

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN,
MANITOBA, ONTARIO, QUEBEC, NOVA SCOTIA AND
NEWFOUNDLAND

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF UNOCAL CANADA RESOURCES
AND NORTHROCK RESOURCES LTD.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from Unocal Canada Resources (together with its affiliates, "Unocal") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that in connection with Unocal's offer (the "Offer") to purchase all of the issued and outstanding common shares (the "Northrock Shares") of Northrock Resources Ltd. ("Northrock") on the basis of \$10.10 cash for each Northrock Share accepted for purchase under the Offer, certain agreements defined below (the "Collateral Agreements") that have been or may be entered into among Unocal and certain senior executives and employees of Northrock (collectively, the "Employees") have been made for reasons other than to increase the value of the consideration paid to such persons and may be entered into despite the provision in the Legislation that prohibits an offeror who makes or intends to make a take-over bid and any person acting jointly or in concert with the offeror from entering into any collateral agreement, commitment or understanding with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of greater value than that offered to other holders of the same class of securities (the "Prohibition on Collateral Agreements");

2. AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Alberta Securities Commission is the principal regulator for this application;

3. AND WHEREAS Unocal has represented to the Decision Makers that:

3.1 Unocal is a general partnership formed under the laws of Alberta and headquartered in Calgary, Alberta, for the purpose of making the Offer. The members of the partnership are indirect, wholly-owned Canadian subsidiaries of Unocal Corporation, an independent oil and gas exploration and production company with its headquarters in El Segundo, California.

3.2 The common shares of Unocal Corporation (the "Unocal Corporation Shares") are listed and posted for trading on the New York Stock Exchange and on the Stock Exchange of Switzerland.

3.3 Unocal Corporation is not a reporting issuer in any jurisdiction in Canada and no securities of Unocal are listed or posted for trading on any stock exchange in Canada.

3.4 Northrock is a corporation amalgamated under the *Business Corporations Act* (Alberta).

3.5 The authorized capital of Northrock consists of an unlimited number of Northrock Common Shares and an unlimited number of preferred shares, issuable in series. As at May 26, 2000, there were 41,549,421 Northrock Shares and no preferred shares issued and outstanding. As at May 26, 2000, there were outstanding options ("Northrock Options") granted under the stock option plan of Northrock providing for the issuance of 3,641,469 Northrock Shares on the exercise of those options.

3.6 Northrock is a reporting issuer or its equivalent in all of the Jurisdictions, and the Northrock Shares are listed and posted for trading on The Toronto Stock Exchange under the symbol "NRK".

3.7 Unocal currently holds 19,763,700 Northrock Shares, representing approximately 47.6% of the outstanding Northrock Shares.

3.8 On May 18, 2000, Northrock and Unocal entered into an agreement (the "Support Agreement") setting out the terms and conditions on which Unocal was prepared to make the Offer and Northrock was prepared to recommend the Offer's acceptance.

3.9 Unocal acquired most of the Northrock Shares that it presently holds through a series of transactions that were completed in May 1999 (the "May 1999 Transactions").

3.10 Concurrently with the signing of the definitive agreement in respect of the May 1999 Transactions, Northrock entered into a letter agreement (the "1999 Retention Agreements") with each of Donald R. Hansen, Northrock's President and Chief Executive Officer, John H. Van de Pol, Northrock's Senior Vice President and Chief Financial Officer (collectively, the "1999 Senior Officers")

3.11 Under the 1999 Retention Agreements, Northrock agreed to pay the 1999 Senior Officers the equivalent of two times their respective annual salaries in installments payable over the two years following completion of the May 1999 Transactions, with half payable in cash and the other half payable in Northrock Shares. Those payments were intended to provide the 1999 Senior Officers with an incentive to remain with Northrock following the change of control of Northrock which occurred as a result of the completion of the May 1999 Transactions.

3.12 Since the May 1999 Transactions were completed, David L. Pearce (together with Hansen and Van de Pol, the "2000 Senior Officers") commenced employment with Northrock as its Senior Vice President.

3.13 On January 27, 2000 Pearce and Northrock entered into an agreement (the "Pearce Retention Agreement") the terms of which are substantially identical to the May 1999 Retention Agreements.

3.14 Unocal and the 2000 Senior Officers have further agreed to amend the terms of the 1999 Retention Agreements and the Pearce Retention Agreement (collectively, the "2000 Retention Agreements") such that, from the time Unocal takes up Northrock Shares deposited under the Offer, the one-half portion of the outstanding installments of the 1999 Retention Agreements and the Pearce Retention Agreement that would have been paid in Northrock Shares will instead be paid in Unocal Corporation Shares.

3.15 Unocal and Northrock have entered into a further agreement (the "Option Agreement") pursuant to which Northrock will make certain payments to holders of those Northrock Options (the "Northrock Option Holders") whose exercise price exceeds the consideration under the Offer (the "Out of the Money Options"). As at May 26, 2000, 2,412,719 or 66.3% of the Northrock Options are Out of the Money Options. Pursuant to the Option Agreement, Northrock Option Holders will be offered \$0.20 for each Out of the Money Option. Northrock expects to pay approximately \$480,000 under the Option Agreement.

3.16 Unocal and Northrock have agreed that Northrock may pay up to an aggregate of \$1.73 million as retention payments to substantially all of the Northrock employees (the "General Retention Agreement") in such amounts as the President and Chief Executive Officer of Northrock may recommend in consultation with Unocal, having regard to each such employee's position with Northrock. Payments under the General Retention Agreement will be paid in cash over the two year period following the date on which Unocal first takes up Northrock Shares deposited under the Offer.

3.17 Employment agreements also exist between Northrock and each of Hansen, Van de Pol and Pearce (the "Northrock Employment Agreements") which contain terms and conditions that are typical of employment agreements with similarly

situated senior officers in oil and gas exploration and production companies of Northrock's size.

3.18 Northrock and each of Hansen, Van de Pol and Pearce have entered into new employment agreements, to be effective upon completion of the Offer (the "New Employment Agreements"), the terms of which agreements will be substantially similar to the terms of the Northrock Employment Agreements.

3.19 The 2000 Retention Agreements, the Option Agreement, the General Retention Agreement and the New Employment Agreements (collectively, the "Collateral Agreements") were negotiated at arm's length. The Collateral Agreements are being made for valid business reasons on commercially reasonable terms unrelated to the Employees' holdings of Northrock Shares and not for the purpose of (a) conferring an economic or collateral benefit on such Employees, in their capacities as holders of Northrock Shares, that other holders of Northrock Shares do not enjoy; or (b) increasing the value of the consideration to be paid to the Employees pursuant to the Offer.

3.20 The Offer is being made in compliance with the Legislation of the Jurisdictions, except to the extent that exemptive relief is granted in respect of the Prohibition on Collateral Agreements.

4. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

5. AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

6. THE DECISION of the Decision Makers under the Legislation is that in connection with the Offer, the Collateral Agreements are being entered into for reasons other than to increase the value of the consideration to be paid to the Employees for their Northrock Shares and such Collateral Agreements may be entered into despite the Prohibition on Collateral Agreements.

DATED at Calgary, Alberta this 14th day of June, 2000.

Glenda A. Campbell, Vice Chair

James E. Allard, Member

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - take-over bid for all issued and outstanding securities of a reporting issuer - employment and retention agreements between offeror, offeree, and certain employees offeree negotiated at arm's length and made on commercially reasonable terms may be entered into despite the prohibition on collateral agreements in the Legislation.

Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended, s.136(2), 144(2)(a).