Offer to Purchase for Cash

64,000,000 Shares of Common Stock

of

Unocal Corporation

at

$54 Net Per Share

by

Mesa Partners II

and

Mesa Eastern, Inc.

a wholly owned subsidiary of Mesa Partners II

THE PARTNERS OF MESA PARTNERS II ARE AFFILIATES OF MESA PETROLEUM CO. AND WAGNER & BROWN

THE PURCHASERS WILL PURCHASE SHARES IF, AND ONLY IF, ON OR PRIOR TO THE EXPIRATION DATE, SUFFICIENT FINANCING IS OBTAINED BY THE PURCHASERS TO ENABLE THEM TO PURCHASE THE SHARES. IN ADDITION, THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, A MINIMUM OF 64,000,000 SHARES BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE.

THE OFFER AND THE PRORATION PERIOD WILL EXPIRE ON FRIDAY, MAY 3, 1985 AT 12:00 MIDNIGHT, NEW YORK CITY TIME, UNLESS EXTENDED. WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, APRIL 26, 1985.

Any stockholder desiring to tender all or any portion of his Shares should either (1) complete and sign the Letter of Transmittal or a facsimile copy in accordance with the instructions in the Letter of Transmittal and mail or deliver it and any other required documents to the Depositary and either deliver the certificates for such Shares to the Depositary along with the Letter of Transmittal or tender such Shares pursuant to the procedure for book entry tender set forth in Section 5, or (2) request his broker, dealer, commercial bank, trust company or other nominee to effect the transaction for him. A stockholder having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if he desires to tender such Shares.

A stockholder who desires to tender Shares and whose certificates for such Shares are not immediately available may tender such Shares by following the procedure for guaranteed delivery set forth in Section 5. In lieu of delivery of stock certificates to the Depositary, the procedure for book entry delivery set forth in Section 5 may be followed.

Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Requests for additional copies of this Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent or the Dealer Manager or to brokers, dealers, commercial banks or trust companies.

The Dealer Manager for the Offer is:

Drexel Burnham Lambert

INCORPORATED

April 8, 1985

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To the Holders of Common Stock of
UNOCAL CORPORATION:

INTRODUCTION

Mesa Partners II, a general partnership organized under the Texas Uniform Partnership Act (the "Partnership"), together with Mesa Eastern, Inc., a Delaware corporation wholly owned by the Partnership ("Newco", and together with the Partnership referred to as the "Purchasers"), hereby offer to purchase, on a several and not joint basis, an aggregate of 64,000,000 outstanding shares of Common Stock, par value $1.00 per share (such shares, as well as all other shares of such Common Stock, being hereinafter referred to as the "Shares"), of Unocal Corporation, a Delaware corporation (the "Company"), at $54 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which together constitute the "Offer"). Upon the terms and subject to the conditions of the Offer, the Partnership and Newco shall be obligated to accept for payment and pay for, on a several and not joint basis, 16,000,000 Shares and 48,000,000 Shares, respectively. Company stockholders of record as of April 12, 1985 will be entitled to receive the quarterly cash dividend of $.30 per Share, payable on May 10, 1985, regardless of whether or when they tender their Shares pursuant to the Offer.

The Purchasers will purchase Shares pursuant to the Offer if, and only if, on or prior to the Expiration Date (as defined in Section 1 below), sufficient financing is obtained by the Purchasers to enable them to purchase the Shares.

In addition, the Offer is conditioned upon, among other things, a minimum of 64,000,000 Shares being validly tendered and not withdrawn prior to the Expiration Date.

The partners of the Partnership (the "Partners") are set forth below:

(a) Mesa Asset Co., a Delaware corporation ("Mesa Asset") and an indirect wholly owned subsidiary of Mesa Petroleum Co., a Delaware corporation ("Mesa");

(b) Cy-41, Inc., a Texas corporation wholly owned by Cyril Wagner, Jr.; and

(c) Jack-41, Inc., a Texas corporation wholly owned by Jack E. Brown.

Messrs. Wagner and Brown are the sole partners of Wagner & Brown, a Texas general partnership. For additional information concerning the Purchasers and the Partners, see Section 8 and Schedules I-III.

The purpose of the Offer is to acquire a number of Shares which, when added to the Shares presently owned by the Partnership, will constitute a majority of the Fully Diluted Shares (as hereinafter defined) as a step in obtaining control of the Company and ultimately acquiring the entire equity interest in the Company. If the Purchasers purchase an aggregate of 64,000,000 Shares pursuant to the Offer, the Purchasers intend to seek maximum representation on, and possibly control of, the Board of Directors of the Company. In addition, the Purchasers currently intend to propose a transaction or series of transactions in which the Shares not owned by the Purchasers would be acquired in exchange for securities having an aggregate market value, in the opinion of an independent investment banker selected by the Purchasers and on a fully distributed basis as of the time the terms of such securities are determined, of approximately $54 per Share. For additional information concerning the purpose of the Offer and certain restrictions on the ability of the Purchasers to obtain control of the Company and to effect the transactions referred to above, see Sections 10 and 11.

According to the Company's Annual Report on Form 10-K for the year ended December 31, 1984 (the "Company 1984 10-K") filed by the Company with the Securities and Exchange Commission (the "Commission"), at March 10, 1985 there were 173,900,781 Shares issued and outstanding. According to the Company's Proxy Statement dated March 18, 1985, Security Pacific National Bank acts as trustee of the Union Oil Employees Profit Sharing Plan which holds 9,175,783 Shares, or approximately 5.3% of the outstanding Shares. In addition, Security Pacific National Bank is trustee for the Company's Employee Stock Ownership Plan which holds 2,239,318 Shares, or 1.3% of the outstanding Shares. According to the Company's Annual Report to Shareholders for the year ended

December 31, 1984 (the "Company 1984 Annual Report"), at December 31, 1984 an aggregate of 1,084,563 Shares was reserved for issuance upon conversion of convertible debentures and upon exercise of outstanding stock options (of which options covering 366,855 Shares were then exercisable). The Partnership owns on the date hereof 23,700,000 Shares, representing approximately 13.6% of the outstanding Shares. Consequently, if the Purchasers purchase an aggregate of 64,000,000 Shares pursuant to the Offer, or approximately 36.8% of the outstanding Shares, the Purchasers will own, in the aggregate, 87,700,000 Shares, constituting approximately 50.4% of the outstanding Shares, or approximately 50.1% of the outstanding Shares and the Shares issuable upon conversion of outstanding convertible debentures of the Company and upon exercise of outstanding employee stock options (such aggregate number of Shares being referred to herein as the "Fully Diluted Shares").

Tendering stockholders will not be obligated to pay brokerage commissions or, except as set forth in the Letter of Transmittal, transfer taxes on the purchase of Shares by the Purchasers pursuant to the Offer. The Purchasers will pay all charges and expenses incurred in connection with the Offer of (i) Drexel Burnham Lambert Incorporated (the "Dealer Manager") for acting as Dealer Manager in connection with the Offer, (ii) The Carter Organization, Inc. (the "Information Agent") and (iii) First Fidelity Bank, N.A., New Jersey (the "Depositary").

For a discussion of certain litigation between the Partnership and certain of its affiliates and the Company, see Section 10.

1. Expiration Date; Number of Shares; Proration. Upon the terms and subject to the conditions set forth in the Offer, the Purchasers will accept for payment and pay for, on a several and not joint basis, an aggregate of 64,000,000 Shares (or such greater number of Shares as the Purchasers may elect to accept for payment and pay for pursuant to the Offer) validly tendered on or prior to the Expiration Date and not withdrawn as provided in Section 3. The term "Expiration Date" shall mean 12:00 Midnight, New York City time, on Friday, May 3, 1985, unless and until the Purchasers shall have extended the period of time for which the Offer is open, in which event "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Purchasers, shall expire. For a description of the Purchasers' right to extend the period of time during which the Offer is open and to terminate or amend the Offer, see Section 14.

Upon the terms and subject to the conditions of the Offer, the Partnership and Newco shall be obligated to accept for payment and pay for, on a several and not joint basis, 16,000,000 Shares and 48,000,000 Shares, respectively.

The Purchasers reserve the right to purchase more than an aggregate of 64,000,000 Shares pursuant to the Offer, but they have no present intention of purchasing pursuant to the Offer substantially more than such number of Shares.

If more than 64,000,000 Shares (or such greater number of Shares as the Purchasers may elect to accept for payment and pay for pursuant to the Offer) shall be validly tendered by the Expiration Date and not withdrawn, then the Purchasers will, upon the terms and subject to the conditions of the Offer, accept for payment and pay for on the several and not joint basis set forth herein, an aggregate of 64,000,000 Shares (or such greater number of Shares) on a pro rata basis (with adjustments to avoid purchases of fractional Shares) according to the number of Shares tendered by each stockholder prior to the Expiration Date and not withdrawn. If fewer than 64,000,000 Shares are validly tendered by the Expiration Date and not withdrawn, the Purchasers may (i) terminate the Offer and return all tendered Shares to tendering stockholders or (ii) extend the Offer and retain all such Shares until the expiration of the Offer as extended, subject to the terms of the Offer. The Purchasers do not presently intend to waive the condition that at least 64,000,000 Shares be validly tendered and not withdrawn prior to the Expiration Date. However, the Purchasers reserve the right to waive such condition. See Section 9.

In the event that proration of tendered Shares is required, because of the difficulty of determining the number of Shares validly tendered and not withdrawn, the Purchasers do not expect to be able to

announce the final proration factor until approximately ten New York Stock Exchange, Inc. ("NYSE") trading days after the later of the Expiration Date or the expiration of any additional withdrawal period resulting from the commencement of a tender offer for Shares by another bidder (other than the Company) as described in Section 3. Preliminary results of proration will be announced by press release as promptly as practicable. Holders of Shares may obtain such preliminary information from the Dealer Manager or the Information Agent and may be able to obtain such information from their brokers.

A request is being made to the Company for the use of its stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares and will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the stockholder list or who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

2. Acceptance for Payment and Payment. Upon the terms and subject to the conditions of the Offer, each of the Purchasers will accept for payment, and pay for, Shares validly tendered and not withdrawn, severally and not jointly, in the amounts set forth in Section 1, as soon as practicable after the latest of (i) the Expiration Date, (ii) the expiration of the waiting periods applicable to the Purchasers' acquisition of Shares pursuant to the Offer under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") and (iii) with respect to any Shares not theretofore accepted for payment as provided herein, the expiration of any additional withdrawal period resulting from the commencement of a tender offer for Shares by another bidder (other than the Company) as described in Section 3. In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares, or timely confirmation of book entry transfer of such Shares into the Depositary's account at The Depository Trust Company ("DTC"), the Midwest Securities Transfer Company ("MSTC") or the Pacific Securities Depository Trust Company ("PSDTC" and, together with DTC and MSTC, sometimes hereinafter collectively referred to as the "Book Entry Transfer Facilities") pursuant to the procedures set forth in Section 5 ("Book Entry Confirmation"), a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other documents required by the Letter of Transmittal.

The Partnership is filing Notification and Report Forms with respect to the Offer under the HSR Act on Monday, April 8, 1985 and, accordingly, the waiting periods under the HSR Act with respect to the Offer are expected to expire at 11:59 P.M., New York City time, on April 23, 1985. However, prior to such time the Federal Trade Commission (the "FTC") or the Antitrust Division of the Department of Justice (the "Antitrust Division") may extend either waiting period by requesting additional information or documentary material from the Partnership. If such a request is made, such waiting period will expire at 11:59 P.M., New York City time, on the tenth day after substantial compliance by the Partnership with such request. Thereafter, such waiting period can only be extended by court order. See Section 16.

For purposes of the Offer, the Purchasers shall be deemed to have accepted for payment (and thereby purchased) tendered Shares when, as and if the Purchasers give oral or written notice to the Depositary of their acceptance of the tenders of such Shares. Payment for Shares purchased pursuant to the Offer will be made by deposit of the purchase price with the Depositary, which will act as agent for the tendering stockholders for the purpose of receiving payment from the Purchasers and transmitting payments to tendering stockholders. Under no circumstances will interest be paid by the Purchasers by reason of any delay in making such payment.

Payment for Shares may be delayed in the event of proration due to the difficulty of determining the number of Shares validly tendered. Furthermore, if certain events occur, the Purchasers may not be obligated to accept for payment or pay for Shares pursuant to the Offer. See Section 15.

If the Purchasers are delayed in their acceptance for payment of or payment for any Shares or are unable to accept for payment or pay for Shares pursuant to the Offer for any reason, then, without prejudice to their rights under Sections 1, 13, 14 and 15, the Depositary may, nevertheless, on behalf of the Purchasers, retain tendered Shares, and such Shares may not be withdrawn except to the extent tendering stockholders are entitled to withdrawal rights as described in Section 3.

If any tendered Shares are not purchased pursuant to the Offer for any reason (including, without limitation, proration), or if certificates are submitted for more Shares than are tendered, certificates for such unpurchased or untendered Shares will be returned, without expense to the tendering stockholder (or, in the case of Shares tendered by book entry transfer within DTC, MSTC or PSDTC as permitted by Section 5, such Shares will be credited to an account maintained within such Book Entry Transfer Facility), as promptly as practicable following the expiration, termination or withdrawal of the Offer.

Each of the Purchasers reserves the right to transfer or assign to the other Purchaser or to one or more affiliates of either of the Purchasers the right to purchase Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve such Purchaser of its obligations under the Offer or prejudice the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

3. Withdrawal Rights. Except as otherwise provided in this Section, tenders of Shares are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to 12:00 Midnight, New York City time, on Friday, April 26, 1985 and, unless theretofore accepted for payment as provided in this Offer to Purchase, may also be withdrawn after Thursday, June 6, 1985. In addition, if a tender offer by another bidder (other than the Company) is commenced for some or all of the Shares, Shares tendered pursuant to the Offer that have not theretofore been accepted for payment may be withdrawn on the date of, and for ten business days after, the commencement (other than by public announcement) of such other offer, provided that the Purchasers have received notice or otherwise have knowledge of the commencement of such other offer. For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 A.M. through 12:00 Midnight, New York City time.

To be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Depositary at its address specified on the back cover of this Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares, the number of Shares to be withdrawn and, if certificates for such Shares have been delivered, the names in which the certificates representing such Shares are registered, if different from that of the person tendering such Shares. If certificates have been delivered or otherwise identified to the Depositary, the serial numbers shown on the particular certificates evidencing the Shares to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an Eligible Institution, as defined in Section 5 (except in the case of Shares tendered by an Eligible Institution), must be submitted prior to the physical release of the certificates for the Shares to be withdrawn. If Shares have been tendered pursuant to the procedure for book entry tender as set forth in Section 5, any notice of withdrawal must specify the name and number of the account at DTC, MSTC or PSDTC to be credited with the withdrawn Shares. Withdrawals may not be rescinded, and any Shares withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, properly withdrawn Shares may be retendered by following one of the procedures described in Section 5 at any time on or prior to the Expiration Date.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Purchasers in their sole discretion, which determination shall be final and binding. None of the Purchasers, the Depositary, the Dealer Manager, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

4. Certain Tax Consequences. Sales of Shares by stockholders of the Company pursuant to the Offer will be taxable transactions for federal income tax purposes and may also be taxable transactions

under applicable state and local and other tax laws. **In view of the individual nature of tax consequences, stockholders are urged to consult their own tax advisors as to the specific tax consequences to them of the Offer.**

5. Procedure for Tendering Shares. To tender Shares pursuant to the Offer, a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, must be transmitted to and received by the Depositary at its address indicated on the back cover of this Offer to Purchase and either certificates for tendered Shares must be received by the Depositary at such address or such Shares must be tendered pursuant to the procedure for book entry tender set forth below (and a Book Entry Confirmation must be received by the Depositary), in each case on or prior to the Expiration Date, or the tendering stockholder must comply with the guaranteed delivery procedure set forth below.

The Depositary will establish accounts with respect to the Shares at DTC, MSTC and PSDTC for purposes of the Offer within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in any of the Book Entry Transfer Facilities' systems may make book entry delivery of the Shares by causing DTC, MSTC or PSDTC to transfer such Shares into the Depositary's account in accordance with such Book Entry Transfer Facility's procedure for such transfer. However, although delivery of Shares may be effected through book entry at DTC, MSTC or PSDTC, the Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, must, in any case, be transmitted to and received by the Depositary at its address set forth on the back cover of this Offer to Purchase on or prior to the Expiration Date, or the guaranteed delivery procedure described below must be complied with. Delivery of documents to a Book Entry Transfer Facility in accordance with the Book Entry Transfer Facility's procedure does not constitute delivery to the Depositary.

The method of delivery of certificates for Shares and all other required documents is at the option and risk of the tendering stockholder. If certificates for Shares are sent by mail, registered mail with return receipt requested, properly insured, is recommended.

To prevent backup federal income tax withholding on payments made to certain stockholders with respect to the purchase of Shares pursuant to the Offer, each such stockholder must provide the Depositary with his correct taxpayer identification number by completing the Substitute Form W-9 included in the Letter of Transmittal.

No signature guarantee is required (a) if the Letter of Transmittal is signed by the registered holder of the Shares tendered therewith and payment is to be made directly to such registered holder or (b) if such Shares are tendered for the account of a member firm of any national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States (an "Eligible Institution"). In all other cases, all signatures on Letters of Transmittal must be guaranteed by an Eligible Institution. See Instructions 1 and 5 of the Letter of Transmittal.

If a stockholder desires to tender Shares pursuant to the Offer and such stockholder's certificates are not immediately available or time will not permit all required documents to reach the Depositary on or prior to the Expiration Date, such Shares may nevertheless be tendered if all of the following conditions are met:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Purchasers herewith is received by the Depositary as provided below on or prior to the Expiration Date; and

(iii) the certificates for all tendered Shares, in proper form for transfer, or Book Entry Confirmation, in each case together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and all other documents required by the Letter of Transmittal, are

received by the Depositary within eight NYSE trading days after the date of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, telex, facsimile transmission or letter to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in such Notice.

In all cases, payment for Shares tendered and purchased pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares or of Book Entry Confirmation, a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and all other required documents.

By executing a Letter of Transmittal, a tendering stockholder irrevocably appoints designees of the Purchasers as his proxies in the manner set forth in the Letter of Transmittal to the full extent of such stockholder's rights with respect to the Shares tendered by such stockholder and purchased by the applicable Purchaser or Purchasers and with respect to any and all other Shares or other securities issued or issuable in respect of such Shares on or after April 1, 1985. Such appointment is effective only upon the purchase by the applicable Purchaser or Purchasers of such Shares. Upon such purchase, all prior proxies given by such stockholder will be, without further action, revoked, no subsequent proxies may be given by such stockholder, and such designees of the applicable Purchaser or Purchasers will be empowered to exercise all voting and other rights of such stockholder as they, in their sole discretion, may deem proper at any meeting of the Company's stockholders or any adjournment thereof, or otherwise.

The Purchasers reserve the right to require that, in order for Shares to be deemed to be validly tendered, the tender of such Shares will enable the applicable Purchaser or Purchasers, upon purchase thereof, to be able immediately to exercise full voting rights in respect of such Shares as of any record date that may hereafter be fixed in connection with any meeting of the Company's stockholders. However, such requirement will not be imposed with respect to voting rights as of any such record date unless the Purchasers have made a public announcement to that effect, specifying such record date, not later than the fifth NYSE trading day prior to such record date. If such requirement is imposed, the Purchasers may deem Shares not to be validly tendered, and may refuse to accept such Shares for payment, unless either (i) they are tendered by the person who was the stockholder of record thereof as of the specified record date or (ii) they are accompanied by an irrevocable proxy or proxies which have been duly executed by each stockholder of record of such Shares as of such specified record date (as well as any subsequent transferor) and which are in a form recommended by the Purchasers or in a form otherwise acceptable to the Purchasers. The Purchasers will not require that Shares tendered pursuant to the Offer be tendered with voting rights as of March 14, 1985, the record date for the annual meeting of stockholders of the Company to be held April 29, 1985.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by the Purchasers, in their sole discretion, which determination shall be final and binding. The Purchasers reserve the absolute right to reject any or all tenders of any particular Shares determined by them not to be in proper form or the acceptance for payment of or payment for which may, in the opinion of the counsel to the Purchasers, be unlawful. The Purchasers also reserve the absolute right to waive any of the conditions of the Offer or any defect or irregularity in any tender of Shares. None of the Purchasers, the Depositary, the Dealer Manager, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification.

The tender of Shares pursuant to one of the procedures described above will constitute an agreement between the tendering stockholder and the Purchasers upon the terms and subject to the conditions of the Offer.

6. Price Range of Shares; Dividends. According to the Company 1984 10-K, the Shares are listed and traded principally on the NYSE and also are listed and traded on the Midwest Stock Exchange ("MSE") and the Pacific Stock Exchange Incorporated ("PSE"). The following table sets forth for the periods indicated the high and low quarterly sales prices for the Shares and the dividends

paid in each such period, with respect to 1983 and 1984 as reported in the Company 1984 Annual Report, and as reported thereafter in published financial sources:

	High	Low	Dividends
1983:			
First Quarter	$ 34¼	$ 27	$ .25
Second Quarter	37⅝	30¼	.25
Third Quarter	37¼	29⅞	.25
Fourth Quarter	32⅛	27¼	.25
1984:			
First Quarter	$ 39⅞	$ 30¾	$ .25
Second Quarter	40	32	.25
Third Quarter	40¾	30	.25
Fourth Quarter	43¼	34¾	.25
1985:			
First Quarter	$ 50⅝	$ 33¼	$ .25
Second Quarter (through April 4)	50⅜	48⅛	.30(a)

(a) Such dividend has been declared but not yet paid.

On April 4, 1985, the last full trading day prior to the commencement of the Offer, the reported closing sales price of the Shares on the NYSE Composite Tape was $49⅛ per Share. **Stockholders are urged to obtain a current market quotation for the Shares.**

Company stockholders of record as of April 12, 1985 will be entitled to receive the quarterly cash dividend of $.30 per Share, payable on May 10, 1985, regardless of whether or when they tender their Shares pursuant to the Offer.

7. Certain Information Concerning the Company. The Company is a Delaware corporation with its principal executive offices located at 1201 West Fifth Street, Los Angeles, California 90017.

According to the Company 1984 10-K, the Company is engaged principally in petroleum, chemical, geothermal and metals operations. Petroleum operations involve the exploration, production, transportation and sale of crude oil and natural gas, and the manufacture, transportation and marketing of petroleum products. Chemical operations involve the manufacture, purchase, transportation and marketing of chemicals for industrial and agricultural uses. Geothermal operations involve the exploration, production and sale of geothermal resources. Metals operations primarily involve the exploration, production and marketing of molybdenum, columbium and lanthanides. Other operations include the development of oil shale, development of coal, and real estate development and sales.

The Company files periodic reports, proxy statements and other information with the Commission under the Securities Exchange Act of 1934 (the "Exchange Act"), relating to its business, financial condition and other matters. The Company is required to disclose in such proxy statements certain information, as of particular dates, concerning the Company's directors and officers, their remuneration, options granted to them, the principal holders of the Company's securities and any material interest of such persons in transactions with the Company. Such reports, proxy statements and other information may be inspected at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and should also be available for inspection and copying at the regional offices of the Commission located in the Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois 60604; the Jacob K. Javits Federal Building, 26 Federal Plaza, New York, New York 10278; and 5757 Wilshire Boulevard, Los Angeles, California 90036. Copies of such material can also be obtained from the Public Reference Section of the Commission in Washington, D.C. 20549 at prescribed rates. Such material should also be available for inspection at the library of the NYSE, 20 Broad Street, New York, New York 10005, the

library of the MSE, 120 South La Salle Street, Chicago, Illinois 60603, and the library of the PSE, 301 Pine Street, San Francisco, California 94101.

The following selected consolidated financial information relating to the Company and its consolidated subsidiaries has been taken from the Company 1984 Annual Report. More comprehensive financial information is included in the Company 1984 Annual Report and in the reports and documents filed by the Company with the Commission, and the selected consolidated financial information that follows is qualified in its entirety by reference to such documents and all of the financial statements and related notes contained therein. Such reports and other documents may be examined and copies may be obtained from the offices of the Commission in the manner set forth above.

UNOCAL CORPORATION

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(in millions, except per Share data)

	Year Ended December 31		
	1984	1983	1982
Income Statement Information:			
Total revenues	$11,537.7	$10,690.5	$10,899.1
Net earnings	700.4	625.9	804.0
Net earnings per Share	4.03	3.60	4.63

	December 31	
	1984	1983
Balance Sheet Information:		
Working capital	$ 303.8	$ 456.8
Properties–net	7,906.1	7,068.4
Total assets	10,202.8	9,228.0
Long-term debt and capital leases	1,267.9	1,300.3
Total debt(1)	1,485.0	1,403.4
Deferred income taxes	1,333.4	1,047.5
Shareowners' equity	5,694.3	5,180.1
Shareowners' equity per Share	32.78	29.82

(1) Includes current portion of long-term debt and capital leases.

8. Certain Information Concerning the Purchasers, the Partners and the Partnership Agreement. The Partnership is a general partnership organized in 1984 under the Texas Uniform Partnership Act and has conducted no business except in connection with the acquisition of Shares and the Offer. Newco is a Delaware corporation incorporated in 1970 and currently conducts no business except in connection with the Offer. All the outstanding capital stock of Newco is owned by the Partnership. The principal offices of each of the Purchasers are located at One Mesa Square, P.O. Box 2009, Amarillo, Texas 79189.

The Partners of the Partnership are set forth below:

(a) Mesa Asset, a Delaware corporation and an indirect wholly owned subsidiary of Mesa;

(b) Cy-41, Inc., a Texas corporation wholly owned by Cyril Wagner, Jr.; and

(c) Jack-41, Inc., a Texas corporation wholly owned by Jack E. Brown.

Messrs. Wagner and Brown are the sole partners of Wagner & Brown, Midland, Texas, a Texas general partnership. Set forth below is certain information concerning each of the Partners of the Partnership.

Mesa and Mesa Asset. Mesa was incorporated in 1964 and is engaged in the exploration for and the production of natural gas, oil, condensate and natural gas liquids in the United States. Mesa Asset is an indirect wholly owned subsidiary of Mesa, is a general partner of the Partnership and holds other investments. The principal executive offices of Mesa and Mesa Asset are located at One Mesa Square, P.O. Box 2009, Amarillo, Texas 79189. The name, business address, principal occupation or employment and citizenship of each executive officer and director of Mesa and Mesa Asset and certain other information are set forth in Schedule I hereto.

Mesa files periodic reports, proxy statements and other information with the Commission under the Exchange Act relating to its business, financial condition and other matters. Mesa is required to disclose in such proxy statements certain information, as of particular dates, concerning Mesa's directors and officers, their remuneration, options granted to them, the principal holders of Mesa securities and any material interest of such persons in transactions with Mesa. Such reports, proxy statements and other information should be available for inspection and copying in the offices of the Commission in the same manner set forth with respect to information concerning the Company. Such material should also be available for inspection at the library of the NYSE, 20 Broad Street, New York, New York 10005.

Set forth below is certain summary consolidated financial information taken from the audited financial statements contained in Mesa's Annual Report on Form 10-K for the year ended December 31, 1984. More comprehensive financial information is included in such report and other reports and documents filed by Mesa with the Commission, and the summary below is qualified in its entirety by reference to such reports and all of the financial statements and related notes contained therein.

MESA PETROLEUM CO. AND SUBSIDIARIES

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(In thousands, except per share data)

	Year Ended December 31		
	1984	1983	1982
Income Statement Information:			
Oil and gas revenues	$413,489	$391,134	$376,381
Costs and expenses	258,757	232,627	223,817
Operating income	154,732	158,507	152,564
Other income (expense) and taxes:			
Gain on sale of securities and assets	403,549	89,221	63,967
Interest income	87,748	19,524	23,942
Interest expense, net	(184,192)	(77,513)	(40,299)
Dividend income and other	13,754	10,006	(4,670)
Provision for income taxes	(205,407)	(73,835)	(65,600)
Net income	270,184	125,910	129,904
Preferred stock dividends	(16,333)	(11,019)	(13,959)
Net income available for common	$253,851	$114,891	$115,945
Net income per common share(1)	$ 3.75	$ 1.72	$ 1.72

	December 31	
	1984	1983
Balance Sheet Information:		
Working capital	$ 590,272	$ 25,925
Long-term receivables	1,003,554	244,480
Marketable securities	249,051	637,220
Property, net	1,627,195	1,226,681
Total assets	3,955,951	2,305,645
Total indebtedness(2)	2,502,679	1,303,623
Deferred income taxes	422,914	227,774
Redeemable preferred stock	84,000	126,000
Stockholders' equity	741,594	502,505
Stockholders' equity per common share(3)	11.08	7.51

(1) The weighted average number of common and common equivalent shares outstanding during 1983 and 1984 was 66,987,000 and 67,657,000, respectively, assuming full dilution.

(2) Including current maturities on long-term indebtedness, revolving credit debt repaid in 1985 and subordinated variable rate notes.

(3) Based on actual common shares outstanding of 66,904,000 and 66,959,000 at December 31, 1983 and 1984, respectively.

Affiliates of Wagner & Brown. Cy-41, Inc. and Jack-41, Inc. are Texas corporations wholly owned by Messrs. Wagner and Brown, respectively. Each of such corporations is engaged in the exploration, development and production of oil and gas and has a net worth exceeding $50 million without regard to contributions contemplated pursuant to the Offer. Messrs. Wagner and Brown are the sole partners of Wagner & Brown, a Texas general partnership engaged in the ownership of oil and gas interests and real estate and the provision of management and other services to its affiliates. The principal executive offices of each of Cy-41, Inc., Jack-41, Inc. and Wagner & Brown are located at 300 N. Marienfeld, Suite 1100, Midland, Texas 79702. The name, business address, principal occupation or employment and citizenship of Messrs. Wagner and Brown and certain of their affiliates and certain other information are set forth in Schedule II hereto. Messrs. Wagner and Brown together and through Wagner & Brown have a net worth in excess of $200 million.

Partnership Agreement. The Partnership is a Texas general partnership formed in October 1984 pursuant to the terms of a general partnership agreement, as amended through April 7, 1985 (the "Partnership Agreement"). Pursuant to the terms of the Partnership Agreement, the Partners are committed to make capital contributions to the Partnership in cash aggregating $2,200 million as follows: Mesa Asset, $1,980 million; Cy-41, Inc., $110 million; and Jack-41, Inc., $110 million. An aggregate of approximately $1,060 million has been used to purchase Shares prior to the commencement of the Offer. The purpose of the Partnership is to acquire Shares, and from October 22, 1984 through March 27, 1985, the Partnership purchased, principally on national securities exchanges and upon exercise of call options purchased on national securities exchanges, an aggregate of 23,700,000 Shares. Each Partner has agreed in the Partnership Agreement not to purchase Shares except through the Partnership or with the consent of all other Partners, and each Partner has also agreed not to assign, transfer or pledge its interest in the Partnership.

Mesa Asset has been designated as the managing partner under the Partnership Agreement and, in such capacity, is authorized to vote Shares owned by the Partnership and to perform certain administrative functions on behalf of the Partnership. The Partnership Agreement provides that if at any time during the term thereof there is a "Change in Control" (as defined in the Partnership Agreement) of Mesa or if Mesa Asset ceases to be a direct or indirect wholly owned subsidiary of Mesa, then Cy-41, Inc. shall become the managing partner, without any further action on the part of any Partner. In such event Mesa Asset shall thereafter have no right to vote or to consent to any action taken or proposed to be taken by the Partnership. The Partnership Agreement also provides that the Partners, other than the managing partner, holding in the aggregate two-thirds of the Income Percentages (as defined) of all Partners other than the managing partner (or, after Mesa Asset shall cease to be managing partner pursuant to the provision described above, two-thirds of the Income Percentages of all Partners other than the managing partner and Mesa Asset) may remove the managing partner and designate another Partner as the managing partner and may designate another Partner to serve as managing partner following the resignation of any Partner acting as managing partner.

The Partnership Agreement provides that the Partnership shall be dissolved and terminated at December 31, 1999 or earlier upon the agreement of all the Partners. Each Partner has agreed in the Partnership Agreement not to withdraw from the Partnership without the consent of all other Partners. If a Partner withdraws in contravention of such agreement, becomes bankrupt or is expelled by the other Partners (which they may do in the event of such Partner's willful or persistent breach of the Partnership Agreement in any material respect or conduct by such Partner that materially and prejudicially affects the carrying on of the affairs of the Partnership), then such Partner (the "Withdrawn Partner") shall cease to share in income and expenses of the Partnership but the Partnership shall not be dissolved and wound up. Unless otherwise agreed by the remaining Partners, the remaining Partners shall continue the business of the Partnership and shall be entitled to possess all property of the Partnership (including, without limitation, all Shares then owned by the Partnership). The Withdrawn Partner shall be entitled to receive an amount equal to the excess, if any, of the value of its interest in the Partnership at the date of withdrawal, bankruptcy or expulsion over the amount of damages to the remaining Partners caused by such withdrawal, bankruptcy or expulsion (including,

without limitation, lost profits and consequential damages, which may include a decline in the value of Shares following such withdrawal, bankruptcy or expulsion) plus interest thereon at a specified rate. Such amount shall be paid, or payment thereof shall be secured by a bond, not later than one year after the amount thereof is agreed upon by all parties or otherwise finally determined. Such amount is payable in cash or in kind or in a combination thereof, at the option of the managing partner, and to the extent paid in kind, the assets so used are to be valued at fair value as of the date of payment.

The Partnership Agreement also provides, subject to certain exceptions, that the consent of all Partners (other than (a) a Withdrawn Partner and (b) Mesa Asset, if there is a Change in Control of Mesa or if Mesa Asset ceases to be a wholly owned subsidiary of Mesa) shall be necessary to, among other things, (i) effect a sale by the Partnership of all or substantially all the Shares or the Newco securities held by the Partnership or to enter into any agreement relating to such a sale; (ii) admit any new Partner to the Partnership; (iii) cause the Partnership to make non-cash distributions to the Partners; (iv) cause the Partnership to incur indebtedness for borrowed money, to guarantee indebtedness or to pledge assets of the Partnership; (v) cause the Partnership to enter into any agreement with the Company; (vi) to vote by proxy, consent or otherwise, any voting securities of Newco; or (vii) commence any legal action on behalf of the Partnership. The Partnership Agreement further provides that it may not be amended or modified without the consent of all Partners.

Pursuant to the Partnership Agreement, income and expenses of the Partnership will be shared by the Partners, in general, in accordance with their relative commitments to make capital contributions, except that if certain amounts of gain are recognized, Mesa Asset's interest in such gains will increase thereafter. The Partnership Agreement also provides that Mesa will receive an administrative fee of 1% (subject to reduction in certain events) of the aggregate commitments of the Partners as compensation for its services in providing administrative support to Mesa Asset in its role as managing partner. The Partnership Agreement also contains certain other agreements among the Partners, including provisions regarding winding up and liquidation in the event of dissolution of the Partnership and agreements regarding indemnification and sharing of expenses incurred in connection with the subject matter of the Partnership Agreement. Each of Mesa and Messrs. Wagner and Brown has agreed in the Partnership Agreement to continue to be the beneficial owner of all the outstanding voting securities (whether or not presently outstanding) of Mesa Asset, Cy-41, Inc. and Jack-41, Inc., respectively, except that Mesa, Mr. Wagner and Mr. Brown, as the case may be, may dispose of any or all of such securities (i) to an affiliate controlled by it or him, or in the case of Cy-41, Inc. or Jack-41, Inc., by Wagner & Brown, or (ii) to any other person with the prior consent of all the Partners (or, if there has been a Change in Control of Mesa or if Mesa Asset has ceased to be a wholly owned subsidiary of Mesa, all Partners other than Mesa Asset).

The foregoing is a summary of certain provisions of the Partnership Agreement, a copy of which has been filed as an exhibit to the Tender Offer Statement on Schedule 14D-1 (the "Schedule 14D-1") filed with the Commission in connection with the Offer, and such summary is qualified in its entirety by reference to such agreement.

Mesa Deferred Bonus Plan and Incentive Award Plan. The Mesa Board of Directors adopted in November 1984 a Deferred Bonus Plan and an Incentive Award Plan to retain, reward and properly motivate key employees of Mesa, and such plans are administered by a committee of the Board of Directors of Mesa (the "Committee"). The Deferred Bonus Plan was adopted to compensate key employees who contributed significantly to the success of Mesa's investment in Gulf Corporation in 1983 and 1984. The Incentive Award Plan was adopted to compensate key employees who are in a position to contribute materially to Mesa's development and success in the future, particularly in connection with acquisition efforts.

The Deferred Bonus Plan provides for awards of up to 20 million "deferred compensation units". Each deferred compensation unit has an assigned value of $1. In 1984, the Committee awarded a total of 20 million deferred compensation units, including 18.6 million to T. Boone Pickens, Jr., Chairman of the Board and President of Mesa, and one million to David H. Batchelder, Vice President—Finance

and Treasurer of Mesa. The Committee has the authority to deem the deferred compensation units to be treated as if they were invested along with investments by Mesa in acquisition efforts, as defined in the plan. If an acquisition effort in which deferred compensation units are deemed to have been invested is successful or if Mesa realizes a profit, then "reinvested profit units" will be awarded to plan participants, as further explained below. The Committee has deemed the outstanding units to be treated as if invested alongside Mesa's investment, through the Partnership, in the Company.

With respect to an acquisition effort in which Mesa acquires and retains another entity or an investment therein ("Type I Acquisition"), plan participants would receive an aggregate number of reinvested profit units (which also have an assigned value of $1 per unit) equal to the total value, as defined, of Mesa's interest in the acquisition multiplied by a specified sliding-scale percentage, based on the size of the transaction (ranging from a high of 1.5% for a $5 million acquisition to a low of .08% for an acquisition of $10 billion or more).

With respect to an acquisition effort in which Mesa acquires and then disposes of an investment in another entity at a profit ("Type II Acquisition"), plan participants would receive an aggregate number of reinvested profit units equal to a specified percentage multiplied by the profit realized by Mesa. The specified percentage would be equal to the total number of units allocated to the participants (excluding any units the value of which has been previously paid out and any units previously deducted in respect of losses, as described below) divided by the lesser of (i) the actual amount of Mesa's investment in the transaction, or (ii) Mesa's "available equity" at the outset of the acquisition effort. However, the plan's percentage of Mesa's profit is subject to a maximum of 5% and a minimum of 2.5%. The profit realized by Mesa would be (x) the aggregate fair market value received by Mesa upon the sale or other disposition of the investment owned by it minus (y) the cost of acquiring the investment plus interest and other related expenses incurred by Mesa. Conversely, if Mesa suffers a loss in the transaction, a number of units equal to that same percentage of the loss would be deducted from the participants' accounts under the plan. To the extent reinvested profit units are not distributed pursuant to the plan, such units can be deemed to be invested in future acquisition efforts.

With respect to a single Type I Acquisition or Type II Acquisition, the number of reinvested profit units awarded cannot exceed the lesser of the total number of units then outstanding under the plan or 20 million. Gains and losses in units are shared by all participants in the plan pro rata in accordance with the respective numbers of units allocated to the participants at the time (excluding any units the value of which has been previously paid out and any units previously deducted in respect of losses).

Each participant is fully vested in all his deferred compensation and reinvested profit units at all times, except for the exposure of his units to losses as described above. Payments of the cash value of units are to be made if and when requested by a participant, starting in 1985, provided that if units are deemed to be invested in an acquisition effort that has not been completed at the time the value of the units is to be paid, the value of such units will instead be paid as soon as practicable after the termination of such acquisition effort. The cumulative percentage of previously awarded units that can be paid out at any given time may not exceed 10% in 1985, 30% in 1986, 50% in 1987, 70% in 1988 and 100% in 1989, subject to certain exceptions for termination of employment, death and total and permanent disability (as determined by the Committee). In addition, all payments to all participants are automatically accelerated if there is a change in control of Mesa. For purposes of the plan, a "change in control of Mesa" is deemed to have occurred if either (a) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) is or becomes the beneficial owner, directly or indirectly, of securities of Mesa representing 35% or more of the combined voting power of Mesa's then outstanding securities; or (b) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of Mesa cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by Mesa's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; or (c) the Board of Directors or the Committee acts to determine that there has been a change in control of Mesa or that such a change in control is likely to

occur, whether by reason of concentration of stock ownership, a change or proposed change in the composition of the Board of Directors or otherwise.

The Incentive Award Plan provides for awards from time to time of up to 20 million "loan units." Administration, profit and loss computation, vesting and payment are the same for the Incentive Award Plan as for the Deferred Bonus Plan (with each plan treated separately and independently for computation purposes), except that participants will receive cash payments only in respect of any reinvested profit units that may be earned in respect of such loan units. The participants have no vested interest in, and no right to receive payment in respect of, any of the underlying loan units. The Committee has awarded a total of 10 million loan units, including 7.55 million to Mr. Pickens and one million to Mr. Batchelder.

Wagner & Brown Bonus Pool. Effective October 1, 1984, Wagner & Brown entered into a Bonus Pool Agreement with each of Joel L. Reed and Wesley E. Pittman, employees of Wagner & Brown. The agreements are intended to provide greater incentives for each participant and to reward such participant for outstanding performance. The agreements provide for the establishment of a "Bonus Pool" for the account of the participant for each "Pool Year" to which shall be credited certain gains (and to which shall be charged certain losses) realized by Wagner & Brown or its affiliates in connection with specified acquisitions of securities and other assets (which would include acquisition of Shares). If, at the end of any Pool Year, the participant has a credit balance in such Bonus Pool, the participant is entitled to receive payment in cash of the amount of such credit balance, provided that the participant may elect to defer the payment of such amount until a later date. Amounts payable under the bonus pool agreements are subject to certain vesting requirements and to forfeiture in the event the participant voluntarily leaves the employ of Wagner & Brown or in the event employment is terminated for certain specified reasons.

Purchases of Shares. From October 22, 1984 through March 27, 1985, the Partnership purchased, principally on national securities exchanges and upon exercise of call options purchased on national securities exchanges, an aggregate of 23,700,000 Shares at an average purchase price of $44.72 per Share. For certain information concerning purchases within the past 60 days, see Schedule IV hereto.

Except as set forth in this Offer to Purchase or in Schedules I-IV hereto, neither of the Purchasers nor, to the best knowledge of either of them, any of the persons listed in Schedules I-III hereto or any associate or majority owned subsidiary of either of the Purchasers or any of the persons so listed, beneficially owns or has a right to acquire any Shares, and, except as aforesaid, neither of the Purchasers, nor, to the best knowledge of either of them, any of such other persons has effected any transactions in Shares during the past 60 days. Except as referred to in the preceding sentence, neither of the Purchasers, nor, to the best knowledge of either of them, any of the persons listed in Schedules I-III hereto has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as set forth herein, neither of the Purchasers, nor, to the best knowledge of either of them, any of the persons listed in Schedules I-III hereto, has since January 1, 1982 had any transaction with the Company or any of its executive officers, directors or affiliates that would require disclosure under the rules of the Commission. Except as set forth herein, there have been no contacts, negotiations or transactions since January 1, 1982 between either of the Purchasers, or, to the best knowledge of either of them, any of the persons listed in Schedules I-III hereto, or any subsidiary of either Purchaser or any of the persons so listed, and the Company or its affiliates, concerning a merger, consolidation or acquisition; a tender offer or other acquisition of securities; an election of directors; or a sale or other transfer of a material amount of assets.

9. Source and Amount of Funds. The total amount of funds required by the Purchasers to purchase an aggregate of 64,000,000 Shares pursuant to the Offer and to pay the related fees and

expenses is estimated to be approximately $3,576 million as follows: the Partnership, $889 million (16,000,000 Shares); Newco, $2,687 million (48,000,000 Shares). In addition, the Purchasers estimate that approximately $226 million will be required to pay interest and dividends during the 12 months after the purchase of Shares in the Offer on the securities to be sold and indebtedness to be incurred to finance such purchase. Such funds are expected to be obtained from the sources described below.

THE CONSUMMATION OF THE OFFER IS CONDITIONED, AMONG OTHER THINGS, ON THE PURCHASERS' OBTAINING FINANCING TO ENABLE THEM TO PURCHASE THE SHARES.

The Partnership. All of the amount to be paid by the Partnership for the purchase of Shares pursuant to the Offer and to pay related fees and expenses will be obtained from capital contributions from the Partners in the following amounts: Mesa Asset, $800 million; Cy-41, Inc., $44.5 million; and Jack-41, Inc., $44.5 million. Such funds are expected to be obtained by the Partners from the sources described below.

MESA ASSET. Funds for Mesa Asset's capital contributions to the Partnership in connection with the Offer will be advanced to Mesa Asset by Mesa. Mesa expects to obtain such funds from the following sources: (i) up to $150 million of internally generated funds and working capital of Mesa, including funds previously drawn under a $1,100 million credit facility arranged with certain banks in September 1984 and secured by oil and gas properties of Mesa and the stock of a Mesa subsidiary (the "Mesa Oil and Gas Credit") and (ii) up to $1,100 million of borrowings pursuant to a margin credit agreement expected to be entered into with certain banks (the "Mesa Margin Credit", and together with the Mesa Oil and Gas Credit, the "Mesa Credits"). The amount available under the Mesa Oil and Gas Credit is expected to be reduced to $1,000 million by April 18, 1985.

Mesa is seeking commitments aggregating $1,100 million from certain banks with respect to the Mesa Margin Credit, and on April 7, 1985, Mesa entered into an agency agreement with a commercial bank to serve as agent of the Mesa Margin Credit. The Mesa Margin Credit is expected to provide for one or more drawings of up to an aggregate of the total committed amount, at any time prior to June 30, 1986, for the purpose of financing the purchase and carry of Shares and the payment of related fees and expenses. Loans made pursuant to the Mesa Margin Credit are expected to be secured by a pledge by the Partnership of Shares heretofore or hereafter acquired by the Partnership and attributable to Mesa Asset's interest in the Partnership. Borrowings under the Mesa Margin Credit will be subject to, and will be made in accordance with, Regulation U of the Board of Governors of the Federal Reserve System.

Borrowings under the Mesa Oil and Gas Credit bear interest at either (i) LIBOR (as defined) plus ¾% or (ii) a designated prime rate plus ⅜%, at Mesa's election. It is expected that borrowings under the Mesa Margin Credit will bear interest at either (i) LIBOR plus 1⅛% or (ii) a designated prime rate plus ¾%, at Mesa's election, except that from and after the last business day of the first calendar quarter which commences one year after the date of the first draw (the "First Repayment Date"), such rates are expected to be (x) LIBOR plus 1⅜% or (y) prime plus 1%, at Mesa's election. On April 4, 1985, the designated prime rate was 10½% per annum and the LIBOR rate for thirty day loans was approximately 8¾% per annum. The Mesa Credits provide or are expected to provide for a commitment fee of ½% per annum on each bank's unborrowed commitment, payable quarterly. The Mesa Oil and Gas Credit provided for a one-time facility fee of ¼% to each bank whose commitment equaled or exceeded $100 million and ⅛% to the other banks. The Mesa Margin Credit is expected to provide for a one-time facility fee of ½% on each bank's commitment, payable upon Mesa's acceptance of such bank's commitment to make loans, and utilization fees of $400,000 to the banks pro rata based on each bank's commitment, payable upon the first dates that the total amount of loans drawn under the Mesa Margin Credit exceeds $100 million and each integral multiple of $100 million thereafter. In addition, Mesa expects that it will pay agency fees of up to $2 million under the Mesa Margin Credit. Loans under the Mesa Oil and Gas Credit are to be repaid in full on December 31, 1988. It is expected that loans under the Mesa Margin Credit will be payable in quarterly installments of one-twelfth of the

amount outstanding on June 30, 1986, commencing on the First Repayment Date, with the balance due on June 30, 1989.

The Mesa Credits provide or are expected to provide for various covenants of Mesa, including, without limitation, restrictions on dispositions of Shares pledged to the banks, payment of dividends, repurchases of stock, incurrence of indebtedness, creation of liens, mergers and consolidations, making of guarantees and making of loans, advances and investments. Mesa is also required or is expected to be required to maintain a $600 million minimum net worth. The Mesa Margin Credit is also expected to provide for certain restrictions on actions by the Partnership, including, without limitation, restrictions on dispositions of Shares attributable to Mesa Asset's interest in the Partnership, incurrence of indebtedness, making of guarantees and making of loans, advances and investments. The Mesa Credits provide or are expected to provide for a number of events of default, including (a) default by Mesa under agreements governing other indebtedness for borrowed money, (b) in the case of the Mesa Margin Credit, the aggregate market value of the Shares pledged to secure the banks' loans being less than (i) 150% of the amount of the margin loans for ten consecutive trading days and the determination by banks having two-thirds of the commitments that Mesa is unable to service the margin loans or (ii) 125% of the amount of the margin loans for three consecutive trading days, (c) replacement of a majority of the members of the Board of Directors of Mesa and (d) other customary events of default.

It is anticipated that the borrowings described above will be refinanced or will be repaid from funds generated internally by Mesa or other sources, which may include the proceeds of the sale of debt or equity securities of Mesa or the sale of assets of Mesa. No decision has been made concerning this matter and decisions will be based on Mesa's review from time to time of the advisability of selling particular securities or assets of Mesa, as well as on interest rates and other economic conditions.

AFFILIATES OF WAGNER & BROWN. Funds for the capital contributions to be made by Cy-41, Inc. and Jack-41, Inc. to the Partnership in connection with the Offer will be contributed to such corporations by Messrs. Wagner and Brown, respectively. Messrs. Wagner and Brown expect to obtain such funds from the following sources: (i) up to $50 million of available internally generated funds and working capital of Wagner & Brown, including funds previously drawn under Credit A (as defined below) of the credit facility arranged by Wagner & Brown and various of its affiliates with certain banks in October 1984 (the "Wagner & Brown Credit") and (ii) up to approximately $40 million of borrowings under Credit B (as defined below).

The Wagner & Brown Credit provides for aggregate borrowings of $270 million under two lines of credit (herein referred to as "Credit A" and "Credit B"). A maximum of $135 million is available under each of Credit A and Credit B subject, in the case of Credit A, to adjustment based on periodic reserve reports on certain oil and gas properties of Wagner & Brown, including those securing the Wagner & Brown Credit.

Advances made under both Credit A and Credit B will be secured by (i) mortgages on certain oil and gas properties and (ii) pledges of shares of stock, including Shares heretofore or hereafter acquired by the Partnership and attributable to Cy-41, Inc.'s and Jack-41, Inc.'s interest in the Partnership. Both Credit A and Credit B are revolving lines of credit that will convert on specified dates to term notes payable in quarterly installments, with the first installment on each note due at the end of the first calendar quarter commencing after its respective conversion date. Credit A will convert to a six-year note on October 24, 1987. Credit B will convert to a four-year note on the earlier of (i) one year after the date of the first Credit B advance; or (ii) October 24, 1986. Borrowings under the Wagner & Brown Credit will bear interest at either (i) a designated prime rate for Credit A advances, and such prime rate plus ½% for Credit B advances; (ii) a designated Eurodollar rate plus ¾% for Credit A advances, and such Eurodollar rate plus 1% for Credit B advances; or (iii) a certificate of deposit rate plus ⅞% for Credit A advances, and such certificate of deposit rate plus 1⅛% for Credit B advances, in each case at the option of Wagner & Brown. The Wagner & Brown Credit provides for a commitment fee of ½% per annum on the unused amount of the commitment under each of Credit A and Credit B,

payable quarterly. Wagner & Brown has paid a facility fee of ½% of the initial commitment available under Credit B.

The Wagner and Brown Credit contains various covenants of Wagner & Brown and its affiliates, including, among others, that Wagner & Brown and its affiliates will maintain at all times a specified minimum combined net worth. In addition, it is an event of default under the Wagner & Brown Credit for the aggregate market value of the pledged stock either (i) to be less than 150% of the total principal amount then outstanding under Credit B on each of 30 consecutive business days or (ii) to be less than 135% of the total principal amount then outstanding under Credit B at the close of trading on any one day.

The Wagner & Brown Credit also contains certain other covenants and representations typical of credit agreements of this nature. Borrowings under the Wagner & Brown Credit will be subject to, and will be made in accordance with, Regulation U of the Board of Governors of the Federal Reserve System.

It is anticipated that borrowings under the Wagner & Brown Credit will be refinanced or will be repaid from funds generated internally by Wagner & Brown, the issuance of debt securities of Wagner & Brown or its affiliates or the sale of assets of Wagner & Brown. No decision has been made concerning this matter and decisions will be made from time to time based on Wagner & Brown's determination of the advisability, given the financial and economic conditions then prevailing both generally and with respect to Wagner & Brown, of pursuing any particular method of obtaining funds.

Newco. The Purchasers have retained Drexel Burnham Lambert Incorporated ("Drexel Burnham") to seek financing for the purchase of Shares by Newco through the sale of (i) $2,400 million of equity and debt securities of Newco and (ii) $600 million of Exchangeable Preferred Stock of Mesa, the proceeds of which would be used by Mesa or a Mesa subsidiary to purchase Junior Preferred Stock of Newco. Drexel Burnham has indicated that it will seek to obtain such financing and has informed the Purchasers that, based upon current conditions and assuming Drexel Burnham can begin seeking commitments no later than April 8, 1985, Drexel Burnham firmly believes that it can obtain by May 3, 1985 commitments for the financing described in this paragraph. It is expected that the obligations of the purchasers of the securities described above to purchase such securities will be conditioned on the Purchasers' acceptance for payment of 64,000,000 Shares. The Offer does not constitute an offer to sell or a solicitation of an offer to buy any of the securities referred to in this paragraph. The purchase by Mesa or a Mesa subsidiary of Junior Preferred Stock of Newco will require the consent of the banks which are parties to the Mesa Oil and Gas Credit. In addition, it is anticipated that the Partnership would, concurrently with the purchase of Shares pursuant to the Offer, contribute the Shares presently owned and the Shares to be acquired by it pursuant to the Offer (subject to the pledge of such Shares pursuant to the Mesa Margin Credit and the Wagner & Brown Credit) to Newco in exchange for equity securities of Newco, at which time Newco would own a majority of the outstanding Shares.

Pursuant to a Letter Agreement and a Dealer Manager Agreement, each dated April 8, 1985 (collectively, the "Drexel Burnham Agreements"), among Mesa, the Purchasers and Drexel Burnham, Drexel Burnham was retained as exclusive financial advisor to Mesa, Newco and the Partnership, to use its best efforts to arrange certain portions of the financing for any tender offer, as described above, for Shares and to act as the Dealer Manager in connection with the Offer.

Mesa and the Purchasers have agreed to pay to Drexel Burnham a fee of $500,000 for the above financial advisory services, and an additional fee of $3,000,000 for its efforts to arrange such financing, both of which are now payable. Mesa and the Purchasers have also agreed to pay to certain institutional investors who make financing commitments (i) by April 12, 1985, a fee of ⅜% of the purchase price of securities so committed and an additional fee of ⅜% of such purchase price upon acceptance of such commitments by Mesa and the Purchasers, and (ii) subsequent to April 12, 1985 but by April 24, 1985, a fee of ¾% of the purchase price of securities so committed, if such commitments are accepted by Mesa and the Purchasers. Mesa and the Purchasers will pay Drexel Burnham for its services in

arranging such commitments a fee of ⅛% of the purchase price of securities so committed by April 12, 1985, plus an additional ⅜% of such purchase price in the case of commitments that are accepted by Mesa and the Purchasers on April 12, 1985. Mesa and the Purchasers will also pay to Drexel Burnham a fee of ½% of the purchase price of securities in respect of which commitments are accepted by Mesa and the Purchasers after April 12, 1985 and prior to April 24, 1985. The abovementioned $500,000 and $3,000,000 fees payable to Drexel Burnham will be credited against the abovementioned ⅜% and ½% fees payable to Drexel Burnham (to the extent not previously applied to reduce any other fees payable to Drexel Burnham under the abovementioned Letter Agreement) and if the commitments are not accepted by Mesa and the Purchasers the abovementioned $500,000, $3,000,000 and ⅛% fees payable to Drexel Burnham will be credited against the fee referred to in clause (ii) of the first sentence of the next succeeding paragraph (to the extent not previously applied to reduce any other fees payable to Drexel Burnham under the abovementioned Letter Agreement). In addition, if Mesa and the Purchasers utilize the financing arranged by Drexel Burnham, Mesa and the Purchasers will pay to Drexel Burnham an additional fee equal to 2¼% of the aggregate purchase price of all securities (other than the Junior Preferred Stock of Newco to be sold to Mesa or a Mesa subsidiary) included in such financing and will cause to be sold to Drexel Burnham shares of Class B Common Stock of Newco representing 10% of the shares of such stock to be acquired by acquirors other than Drexel Burnham at the same price per share as paid by such other acquirors.

If, up until the time that securities are issued pursuant to the above commitments, Mesa or either of the Purchasers or any of their affiliates, within 18 months following April 8, 1985, sells or enters into an agreement to sell Shares which it now owns, (i) if Mesa and the Purchasers have accepted commitments to purchase an aggregate of at least $1,500 million in securities, then each institutional investor who committed to purchase Newco's Class B Common Stock will be entitled to receive a pro rata portion (based upon the proportion which the aggregate purchase price of such stock that it committed to purchase bears to $1,800,000) of 15% or, in the case of any such institutional investor whose commitment is extended beyond October 24, 1985, 20% of the excess of the aggregate sales price received by Mesa, either of the Purchasers or any of their affiliates for such Shares over the product of $50 per Share times the aggregate number of Shares so sold, and (ii) Drexel Burnham will be entitled to a fee of $15,000,000, unless Drexel Burnham shall have failed to secure written commitments aggregating $1,500 million by April 12, 1985 or $3,000 million by April 24, 1985, in which case Mesa and the Purchasers will pay Drexel Burnham a fee equal to ½% of the aggregate amount of the commitments accepted by Mesa and the Purchasers; provided that the amount of any fee payable to Drexel Burnham pursuant to this clause (ii) may not be greater than the excess of the amount of consideration received (as defined) on the sale of all such Shares over the amount of all expenditures (as defined, which term includes the purchase price of all Shares disposed of and the other fees and expenses payable to Drexel Burnham and institutional investors purchasing securities, all as described in this paragraph). Drexel Burnham is also entitled to reimbursement of all out-of-pocket expenses incurred in connection with rendering services pursuant to the Drexel Burnham Agreements. Mesa and the Purchasers have agreed to indemnify and hold Drexel Burnham harmless for certain losses, claims, damages and liabilities incurred in connection with rendering services pursuant to the Drexel Burnham Agreements, and to similarly indemnify and hold harmless institutional investors who have committed to purchase securities.

General. Copies of the agreements or other instruments referred to above that have been executed to date are filed as exhibits to the Schedule 14D-1 filed by the Purchasers with the Commission in connection with the Offer. When definitive agreements relating to the credit facilities and other financing being arranged as described above have been executed, copies of such agreements will be filed as exhibits to the Schedule 14D-1. Reference is made to such exhibits for a more complete description of the terms and conditions of such documents.

10. Past Contacts, Transactions or Negotiations with the Company; Background of the Offer. On February 14, 1985, the Partnership filed a Schedule 13D with the Commission indicating that it had purchased 12,649,600 Shares, or approximately 7.3% of the outstanding Shares. In its Schedule 13D, the Partnership stated that it had acquired the Shares held by it solely for the purpose of investment and that it believed there was potential for substantial appreciation in the market value of the Shares.

particularly in view of the fact that the Company had not as of such date participated in the ongoing restructuring process in the oil and gas industry. The Partnership stated in its Schedule 13D that it intended to review on a continuing basis its investment in the Shares. Since the filing of the Schedule 13D, Fred L. Hartley, the Company's Chairman and President, has indicated publicly on several occasions his opposition to the Company's possible participation in such restructuring process. On March 7, 1985, the Company filed a Current Report on Form 8-K with the Commission disclosing amendments to the Company's Bylaws purporting to restrict the right of stockholders of the Company to nominate persons to serve as directors of the Company and to bring matters before annual meetings of stockholders by, among other things, purporting to require 30 days' notice of any such nominations or matters. In addition, the Company has filed a lawsuit against one of the banks participating in the Mesa Oil and Gas Credit. On March 21, 1985, Mesa and Mesa Asset filed a lawsuit against the Company, a subsidiary of the Company and Mr. Hartley, alleging, among other things, that the defendants had interfered with Mesa's relationship with its banks. In view of these and other developments and market conditions, on March 28, 1985 the Partnership amended its Schedule 13D to state that it was reviewing its investment in the Shares and was reconsidering the purpose of its investment in the Shares. The Partnership further stated that it might seek to obtain control of the Company or to participate in the formulation, determination or direction of the basic business decisions of the Company.

On March 27, 1985, the Partnership submitted to the Company a request for a stockholder list and certain other information for the purpose of soliciting proxies in connection with the 1985 annual meeting of the Company's stockholders presently scheduled to be held on April 29, 1985 (the "Stockholders' Meeting"). On March 28, 1985, the Partnership submitted to the Company notice of its intention to bring before the Stockholders' Meeting the following two proposals (the "Adjournment Proposals"): (a) a proposal, to be the first item of business brought before and acted upon after the convening of the Stockholders' Meeting on April 29, 1985 and, if adopted, the only item of business brought before and acted upon until the reconvening of the adjourned Stockholders' Meeting on June 28, 1985, to (i) postpone the election of directors and, in connection therewith, to adjourn the Stockholders' Meeting until 10:00 A.M., Pacific Daylight Time, on June 28, 1985 and (ii) request the Company's Board of Directors to fix a new record date for determining holders of Shares entitled to notice of and to vote at the adjourned Stockholders' Meeting not more than sixty nor less than ten days before June 28, 1985; and (b) a proposal to rescind any action taken at the Stockholders' Meeting on April 29, 1985 other than action taken with respect to the proposal referred to in clause (a) above in accordance with its terms. The Partnership filed preliminary proxy materials with the Commission relating to the solicitation of proxies in favor of the Adjournment Proposals.

The purpose of the Adjournment Proposals was to give the stockholders of the Company adequate time prior to voting with respect to the election of directors at the Stockholders' Meeting to consider and evaluate any plan that the Partnership might formulate and submit to the Company and/or its stockholders and to consider and evaluate the reaction of the Board of Directors of the Company to such plan. The March 28, 1985 amendment to the Partnership's Schedule 13D also stated that such a plan could include, without limitation, a proposed transaction by the Partnership, either acting alone or in conjunction with others, to acquire the Company or additional Shares (possibly providing it or them ownership or control of a majority of the outstanding Shares) by means of a tender offer or otherwise, or to effect a proposed restructuring of the Company which could include a repurchase of Shares by the Company, a recapitalization of the Company and/or a sale or distribution of assets of the Company. In this connection, the Partnership stated that it intended to discuss with potential lenders and investors the possibility of arranging additional sources of financing which could be used to purchase additional Shares.

In response to the Partnership's statements in its amended Schedule 13D, the Company filed a complaint on April 1, 1985 in the United States District Court for the Central District of California naming Messrs. Pickens, Wagner and Brown, the Partnership, the Partners and certain affiliates of the Partners as defendants. The complaint alleges, among other things, that the defendants violated Section 13(d) of the Exchange Act by making false and misleading statements in the Partnership's

initial Schedule 13D relating to the Shares, by failing to disclose in the Partnership's initial Schedule 13D certain material information and by failing to correct in amendments to the initial Schedule 13D false and misleading statements previously made. The complaint filed by the Company seeks injunctive relief to prevent the defendants from voting in person or by proxy any Shares or soliciting proxies from holders of Shares and to compel the defendants to dispose, in an orderly fashion, of all Shares purchased in violation of the federal statutes as alleged in the complaint. A hearing on the Company's motion for preliminary injunctive relief has been scheduled for April 25, 1985.

The complaint filed by the Company sets forth a number of allegations in support of the alleged violations of Section 13(d), including, among others, the assertions that the Partnership's Schedule 13D: (a) falsely stated that the Partnership acquired Shares "solely for the purpose of investment" and that the Partnership had "no present intention of seeking to obtain control of the Company or to participate in the formulation, determination or direction of the basic business decisions of the Company"; (b) falsely stated that the Partnership had "no present intention of seeking to effect or to cause the Company to effect any restructuring transaction"; (c) failed to disclose that the true purpose and intent of defendants' acquisition of Shares is in fact to extort economic benefit by means of public declarations of an intent to obtain control of the Company, or to initiate a tender offer or to seek to participate in the basic business decisions of the Company, and then to dispose of their Shares in a market inflated by their destabilizing activities; (d) failed to disclose that Mesa is an investment company as that term is defined in Sections 3(a)(1) and 3(a)(3) of the Investment Company Act of 1940 (the "1940 Act"); that Mesa is or holds itself out as being engaged primarily in the business of investing in, reinvesting in, owning, holding or trading securities and that more than 40% of the assets of Mesa consists of "investment securities" as defined in Section 3(a)(3) of the 1940 Act; that Mesa has not registered with the Commission as required by the 1940 Act and has not complied with other applicable provisions of the 1940 Act; that, as a consequence of its investment-company status, Mesa is in breach of a representation contained in, and therefore in default under, the credit agreement that provided a substantial portion of the funds used to purchase Shares; and that, as a consequence of Mesa's investment-company status, the acquisition of Shares by the Partnership is voidable; (e) failed to disclose that the defendants acquired all of their Shares in excess of $15 million in violation of the HSR Act; that defendants falsely stated in the Partnership's initial Schedule 13D that their purpose was "solely . . . investment" in order to feign eligibility for an exemption under the HSR Act permitting the acquisition of less than ten percent of the outstanding stock "solely for purpose of investment" and thereby unlawfully to evade the requirements of the HSR Act; that, as a consequence of this violation, the acquisitions of Shares are subject to divestiture; and that, as a further consequence of this violation, defendants may be required to undergo a waiting period pending antitrust review by the Federal Trade Commission and Department of Justice; (f) falsely stated (in its March 28, 1985 amendment to its Schedule 13D) that the Partnership is "reconsidering its purpose in respect of its investment," and set forth false and fictitious reasons for such a purported "reconsideration"; and (g) falsely asserted (in its March 28, 1985 amendment to its Schedule 13D) that the Partnership "may seek to obtain control . . . or to participate in . . . the basic business decisions" of the Company, when, in fact, defendants seek only to benefit themselves by selling their accumulated Shares for the highest premium that they can drain from the Company.

On April 2, 1985, the Company and its subsidiary filed a cross-complaint against Mesa and Mesa Asset alleging, among other things, violations of California law, public policy and the Exchange Act. The cross-complaint seeks unspecified actual and punitive damages, as well as injunctive relief.

The Partnership and the other defendants intend to vigorously defend against all the allegations of the complaint and the cross-complaint filed by the Company. For certain information concerning the HSR Act and the 1940 Act, see Section 16.

On April 2, 1985, the Company filed a Current Report on Form 8-K with the Commission disclosing an amendment to the Company's Bylaws which purports to reduce the quorum for meetings of stockholders to one-third of the outstanding Shares.

Following the March 28, 1985 amendment to the Partnership's Schedule 13D, preliminary discussions were held on several occasions with potential investors, Drexel Burnham and commercial banks concerning the possible availability of financing for the acquisition of additional Shares. On April 5, 1985, the Partnership began definitive discussions with a commercial bank concerning the possibility of arranging the margin financing described in Section 9 above, and on April 7, 1985 entered into an agency agreement with such bank to serve as agent of the Mesa Margin Credit. Also on April 5, 1985, the Partnership began definitive discussions with Drexel Burnham concerning the possible financing of a cash tender offer that, if successfully consummated, would result in the Partnership owning or controlling a majority of the outstanding Shares. On April 7, 1985 the Partnership and its affiliates authorized the commencement of the Offer, and on April 8, 1985 executed the Drexel Burnham Agreements.

11. Purpose of the Offer. The Partnership currently owns 23,700,000 Shares, representing approximately 13.6% of the outstanding Shares. The purpose of the Offer is to acquire a number of Shares which, when added to the Shares presently owned by the Partnership, will constitute a majority of the Fully Diluted Shares as a step in obtaining control of the Company and ultimately acquiring the entire equity interest in the Company. If the Purchasers purchase in the aggregate 64,000,000 Shares pursuant to the Offer, the Purchasers will collectively own 87,700,000 Shares, or approximately 50.1% of the Fully Diluted Shares.

If the Purchasers purchase Shares pursuant to the Offer, the Purchasers intend to seek maximum representation on, and possibly control of, the Board of Directors of the Company. According to the Company's Certificate of Incorporation (the "Certificate") and Bylaws, the Company's Board of Directors, which currently consists of fourteen members, is divided into three classes, with each class elected for a term of three years and one class elected at the Company's annual meeting of stockholders each year. Pursuant to Delaware law and the Certificate, directors of the Company may be removed only for cause by the affirmative vote of the holders of a majority of the outstanding Shares. According to the Company's Proxy Statement dated March 18, 1985, three directors are to be elected at the Stockholders' Meeting, and the Board is to be reduced to thirteen members.

As set forth in Section 10, on March 28, 1985, more than thirty days prior to the date of the Stockholders' Meeting, the Partnership delivered to the Company written notice that it intends to propose to stockholders of the Company the Adjournment Proposals. The Partnership has filed preliminary proxy materials with the Commission for use in connection with the solicitation of proxies from stockholders of the Company in favor of the Adjournment Proposals, and solicitation of such proxies will not commence until the filing with the Commission of definitive proxy solicitation materials. The Purchasers intend to take the position that, in the event the Adjournment Proposals are adopted by stockholders of the Company and the Stockholders' Meeting is postponed for more than 30 days, the Purchasers may deliver notice to the Company 30 days in advance of such reconvened Stockholders' Meeting and present one or more proposals at the reconvened Stockholders' Meeting. However, there can be no assurance that the Company will not challenge the Partnership's ability, under the Company's recently enacted Bylaw amendment purporting to require 30 days' notice to bring matters before annual meetings, to bring any such proposals before any reconvened Stockholders' Meeting or that the Partnership will be able to present any proposals at any reconvened Stockholders' Meeting. The Company has not informed the Partnership of its position on this matter. If the Partnership, together with Newco, acquires a majority of the outstanding Shares and it is not able to present any proposals at the reconvened Stockholders' Meeting, the ability of the Purchasers to exercise control over the Company may be impaired or delayed, particularly in light of the fact that the Certificate denies stockholders the right to act by written consent and the right to call special stockholders' meetings.

In addition, whether or not the Purchasers obtain representation on, or control of, the Board of Directors, if Shares are purchased pursuant to the Offer, the Purchasers currently intend to propose a transaction or series of transactions in which the Shares not owned by the Purchasers would be

acquired in exchange for securities having an aggregate market value, in the opinion of an independent investment banker selected by the Purchasers and on a fully distributed basis as of the time the terms of such securities were determined, of approximately $54 per Share.

The Partnership believes that funds generated by operations of the Company would be sufficient to make the required payments with respect to the total amount of securities that would be issued if all outstanding Shares were acquired as described above. The Partnership's belief is based on its analysis of the financial and business information contained in the Company's filings with the Commission and on the Partnership's forecast of the financial position and results of operations of the Company through 1992 and in certain respects beyond. For purposes of this forecast, the Partnership made certain assumptions regarding future interest rates, prices, costs and other data believed by it to be reasonable under the circumstances.

The Partnership's analyses and forecast are based in large part on publicly available information and on interpretations by the Partnership of such information (including estimates, derived from the Company's published reserve information, of future oil and gas production rates). The Partnership has assumed and relied upon the completeness and accuracy of all such public information without independent verification and makes no representation regarding such accuracy or completeness. In addition, there is no assurance that the Partnership's assumptions regarding future interest rates, prices, costs and other data will prove accurate. The use of other assumptions regarding such matters might materially change the results of such analyses and forecasts. Accordingly, while the Partnership's analyses and forecasts have been prepared in good faith and on bases believed to be reasonable, there can be no assurance that such analyses are accurate or that such forecasts will be realized. In any event, there can be no assurance that the issuance of securities as contemplated above for the acquisition of all of the equity interest of the Company could in fact be arranged on terms acceptable to the Partnership.

The Offer does not constitute an offer to sell, or a solicitation of an offer to buy, securities which may be issued in any subsequent merger or other transaction involving the Company which may be proposed by the Purchasers. The issuance of such securities would be registered under the Securities Act of 1933, if required, and, in such case, such securities would be offered only by means of a prospectus.

The Certificate provides that the affirmative vote of the holders of not less than 75% of the outstanding Shares shall be required for approval if (i) the Company merges or consolidates with a Related Corporation, (ii) the Company sells or exchanges all or a substantial part of its assets to or with such Related Corporation, or (iii) the Company issues or delivers any stock or other securities of its issue in exchange or payment for any properties or assets of such Related Corporation or securities issued by such Related Corporation, or in a merger of any affiliate of the Company with or into such Related Corporation or any of its affiliates; provided that such provision shall not apply to any such merger, consolidation, sale or exchange, or issuance or delivery of stock or other securities, which was approved by 75% of the directors prior to the acquisition of the beneficial ownership of more than 10% of the total voting power of all outstanding shares of voting stock of the Company by such Related Corporation and its affiliates, nor shall it apply to any such transaction solely between the Company and another corporation 50% or more of the voting stock of which is owned by the Company. A corporation is a "Related Corporation" if such corporation and its affiliates singly or in the aggregate are directly or indirectly the beneficial owners of more than 10% of the total voting power of all outstanding shares of voting stock of the Company.

Although provisions of the Certificate seek to delay and restrict the voting power of the owners of a majority of the outstanding Shares, including their ability to gain representation on the Company's Board of Directors and to cause the Company to effect transactions of the type described above, if the Purchasers acquire a sufficient number of Shares, they intend, consistent with applicable legal requirements, to take such action as they deem to be appropriate to seek to exercise control over the business and affairs of the Company, including the composition of its management, for the purpose of taking action designed to effectuate the transaction or series of transactions described above.

The timing and details of any of the transactions described above will necessarily depend on a variety of factors. Although it is the present intention of the Purchasers to propose and seek to consummate such a transaction or series of transactions, as a result of information hereafter obtained, changes in the businesses of the Company or the Purchasers, or other factors which cannot presently be foreseen, the Purchasers can give no assurance that any merger or other business combination will be proposed or will be proposed on the terms set forth above or will not be delayed or abandoned. Furthermore, any merger or other business combination with the Company would be subject to certain conditions, including receipt of any required regulatory approvals and approval by the stockholders of the Company (if at the time of such transaction the Purchasers did not own or have the power to vote at least 75% of the outstanding Shares) and, unless the Purchasers at the time of such transaction owned 90% or more of the outstanding Shares, approval of the Board of Directors of the Company.

Rule 13e-3 of the Commission, adopted under the Exchange Act, is applicable to certain "going private" transactions and might be applicable to any merger or other transaction referred to above involving the Company following the purchase of Shares pursuant to the Offer in which the Purchasers are seeking to acquire all or substantially all the remaining Shares not held by them. If applicable, Rule 13e-3 would require, among other things, that certain financial information concerning the Company and certain information relating to the fairness of the proposed transaction and the consideration offered to remaining stockholders in such a transaction be filed with the Commission and disclosed to such stockholders prior to consummation of the transaction.

If the Purchasers were able to consummate a merger or similar business combination, stockholders of the Company might have the right to dissent and demand appraisal of their Shares under Delaware law. Under Delaware law, dissenting stockholders who comply with the statutory procedures would be entitled to receive a judicial determination and payment of the "fair value" of their Shares. Any such judicial determination of the value of Shares could be based upon considerations other than or in addition to the price paid in the Offer and the market value of the Shares, including asset values and any other value considerations generally accepted in the investment community. The value so determined could be more or less than the purchase price per Share pursuant to the Offer or the consideration per Share paid in such a merger or other business combination.

In addition, several recent decisions by the Delaware courts have held that, in certain circumstances, a controlling stockholder of a company involved in a merger has a fiduciary duty to the other stockholders which requires that the merger be fair to such other stockholders. In determining whether a merger is fair to such other stockholders, the Delaware courts have considered, among other things, the type and amount of the consideration to be received by the stockholders and whether there was fair dealing among the parties. The Delaware Supreme Court indicated in *Weinberger* v. *UOP, Inc.* that in most cases the remedy available in a merger that is found not to be fair to such other stockholders is the right to appraisal described above or a damages remedy based on essentially the same principles.

The Purchasers reserve the right to acquire additional Shares following the expiration or termination of the Offer. Such acquisitions may be made through open market purchases, privately negotiated transactions, a tender offer or exchange offer, or otherwise, on such terms and at such prices as the Purchasers shall determine. The Purchasers also reserve the right to dispose of any or all Shares which they own.

Except as noted above or elsewhere in this Offer to Purchase, the Purchasers have no present plans or proposals that relate to the payment of dividends or that would result in an extraordinary corporate transaction, such as a merger, reorganization or liquidation, a sale or transfer of a material amount of assets of the Company or any of its subsidiaries, any changes in the Company's present Board of Directors or management, any material change in the capitalization of the Company, or any other change in the Company's corporate structure or business or that would cause the Shares to be delisted, to cease to be authorized to be quoted in an inter-dealer quotation system of a national securities association or to become eligible for termination of registration under the Exchange Act.

12. Effect of the Offer on the Market for the Shares; Stock Exchange Listings; Registration Under the Exchange Act. The purchase of Shares pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and may reduce the number of holders of Shares, which could adversely affect the liquidity and market value of the remaining Shares.

Based on the number of Shares sought in the Offer, publicly available information concerning the Shares and published guidelines of the NYSE, the PSE and the MSE, the Purchasers do not believe that it is likely that the purchase of Shares pursuant to the Offer will result in delisting of the Shares by any such exchange. Published guidelines of the NYSE indicate that it would consider delisting the Shares if the number of publicly held Shares were less than 600,000 or if there were fewer than 1,200 holders (including beneficial holders of stock held in the name of NYSE member organizations) of 100 or more Shares or if the aggregate market value of the "publicly-held Shares" did not exceed $5 million. According to published guidelines of the PSE, it would consider delisting the Shares if, among other things, the number of publicly held Shares exclusive of management or other concentrated holdings is less than 100,000 or there are fewer than 500 recordholders. According to published guidelines of the MSE, it would consider delisting the Shares if, among other things, the number of publicly held Shares is less than 100,000 or there are fewer than 500 recordholders. The Company 1984 Annual Report states that there were 82,673 stockholders of record as of December 31, 1984.

If the NYSE were to delist the Shares, it is possible that the Shares would continue to trade on the PSE, the MSE or another securities exchange or in the over-the-counter market and that price quotations for the Shares would be reported by such exchange or through the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or other sources. The extent of the public market for the Shares and availability of such quotations would, however, depend upon the number of holders and/or the aggregate market value of the Shares remaining at such time, the interest in maintaining a market in the Shares on the part of securities firms, the possible termination of registration of the Shares under the Exchange Act, as described below, and other factors.

The Shares are currently "margin securities" under the rules of the Board of Governors of the Federal Reserve System, which has the effect, among other things, of allowing brokers to extend credit on the collateral of Shares. Depending on factors similar to those described above, the Shares might no longer constitute "margin securities" for the purposes of the margin regulations of the Board of Governors of the Federal Reserve System and, therefore, could no longer be used as collateral for loans made by brokers. The Shares are registered under the Exchange Act. Such registration may be terminated upon application of the Company to the Commission if the outstanding Shares are not listed on a national securities exchange and there are fewer than 300 holders of record of the Shares. The termination of the registration of the Shares under the Exchange Act would reduce the information required to be furnished by the Company to its stockholders and to the Commission and would make certain of the provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b) and the requirement of furnishing a proxy statement in connection with stockholders' meetings, no longer applicable to the Company. Furthermore, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933. If registration of the Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities" or eligible for NASDAQ reporting. The Purchasers do not believe that the purchase of Shares pursuant to the Offer will result in the Shares ceasing to constitute "margin securities" for the purposes of the margin regulations of the Board of Governors of the Federal Reserve System or becoming eligible for deregistration under the Exchange Act.

13. Dividends and Distributions. If, on or after April 1, 1985, the Company should (i) split, combine or otherwise change the Shares or its capitalization, (ii) acquire presently outstanding Shares or otherwise cause a reduction in the number of outstanding Shares or (iii) issue or sell any additional Shares, then, without prejudice to the Purchasers' rights under Section 15 hereof, the Purchasers, in their sole discretion, may make such adjustments in the purchase price and other terms of the Offer as

they deem appropriate, including, without limitation, the number or type of securities offered to be purchased.

If, on or after April 1, 1985, the Company should declare or pay any cash or stock dividend on the Shares (other than regular quarterly cash dividends not in excess of $.30 per Share) or any distribution (including, without limitation, the issuance of additional Shares pursuant to a stock dividend or stock split or issuance of rights for the purchase of any securities) with respect to the Shares that is payable or distributable to stockholders of record on a date prior to the transfer to the name of the Purchasers or their nominees or transferees on the Company's stock transfer records of the Shares purchased pursuant to the Offer, then, without prejudice to the Purchaser's rights under Section 15, (i) the purchase price per Share payable by the Purchasers pursuant to the Offer will be reduced to the extent any such dividend or distribution is payable in cash and (ii) any non-cash dividend, distribution or right shall be received by the tendering stockholders for the account of the appropriate Purchaser or Purchasers and will be required to be promptly remitted and transferred by the tendering stockholder to the Depositary for the account of the appropriate Purchaser or Purchasers, accompanied by appropriate documentation of transfer. Pending such remittance, the appropriate Purchaser or Purchasers will be entitled to all rights and privileges as owners of any such other or additional non-cash dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by the appropriate Purchaser or Purchasers in its or their sole discretion.

14. Extension of Tender Period; Termination; Amendment. The Purchasers reserve the right, at any time or from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to the Depositary. There can be no assurance that the Purchasers will exercise such rights to extend the Offer. During any such extension, all Shares previously tendered and not purchased or withdrawn will remain subject to the Offer and may be accepted for payment by the Purchasers, except to the extent such Shares may be withdrawn as set forth in Section 3. The Purchasers also reserve the right (i) to terminate the Offer and not accept for payment or pay for any Shares not theretofore accepted for payment or paid for upon the occurrence of any of the conditions specified in Section 15, by giving oral or written notice of such termination to the Depositary and (ii) at any time or from time to time, to amend the Offer in any respect. Any such extension, termination or amendment will be followed as promptly as practicable by public announcement thereof. Without limiting the manner in which the Purchasers may choose to make any public announcement, the Purchasers will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Dow Jones News Service.

15. Certain Conditions of the Offer. Notwithstanding any other provision of the Offer, the Purchasers shall not be required to accept for payment or pay for any tendered Shares, and may terminate or amend the Offer as provided in Section 14 and may postpone the acceptance for payment of or payment for Shares tendered, if at least 64,000,000 Shares have not been validly tendered and not withdrawn prior to the Expiration Date, if the Purchasers shall not have obtained sufficient financing to enable them to acquire 64,000,000 Shares, or if at any time on or after April 1, 1985 and prior to such acceptance for payment or payment (whether or not any Shares have theretofore been accepted for payment or paid for pursuant to the Offer):

(a) except for the currently pending complaint and cross-complaint brought by the Company and certain of its affiliates against the Partnership and certain of its affiliates described in Section 10, there shall be threatened, instituted or pending any action or proceeding by or before any court or governmental, administrative or regulatory agency or authority or any other person, domestic or foreign, challenging the making of the Offer or the acquisition by either of the Purchasers of any Shares, or otherwise directly or indirectly relating to the Offer or, in the sole judgment of either of the Purchasers, otherwise adversely affecting the Company, either of the Purchasers or any of their respective subsidiaries or affiliates; or

(b) in the case of the currently pending complaint and cross-complaint brought by the Company and certain of its affiliates against the Partnership and certain of its affiliates described in Section 10, a development shall occur that the Purchasers determine, in their sole discretion, to be materially adverse; or

(c) any change shall have occurred or be threatened in the business, properties, financial condition, capitalization, operations, results of operations or prospects of the Company or any of its subsidiaries that, in the sole judgment of the Purchasers, is or may be materially adverse to the Company and its subsidiaries taken as a whole, or the Purchasers shall have become aware of any facts that, in the sole judgment of the Purchasers, have or may have material adverse significance with respect to the value of the Company or its subsidiaries or the value of the Shares to the Purchasers; or

(d) there shall have occurred (i) any general suspension of, or limitation on prices for, trading in securities on the NYSE, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iii) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States, (iv) any limitation by any governmental authority on, or any other event which, in the sole judgment of the Purchasers, might affect the extension of credit by banks or other lending institutions or (v) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof; or

(e) the Company or any subsidiary shall have (i) issued or sold, or authorized or proposed the issuance or sale of, (A) any shares of capital stock of any class, or securities convertible into any such shares, or any rights, warrants or options to acquire any such shares or convertible securities, or (B) any other securities in respect of, in lieu of, or in substitution for the outstanding Shares, (ii) purchased any outstanding Shares or offered to purchase any such Shares, (iii) declared or paid any dividend or distribution on any Shares (other than regular quarterly cash dividends at a rate not in excess of $.30 per Share), (iv) authorized, recommended, proposed or announced its intention to enter into any merger, consolidation, business combination, acquisition of assets or Shares, disposition of assets or Shares, material change in its capitalization, or any comparable event, not in the ordinary course of business (including any such merger, consolidation or business combination involving either of the Purchasers or any Partner or any affiliate of any of the foregoing), (v) authorized, recommended, proposed or announced its intention to authorize, recommend or propose any distribution of assets to its stockholders or other transaction which would substantially affect the value of the Shares to the Purchasers or (vi) entered into any other agreement or arrangement with any other party that in the Purchasers' opinion could materially affect the value of the Shares; or

(f) a tender or exchange offer for some portion or all of the Shares shall have been publicly proposed to be made or shall have been made by another person (including the Company), or it shall have been publicly disclosed or the Purchasers shall have learned that (i) any person or "group" (as such term is used in Section 13(d)(3) of the Exchange Act) shall have acquired or proposed to acquire more than 5% of the outstanding Shares or shall have been granted any option or right to acquire more than 5% of the outstanding Shares, other than acquisitions for bona fide arbitrage purposes and other than acquisitions by persons or groups who have publicly disclosed such ownership on or prior to April 1, 1985, or (ii) any such person or group (other than the Purchasers) who has publicly disclosed any such ownership of more than 5% of the Shares prior to such date shall have acquired or proposed to acquire additional Shares constituting more than 1% of the outstanding Shares or shall have been granted any option or right to acquire more than 1% of the outstanding Shares; or

(g) there shall have been any action taken, or any statute, rule, regulation or order proposed, promulgated, enacted, entered or deemed applicable to the Offer, by any domestic or foreign government or governmental authority or by any court, domestic or foreign, that, in the sole

judgment of the Purchasers, might (i) make the acceptance for payment of or payment for some or all of the Shares illegal or otherwise restrict or prohibit consummation of the Offer, or impose material obligations upon the Purchasers as a result of any such acceptance or payment, (ii) result in a delay in the ability of the Purchasers, or render the Purchasers unable, to accept for payment or pay for some or all of the Shares, (iii) require the Purchasers or the Company or any of their respective affiliates to hold separate or to divest itself of all or any portion of the business, assets or property of any of them or any Shares or impose any limitation on the ability of any of them to conduct their business and own such assets, properties and Shares, (iv) impose material limitations on the ability of the Purchasers to acquire or hold or to exercise effectively all rights of ownership of the Shares, including the right to vote any Shares purchased by them on all matters properly presented to the stockholders of the Company or (v) otherwise adversely affect the Purchasers or the Company or any of their respective subsidiaries or affiliates; or

(h) the Company or any of its affiliates shall have proposed or adopted any amendment to any of their certificates of incorporation or bylaws or similar organizational documents; or

(i) the Purchasers and the Company shall have reached any agreement or understanding pursuant to which it is agreed that the Offer will be terminated;

which, in the sole judgment of the Purchasers, in any such case, and regardless of the circumstances (including any action or omission by the Purchasers or any of the Partners or their respective affiliates) giving rise to any such condition, makes it inadvisable to proceed with the Offer or with such acceptance for payment or payment.

The foregoing conditions are for the sole benefit of the Purchasers and may be asserted by the Purchasers jointly regardless of the circumstances giving rise to any such conditions or may be waived by the Purchasers jointly in whole or in part at any time and from time to time in their sole discretion. Each right of the Purchasers in connection with the foregoing conditions shall be deemed an ongoing right which may be asserted at any time and from time to time, and the failure by the Purchasers at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right. Any determination by the Purchasers concerning the events described in this Section will be final and binding upon all parties. All such determinations must be made jointly by the Purchasers, and all such determinations by the Partnership will be made unanimously by the Partners.

16. Certain Legal Matters.

(a) *General.* Except as described below, based on their examination of publicly available filings by the Company with the Commission and other publicly available information concerning the Company, the Purchasers are not aware of any license or regulatory permit that appears to be material to the business of the Company and that might be adversely affected by the Purchasers' acquisition of Shares pursuant to the Offer, or of any approval or other action by any domestic or foreign governmental or administrative authority that would be required prior to the acquisition of Shares by the Purchasers pursuant to the Offer. Should any such approval or other action be required, it is presently contemplated that such approval or action would be sought. There is, however, no current intent to delay the purchase of Shares tendered pursuant to the Offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained without substantial conditions or that adverse consequences might not result to the Company's business or that certain parts of the Company's business might not have to be disposed of in the event that such approvals were not obtained or such other actions were not taken. The Purchasers' obligations under the Offer to purchase and pay for Shares is subject to certain conditions. See Section 15.

(b) *Antitrust.* Under the HSR Act and the rules that have been promulgated thereunder by the FTC, certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division and the FTC and certain waiting period requirements have been satisfied. The acquisition of Shares pursuant to the Offer is subject to such requirements. See Sections 2 and 15.

Under the provisions of the HSR Act applicable to the purchase of Shares pursuant to the Offer, purchases cannot be made until the expiration of a 15-day waiting period after the furnishing of certain required information and documentary material to the Antitrust Division and the FTC with respect to the Offer, unless both the Antitrust Division and the FTC terminate the waiting period prior thereto. If, within such 15-day waiting period, either the Antitrust Division or the FTC requests additional information or documentary material relevant to the Offer from the Partnership, the waiting period will be extended for an additional period of ten days following the date of substantial compliance with such request. The Partnership is filing a Notification and Report Form with respect to the Offer under the HSR Act on Monday, April 8, 1985, and the required waiting period with respect to the Offer is expected to expire at 11:59 P.M., New York City time, on Tuesday, April 23, 1985, unless the Partnership receives a request for additional information or documentary material prior thereto.

In addition, because the Company owns less than 50% of the outstanding voting securities of Colonial Pipeline Company ("Colonial") and the Purchasers intend to acquire more than 50% of the Shares, under the HSR Act the Purchasers are deemed to be making a secondary acquisition of the voting securities of Colonial owned by the Company (the "Secondary Acquisition"). Accordingly, on April 8, 1985, the Partnership is filing a Notification and Report Form in connection with the Secondary Acquisition. The waiting period for the Secondary Acquisition is expected to expire on Tuesday, April 23, 1985, unless either the FTC or the Antitrust Division requests additional information or documentary material from the Partnership. If either the FTC or the Antitrust Division requests additional information or documentary material from the Partnership in connection with the Secondary Acquisition, the Purchasers will not be permitted to acquire Shares pursuant to the Offer until ten days after such additional information has been filed, unless a request to shorten the period is granted.

If the acquisition of Shares is delayed pursuant to a request by the Antitrust Division or the FTC for additional information or documentary material pursuant to the HSR Act, the Offer may, but need not, be extended and, in any event, the purchase of and payment for Shares must be deferred until ten days after the Partnership substantially complies with such request. See Section 2. Only one extension of the waiting period pursuant to a request for additional information is authorized by the rules promulgated under the HSR Act.

The Antitrust Division and the FTC frequently scrutinize the legality under the antitrust laws of transactions such as the acquisition of Shares by the Purchasers pursuant to the Offer. At any time before or after the consummation of any of such transactions, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the transaction or seeking divestiture of the Shares so acquired or divestiture of substantial assets of the Purchasers, the Partners or the Company. Litigation seeking similar relief could be brought by private parties.

There can be no assurance that a challenge to the Offer on antitrust grounds will not be made, or if such a challenge is made, what the result will be. See Section 15 for certain conditions to the Offer, including conditions with respect to litigation and certain governmental actions.

(c) *State Takeover Statutes.* A number of states have adopted state "takeover" statutes and regulations which purport, to varying degrees, to be applicable to attempts to acquire securities of corporations which are incorporated or have substantial assets, stockholders, principal executive offices or principal places of business in such states. To the extent that any state takeover statute or regulation purports to apply to the Offer, the Purchasers believe that such statute or regulation conflicts with federal law and constitutes an unreasonable burden on interstate commerce. In this regard, it should be noted that on June 23, 1982, the Supreme Court of the United States in *Edgar v. MITE Corporation* held that the Illinois Business Takeover Act was unconstitutional. The Purchasers believe that the reasoning and holding in such decision apply to the state takeover statutes and regulations referred to below.

Based on publicly available information with respect to the Company, the Purchasers believe that certain state takeover statutes and regulations may purport to apply to the Offer. The Purchasers have

commenced or are commencing lawsuits in federal district courts in Delaware, Louisiana, Mississippi, Oklahoma, Nebraska and South Carolina, in each instance, seeking a declaratory judgment that the takeover statute or regulation of such state is invalid and an injunction against its enforcement in connection with the Offer.

In the event it is asserted that one or more state takeover statutes or regulations is applicable to the Offer, and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer, the Purchasers might be required to file certain information with, or receive approvals from, the relevant state authorities, and the Purchasers might be unable to accept for payment or pay for Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer. In such case, the Purchasers may not be obligated to accept Shares for payment. See Section 15.

(d) *Investment Company Act of 1940.* The 1940 Act requires registration with the Commission of any non-exempt entity defined by the 1940 Act as an "investment company" and subjects a registered investment company to extensive, restrictive and potentially adverse regulation relating to, among other things, operating methods, management, capital structure, dividends and transactions with affiliates. The 1940 Act also provides that contracts entered into by a non-exempt entity that falls within the definition of an "investment company", but is not registered as such under the 1940 Act, may be voidable or unenforceable. Section 3(a)(1) of the 1940 Act defines "investment company" to include issuers that are primarily engaged in the business of investing, reinvesting and trading in securities. In addition, Section 3(a)(3) of the 1940 Act defines "investment company" to include a company which holds "investment securities" having a value in excess of 40% of the value of its total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis. "Investment securities" are defined to include all securities except U.S. Government securities, securities issued by employees' securities companies and securities issued by 50%-or-more-owned subsidiaries which are not investment companies. After considering the possible application of the 1940 Act to the Purchasers and their affiliates, the Purchasers have concluded that neither they nor their affiliates will fall within the definition of "investment company" under the 1940 Act after 64,000,000 Shares are purchased pursuant to the Offer. If substantially fewer than 64,000,000 Shares were purchased pursuant to the Offer, it is possible that one or more of such entities could fall within the Section 3(a)(3) definition of "investment company" unless one of the several exemptions provided by the 1940 Act or the rules thereunder were available.

(e) *Oil and Gas Leases.* Pursuant to federal law and regulations, subject to various exceptions, no corporation may take, hold, own or control at one time oil and gas leases from the United States (or options therefor or interests therein) on land exceeding in the aggregate 246,080 acres in any state other than Alaska. In the case of Alaska, such limitation is 300,000 acres in each of its two leasing districts. Such law and regulations further provide that the beneficial owner of more than 10% of the stock of a corporation is chargeable with a pro rata portion of the leases, options and interests held by such corporation. Accordingly, if the Purchasers acquire Shares under the Offer which, when added to those already owned, aggregate more than 10% of the outstanding Shares and if the Company owns or holds oil and gas leases from the United States subject to such limitation, the aggregate holdings of one or more Partners and the Company of oil and gas leases from the United States may have to be reduced or modified so as to avoid the cancellation, forfeiture or forced disposal of all or a portion of such leases or interests. The experience of other entities in dealing with the Bureau of Land Management, which administers the foregoing described portions of federal law and regulations, gives the Purchasers reason to believe that the Bureau would permit a reasonable period of time for such reduction or modification.

(f) *Foreign Investment Review Act of Canada.* The Purchasers understand on the basis of publicly available information that the Company, directly or through subsidiaries, owns oil and gas assets and conducts business operations in Canada, although the Purchasers believe (based on such information) that such Canadian operations are not material to the overall operations or financial condition of the Company. The Purchasers are advised that the Foreign Investment Review Act of Canada

("FIRA") requires that notice of acquisition of "control" of Canadian business enterprises by foreign corporations and other "non-eligible persons" (as defined in FIRA) be furnished to the Canadian Foreign Investment Review Agency (the "Agency") and that such acquisition be reviewed by the Minister (as defined in FIRA) and be approved by the Governor-in-Council as being "of significant benefit to Canada." FIRA creates a rebuttable presumption that the acquisition of 5% or more of the voting securities of a publicly traded corporation constitutes acquisition of "control" and provides that the acquisition of more than 50% of such voting securities by a person not theretofore in "control" shall be irrebuttably deemed to constitute the acquisition of "control." If the Agency takes the position that either of the Purchasers is a "non-eligible person" and that the acquisition of Shares by the Purchasers pursuant to the Offer would constitute an acquisition of "control" of the Canadian operations, and if the acquisition is not allowed by the Governor-in-Council or the terms of the acquisition differ materially from those previously disclosed in the notice to the Minister, the Minister could request a Canadian court to issue an order rendering nugatory the investment in the Canadian operations of the Company by the Purchasers. Such an order (which is subject to contest) could contain any provisions that, in the opinion of the court, are necessary in the circumstances, possibly including, without limitation, the mandatory disposition by the Company or the Purchasers of such operations, on such terms and conditions as the court deems just and reasonable. If necessary, the Purchasers intend to file a notice of its proposed acquisition of Shares pursuant to the Offer with the Agency and seek the approval by the Governor-in-Council of such acquisition. See Section 15.

(g) *North Sea Licenses.* Publicly available information concerning the Company indicates that the Company holds, directly or indirectly through subsidiaries, licenses from one or more governments in connection with the exploration for and the recovery of oil or gas from certain North Sea properties. The Purchasers understand that if they acquire control of the Company, such governments may attempt to impose additional conditions on the Company's operations in the North Sea and may assert the right to revoke any such licenses. If required, the Purchasers presently intend to seek the consent of such governments with respect to their acquisition of Shares. If any action is taken by any of such governments that, in the sole judgment of the Purchasers, may materially and adversely affect the Purchasers or the Company or any of their respective subsidiaries or affiliates, or impose any limitations on the ability of the Purchasers to conduct their businesses and own their assets, properties and the Shares, the Purchasers will not be obligated to accept for payment any Shares that are tendered. See Section 15.

(h) *Other.* Based upon the Purchasers' examination of publicly available information concerning the Company, it appears that the Company and its subsidiaries own property and conduct business in a number of foreign countries. In connection with the acquisition of the Shares pursuant to the Offer, the laws of certain of these foreign countries may require the filing of information with, or the obtaining of the approval of, governmental authorities therein. Such governments may also attempt to impose additional conditions on the Company's operations conducted in such countries, and may assert the right to revoke certain licenses granting the right to explore for or produce oil and gas. After completion of the Offer, the Purchasers will seek further information regarding the applicability of any such laws and presently intend to take such action as may be required. If any action is taken by any such government which, in the sole judgment of the Purchasers, may have materially adverse significance with respect to the business, operations, financial condition or results of operation or prospects of the Company and its subsidiaries, taken as a whole, the Purchasers will not be obligated to accept any Shares. See Section 15.

On April 16, 1984, Mesa consented to the entry of a judgment in the United States District Court for the Southern District of Texas, Houston Division, pursuant to which Mesa is obligated to comply with the requirements of Section 13(d) of the Exchange Act and the rules thereunder. The consent judgment arose out of allegations by the Commission that Mesa should have amended its filings with the Commission under Section 13(d) relating to its investment in Gulf Corporation ("Gulf") to describe its consideration of a possible tender offer for majority control of Gulf and certain activities

related to exploring the availability of financing for such a possible offer. The Commission acknowledged that the analysis of such a possible transaction was abandoned prior to the commencement on February 23, 1984 of a tender offer by Mesa and the other members of the Gulf Investors Group for up to 13,500,000 shares of common stock of Gulf. In consenting to the judgment, Mesa neither admitted nor denied the Commission's allegations, and the judgment was entered without the taking of any testimony before the Court and without trial or adjudication of any issue.

17. Fees and Expenses. Drexel Burnham is acting as Dealer Manager in connection with the Offer and has provided certain financial advisory services to Mesa and the Purchasers in connection with the Offer and the financing described in Section 9. Mesa and the Purchasers have agreed to pay Drexel Burnham for such financial advisory services and to pay all expenses of Drexel Burnham in connection with its acting as financial advisor and Dealer Manager. See Section 9. Mesa and the Purchasers have also agreed to indemnify Drexel Burnham against certain liabilities in connection with this Offer and the financing described in Section 9, including liabilities under the federal securities laws. See Section 9.

The Purchasers have retained The Carter Organization, Inc. to act as the Information Agent and First Fidelity Bank, N.A., New Jersey to act as the Depositary in connection with the Offer. The Information Agent and the Depositary each will receive reasonable and customary compensation for their services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under the federal securities laws.

The Purchasers will not pay any fees or commissions to any broker or dealer or any other person (other than the Dealer Manager, the Information Agent and the Depositary) for soliciting tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by the Purchasers for reasonable and necessary costs and expenses incurred by them in forwarding material to their customers.

18. Miscellaneous. The Offer is not being made to, nor will tenders be accepted from or on behalf, of, holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the Purchasers may, at their discretion, take such action as they may deem necessary to make the Offer in any such jurisdiction and extend the Offer to holders of Shares in such jurisdiction.

No person has been authorized to give any information or make any representation on behalf of the Purchasers not contained in this Offer to Purchase or in the Letter of Transmittal and, if given or made, such information or representation must not be relied upon as having been authorized.

The Purchasers have filed with the Commission a Schedule 14D-1 pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act, furnishing certain additional information with respect to the Offer. Such Schedule 14D-1 and any amendments thereto, including exhibits, may be examined and copies may be obtained from the offices of the Commission in the manner set forth in Section 7.

MESA PARTNERS II

MESA EASTERN, INC.

SCHEDULE I

DIRECTORS AND EXECUTIVE OFFICERS OF MESA ASSET CO., MESA SOUTHERN CO. AND MESA PETROLEUM CO.

The name, business address, principal occupation or employment and five-year employment history of each of the directors and executive officers of Mesa Petroleum Co. ("Mesa"), Mesa Southern Co. ("Southern") and Mesa Asset Co. ("Asset") and certain other information are set forth below. Southern is a wholly owned subsidiary of Mesa and owns all of the outstanding capital stock of Asset. Unless otherwise indicated below, the address of each director, officer and controlling person is Mesa Petroleum Co., One Mesa Square, Amarillo, Texas 79189. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment with Mesa. All directors, officers and controlling persons listed below are citizens of the United States, except for Harley N. Hotchkiss, who is a citizen of Canada.

Name and Business Address	Principal Occupation or Employment and Five-Year Employment History
T. Boone Pickens, Jr.(1)(2)(3)	President and Chairman of the Board of Directors of Mesa for more than last five years; President of Asset; President of Southern
Jack K. Larsen(1)	Retired Executive Vice President; Vice President of Mesa for more than last five years prior to retirement in July 1984
David H. Batchelder(1)(2)(3)	August 1984-Present, Vice President—Finance and Treasurer; August 1983-August 1984, Vice President—Finance; employed by Mesa for more than last five years; Vice President and Treasurer of Asset; Vice President of Southern
Harley N. Hotchkiss(1) 1206 Dome Tower 333 7th Avenue S.W. Calgary, Alberta Canada T2P 2Z1	Private investor with oil and gas, real estate and agricultural interests for more than last five years
Wales H. Madden, Jr.(1) 712 West 9th Avenue Amarillo, Texas 79101	Self employed attorney and investments for more than last five years
Robert L. Stillwell(1) 3000 One Shell Plaza Houston, Texas 77002	Partner in Baker & Botts (law firm) for more than last five years
Cyril Wagner, Jr.(1) 300 N. Marienfeld Suite 1100 Midland, Texas 79702	General Partner of Wagner & Brown, a Texas general partnership (oil and gas exploration), for more than last five years
J. R. Walsh, Jr.(1) United Mud Service Company P. O. Box 248 Borger, Texas 79007	President and Chairman of the Board of United Mud Service Company (oil and gas service company) for more than last five years
Jesse P. Johnson(1)(2)(3)	April 1982-Present, Vice President—Operations; 1979-1982, Vice President and District Manager of South Texas District, Atlantic Richfield Company, Houston, Texas; Vice President of Asset; Vice President of Southern

(Table continued on following page)

Name and Business Address	Principal Occupation or Employment and Five-Year Employment History
Marion E. Causey	1980-Present, Vice President, Permian Basin division; employed by Mesa for more than last five years
I. T. Corley	April 1984-Present, Corporate Controller and Secretary; Employed by Arthur Andersen & Co. (independent public accountants) for more than five years prior to April 1984, partner since 1981; Secretary of Asset; Secretary of Southern

(1) Director of Mesa Petroleum Co.
(2) Director of Mesa Asset Co.
(3) Director of Mesa Southern Co.

During 1984 the Company made payments to Mesa totaling approximately $1,000,000 and received payments from Mesa totaling approximately $200,000 in connection with oil and gas producing operations in the ordinary course of business, and it is expected there may be similar transactions in the future.

SCHEDULE II

DIRECTORS, EXECUTIVE OFFICERS, PARTNERS AND CONTROLLING PERSONS OF CY-41, INC., JACK-41, INC. AND RELATED PARTNERSHIPS

The name, present principal occupation or employment and five-year employment history of, and certain other information concerning, the directors, executive officers and controlling persons of Cy-41, Inc. and Jack-41, Inc. and the individual partners and controlling persons of Wagner & Brown, Brown & Wagner and Wagner & Brown II* are set forth below. The address of each person listed below is 300 N. Marienfeld, Suite 1100, Midland, Texas 79702. All persons listed below are citizens of the United States.

Name	Present Principal Occupation or Employment and Five-Year Employment History
Cyril Wagner, Jr.	President, Treasurer, sole director and sole shareholder of Cy-41, Inc.; Vice President of Jack-41, Inc.; General Partner of Wagner & Brown and Wagner & Brown II (and the predecessor of Wagner & Brown II), for more than last five years; General Partner of Brown & Wagner since July 1983.
Jack E. Brown	President, Treasurer, sole director and sole shareholder of Jack-41, Inc.; Vice President of Cy-41, Inc.; General Partner of Wagner & Brown and Wagner & Brown II (and the predecessor of Wagner & Brown II), for more than last five years; General Partner of Brown & Wagner since July 1983.
A. Wayne Peters	Secretary of Cy-41, Inc. and Jack-41, Inc. since June 1983 and Financial Advisor of Wagner & Brown for more than last five years.
Joel L. Reed	Vice President of Cy-41, Inc. and Jack-41, Inc. since December 1984; Chief Financial Officer of Wagner & Brown since October 1984; Chief Financial Officer of Ensource Inc. (oil and gas exploration, development and production company), 5575 DTC Parkway, Englewood, Colorado 80111, from February 1981 through October 1984; Manager, Energy Resources Group, Deloitte Haskins & Sells (certified public accountants), 633 17th Street, Denver, Colorado 80202, from May 1973 through January 1981.

During 1984 the Company made payments to Wagner & Brown totaling approximately $40,000 and received payments from Wagner & Brown totaling approximately $25,000 in connection with oil and gas producing operations in the ordinary course of business, and it is expected there may be similar transactions in the future.

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* The partners of each of Wagner & Brown and Brown & Wagner are Cyril Wagner, Jr. and Jack E. Brown; the partners of Wagner & Brown II are Mr. Wagner, Mr. Brown and Brown & Wagner. Wagner & Brown provides administrative services to its affiliates actively engaged in exploration and development of oil and gas properties and production of oil and gas, and invests in oil and gas properties and real estate. Brown & Wagner conducts no business other than holding its interest in Wagner & Brown II, which engages in exploration and development of oil and gas properties and production of oil and gas. Cy-41, Inc. and Jack-41, Inc. also engage in exploration and development of oil and gas properties and production of oil and gas. The address of all three partnerships and both corporations is 300 N. Marienfeld, Suite 1100, Midland, Texas 79702.

SCHEDULE III

DIRECTORS AND EXECUTIVE OFFICERS OF MESA EASTERN, INC.

The name, business address, principal occupation or employment and five-year employment history of each of the directors and executive officers of Mesa Eastern, Inc. ("Mesa Eastern") and certain other information are set forth below. All of the voting securities of Mesa Eastern are owned by Mesa Partners II. Unless otherwise indicated below, the address of each director, officer and controlling person is One Mesa Square, Amarillo, Texas 79189. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment with Mesa Petroleum Co. ("Mesa"). All directors, officers and controlling persons listed below are citizens of the United States.

Name and Business Address	Principal Occupation or Employment and Five-Year Employment History
T. Boone Pickens, Jr.(1)	President and Chairman of the Board of Directors of Mesa for more than last five years; President of Mesa Eastern
David H. Batchelder(1)	August 1984-Present, Vice President—Finance and Treasurer; August 1983-August 1984, Vice President—Finance; employed by Mesa for more than last five years; Vice President and Treasurer of Mesa Eastern
Jesse P. Johnson(1)	April 1982-Present, Vice President—Operations; 1979-1982, Vice President and District Manager of South Texas District, Atlantic Richfield Company, Houston, Texas; Vice President of Mesa Eastern
I. T. Corley	April 1984-Present, Corporate Controller and Secretary; Employed by Arthur Andersen & Co. (independent public accountants) for more than five years prior to April 1984, partner since 1981; Secretary of Mesa Eastern

(1) Director of Mesa Eastern, Inc.

SCHEDULE IV

SCHEDULE OF PURCHASES DURING THE PAST 60 DAYS

Date	Shares Purchased	Average Price Per Share(1)
2/07/85	130,200	$46.00
2/11/85	847,600	49.00
2/12/85	876,700	48.14
2/13/85	777,700	48.00
2/14/85	1,130,800	48.08
2/15/85	988,100	47.46
2/19/85	300,100	45.14
2/20/85	585,800	47.00
2/21/85	1,200,000	47.12
2/22/85	145,600	47.09
3/27/85	6,700,000(2)	48.10

(1) Represents the average price paid, excluding commission, for all transactions on such date.

(2) Of such number of Shares, 6,300,000 were purchased with voting rights as of the March 14, 1985 record date for the Company's 1985 Annual Meeting by obtaining proxies from the brokerage firm selling such Shares to the Partnership. Such brokerage firm obtained such proxies in accordance with customary practice regarding the purchase of shares subsequent to a record date (which involves obtaining one or more proxies from the sellers).

Facsimile copies of the Letter of Transmittal will be accepted. The Letter of Transmittal and certificates for Shares and any other required documents should be sent by each stockholder of the Company or his broker, dealer, bank or other nominee to the Depositary at one of the addresses set forth below:

The Depositary:

FIRST FIDELITY BANK, N.A., NEW JERSEY

By Mail:	*By Facsimile:*	*By Hand:*
First Fidelity Bank, N.A., New Jersey P.O. Box 1380 Newark, New Jersey 07101	(201) 430-4762 or (201) 430-4512	First Fidelity Bank, N.A., New Jersey Stock Transfer Department 10 Bank Street 3rd Floor Newark, New Jersey 07101

Telex No:

138-882

Any questions or requests for assistance or additional copies of the Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent or the Dealer Manager at their respective telephone numbers and addresses listed below. You may also contact your broker, dealer, commercial bank or trust company for assistance concerning the Offer.

The Information Agent is:

THE Carter ORGANIZATION, INC

116 John Street
New York, New York 10038
(800) 221-3343 (Toll Free)
(212) 619-1100 (Call Collect)

The Dealer Manager for the Offer is:

Drexel Burnham Lambert

INCORPORATED

55 Broad Street
New York, New York 10004
(212) 480-4074