

UNOCAL CONFIDENTIAL
DOE v. UNOCAL
SUBJECT TO PROTECTIVE ORDER

JUN 09 1997

June 5, 1997

TO : Darrell Chessum

FROM : Donald MacKay

Yadana Financing

Attached is a summary sheet of the \$180 million MOGE financing structure that closed on May 8, 1997. As you know, the first drawdown took place on May 23. With the successful funding of MOGE's share of the Yadana project costs we have met our primary goal on Yadana financing.

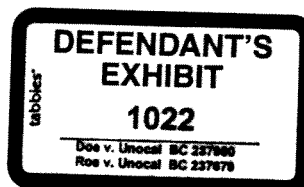
The offer from Mitsubishi of \$50 million financing for Unocal (with partial political risk insurance from MITI) remains technically open. As previously reported, however, it had become obvious by late 1996 that MITI was reluctant to provide direct assistance to an American company. The recent Executive Order on US sanctions against Myanmar has increased MITI's concerns about giving support, however structured, to Unocal at this time.

We have agreed that it is best to bow out gracefully, leaving a diplomatic reminder that Unocal elected to accept the Mitsubishi/MITI offer originally at MITI's urging. I plan to meet with MITI in Tokyo soon. I will take the opportunity to remind MITI of Unocal's other initiatives in Asia, some of which may need MITI/JEXIM support.

Finally, I'd like to put on record the value brought to this project by the financial advisors - Chase Manhattan, Hong Kong. From the outset in 1993, Chase put an experienced financier, Daniel de Lange, in charge of their advisory team. In large measure, it was his experience and sheer persistence in the face of considerable difficulties that was responsible for the successful conclusion of this financing.

Encl

cc Leslie Gibson
Steve Ohnimus
David Peters
David Stangor



UYP 00010424

YADANA PROJECT
MOGE FINANCING STRUCTURE

Borrower: Myanmar Oil & Gas Enterprise

Lenders: Mitsubishi Corporation (50%), Marubeni Corporation (25%) and Tomen Corporation (25%) on a several basis;

Facility Amount: US\$180 million including up to US\$27 million to finance interest during construction;

Type of Credit: Export Credit tied to Suppliers' Contracts;

Reallocation: Non-Electing Sponsors reallocated their share of the Export Credit to MOGE;

Repayment: 20 equal semi-annual repayments, commencing 6 months after Project Completion. It was negotiated that Completion is achieved at the earlier of the DCQ being met for a period of 1 month, or May 31, 1999;

Interest Rate: LIBOR + 2.26% (including 1.21% MITI PRI fee and 0.75% Lender PRI fee).

Management Fee: 1.5% payable in 8 quarterly installments starting on first drawdown.

Source of Repayment: Dedicated Cash Flow ('DCF') being principally MOGE's share of upstream cash flow as Sponsor and MOGE's share of distributions from MGTC as Shareholder.

Debt Service Reserve Account: MOGE must ensure, as of Project Completion, that the Debt Service Reserve Account (which is equal to the upcoming principal and interest payment) is fully funded. If the DCF is insufficient to fund the Debt Service Reserve Account ('DSRA'), MOGE will cover the shortfall.

Guarantee: A full guarantee signed by the Minister of Finance and Revenue of all payments by MOGE under the Loan Agreement.

Exception under Guarantee: The Guarantor is excused if payment default by MOGE is caused by an Act of God or War. If the Lenders accept such excuse, they will attempt to obtain reimbursement (for 70%) from MITI. If the Lenders reject it, arbitration will take place.

Additional agreements and/or supporting documents include:

- (1) a Letter of Comfort signed by the Minister of Energy addressed to the Lenders which provides for overall support of the Project by the Government.
- (2) a Letter of Undertaking signed by the Minister of Energy addressed to the Lenders and MITI which provides for certain undertakings by the Government to protect the Project in the event of an Act of God or War.
- (3) a Trust Agreement which provides for the operation of an account into which the DCF is paid and applied for its intended purposes. The priority of such applications include: 1) opex and capex (subject to a cap); 2) funding of the Debt Service Account ('DSA') and Debt Service Reserve Account (DSRA); and 3) distributions to MOGE.
- (4) a Security Agreement which provides for security over the DSA and DSRA in favor of the Lenders.

The Loan Agreement and Guarantee are under English Law while the Security Agreement and Trust Agreement are under Singapore Law.