits: | | |
| Beginning of year | 173,721 | 142,670 |
| End of year | $ 307,705 | $ 173,721 |

See accompanying notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE PLAN

General

The Molycorp, Inc. 401(k) Retirement Savings Plan (the "Plan") is sponsored by Molycorp, Inc. (the "Company"), an indirect wholly owned subsidiary of Unocal Corporation. The Plan provides for voluntary pre-tax contributions by participants, who are employees represented by collective bargaining agents at certain facilities operated by the Company. The Plan's trustee and administrator is Putnam Fiduciary Trust Company (the "Trustee"). Each participant is allowed to choose how funds are invested from a range of investment fund options made available through Putnam investments and Unocal Corporation common stock. 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 April 1, 1999, and December 1, 1996, constitute part of a prospectus covering securities that has been registered under the Securities Act of 1933. The April 1, 1999, and December 1, 1996, booklets can be referenced for other information about the Plan.

Participation

Regular, full-time employees are eligible to participate in the Plan upon completion of six months of service.

Contributions

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Participant Contributions -- Participant contributions are voluntary and are pre-tax. A participant's total annual pre-tax contribution limit was raised to 75 percent from 50 percent of the participant's annual base pay. The pre-tax contributions are also known as "401(k) contributions".

Company Matching Contributions -- The Company matches employee pre-tax 401(k) contributions at the rate of 25 cents per dollar up to 6 percent of the employee's total annual wage (base pay plus overtime 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.

## Participant Accounts

Each participant's account is credited with the participant's contributions and increased or decreased by the respective investment earnings or losses of the individual investments as governed by the participant's investment selections.

## 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.

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## Payment of Benefits

On termination of employment or at such time that participants become eligible to receive benefits, participants may elect to receive their account balances or defer their distributions until a later date, but no later than 60 days after the end of the plan year in which the latest of the following occurs: April 1 after the close of the calendar year in which the participant attains age 70 1/2, or two years after the participant's employment terminates. If a participant continues to work after age 70 1/2, distribution of a portion of the participant's account balance is required by April 1 of the calendar year following the calendar year in which the participant attains age 70 1/2.

## Federal Income Tax Status

On May 30, 2002, the Company received a ruling, from the Internal Revenue Service that the Plan meets the requirements of Section 401(a) of the Internal Revenue Code (the "Code") of 1986, as amended, and that the Trust established thereunder is entitled to exemption under the provisions of the Code. The Plan has been amended since receiving the Internal Revenue Service ruling. However, the plan administrator and the Plan's tax counsel believe 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 fiancial statements.

The maximum employee pay eligible for benefit purposes under a qualified plan was $200,000 per year for 2003. If an employee's pay exceeded $200,000, only the first $200,000 of base 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 $12,000 for 2003 and $11,000 for 2002. "Catch-up" contributions allow employees who were at least age 50 to contribute an additional pre-tax contribution of $2,000 for 2003 and $1,000 for 2002. 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, withdrawals following termination of employment prior to age 55 may be subject to an additional 10 percent federal penalty tax.

### Plan 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, subject to the requirements of ERISA and other applicable laws. An amendment may affect present, as well as future participants, but may not diminish the account of any participant existing on the effective date of such amendment. The Company has no present intent 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 securities are recorded on a trade-date basis.

b. Dividends are recorded on an ex-dividend date basis.

c. Interest income is recorded on the accrual basis.

d. Benefits are recorded when paid.



The Plan presents in the statements of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments which consist 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. Shares of Unocal common stock are valued at the closing price as reported for the New York Stock Exchange Composite Transactions at December 31, 2003 and 2002. Investments in common trust funds are valued based on information provided by the Plan's investment custodian. The financial statements of the common trust funds are audited annually by independent auditors.

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 investments represent 5 percent or more of the Plan's net assets:

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| Putnam Money Market Fund<br>128,733 and 111,455 shares, respectively | $ 128,733 | $ 111,455 |
| Putnam New Opportunities Fund<br>1,108 and 794 shares, respectively | 42,992 | 23,170 |
| Unocal Common Stock (a)<br>878 and 132 shares, respectively | 32,335 | 4,032 |
| Putnam S&P 500 Index Fund<br>872 and 549 shares, respectively | 24,221 | 11,889 |
| Vanguard Lifestrategy Moderate Growth Fund<br>1,194 and 0 shares, respectively | 19,828 | - |
| Putnam International Growth Fund<br>763 and 655 shares, respectively | 15,857 | 10,829 |

(a) Includes both participant and nonparticipant-directed amounts.

The Plan's investments appreciated or (depreciated) as follows:

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| Mutual funds | $17,973 | ($9,675) |

| | | |
|---|---|---|
| Common or collective trust | 4,918 | (2,202) |
| Common stock | 6,071 | (105) |
| | $28,962 | ($11,982) |



Nonparticipant-Directed Investments

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

| | December 31, 2003 | 2002 |
|---|---|---|
| Assets: | | |
| Unocal common stock | $ 23,395 | $ 2,284 |
| Total assets | 23,395 | 2,284 |
| Total nonparticipant-directed net assets | $ 23,395 | $ 2,284 |

| | Year Ended December 31, 2003 | 2002 |
|---|---|---|
| Changes in net assets: | | |
| Contributions | $ 16,834 | $ 2,233 |
| Dividends | 227 | - |
| Net appreciation | 4,418 | 51 |
| Benefits paid to participants | (368) | - |
| Net increase | $ 21,111 | $ 2,284 |

NOTE 4 - 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.

Unocal Corporation, which also qualifies as a party-in-interest, absorbs substantially all of the administrative expenses of the Plan, which were nominal for the years ended December 31, 2003 and 2002. Such transactions with the Company qualify for a statutory exemption.



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.

MOLYCORP, INC. 401(k) RETIREMENT SAVINGS PLAN

Date: June 28, 2004

By: /s/ William C. Schramm
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William C. Schramm
Comptroller, Molycorp, Inc.

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Molycorp, Inc. 401(k) Retirement Savings Plan
Schedule of Assets (Held at End of Year) ***
At December 31, 2003

| (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 |
|---|---|---|
| ** | Putnam Investments | Putnam Money Market Fund 128,733 shares |
| ** | Putnam Investments | Putnam New Opportunities Mutual Fund 1,108 shares |
| * | Unocal Corporation | Unocal Corporation Common Stock 878 shares |
| ** | Putnam Investments | Putnam S&P 500 Index Fund 872 shares |
| | Vanguard Group | Vanguard Life Strategy Moderate Growth Fund 1,194 shares |
| ** | Putnam Investments | Putnam International Growth Fund 763 shares |
| ** | Putnam Investments | The Putnam Bond Index Fund 815 shares |
| ** | Putnam Investments | Putnam Voyager Fund 644 shares |
| ** | Putnam Investments | George Putnam Fund of Boston 496 shares |
| | PIMCO Funds | PIMCO Renaissance Institutional Fund 196 shares |
| | Vanguard Group | The Vanguard Windsor II Fund 56 shares |
| | Vanguard Group | Vanguard Life Strategy Income Fund 177 shares |
| | Vanguard Group | Vanguard Life Strategy Conservative Growth Fund 150 shares |
| | Vanguard Group | Vanguard Life Strategy Growth Fund 113 shares |
| | | Total assets held for investment purposes |

* Parent of the Sponsor and employer and, therefore, a party-in-interest for which a statutory
** 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 t of the Plan's fiscal year, with certain exceptions.



Molycorp, Inc. 401(k) Retirement Savings Plan
Schedule of Reportable Transactions (1)
December 31, 2003

| (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 (30 transactions) | $ 23,163 | | | | $ 23,163 |

(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



EXHIBIT INDEX

Exhibit 23 Consent of PricewaterhouseCoopers LLP