

UNION PACIFIC CORPORATION

Tax Basis Information

October 18, 1996

To Union Pacific Corporation Shareholders:

On October 15, 1996, certificates representing whole shares of common stock of Union Pacific Resources Group Inc. ("Resources") were distributed as a special dividend on the shares of Union Pacific Corporation ("Union Pacific") common stock that you held as of September 26, 1996. If your distribution included a fractional share of Resources common stock, we also included a check representing the net proceeds from the sale of such fractional share on your behalf.

We are now pleased to provide you with additional Federal income tax information with respect to the distribution.

Tax Basis

Information for determining the tax basis in your shares of Union Pacific common stock and Resources common stock is set forth below. The information should be generally helpful in preparing your Federal income tax returns. **We therefore urge you to keep this document for future reference. You should review the subject matter with your own tax advisor at the appropriate time.**

In order to compute the tax basis in your shares of Union Pacific common stock and Resources common stock, you must first determine your tax basis in the shares of Union Pacific common stock you held immediately prior to the distribution. The pre-distribution tax basis must then be allocated between your shares of Union Pacific common stock and Resources common stock in proportion to their relative fair market values at the time of distribution. Based upon the average of the high and low trading prices for shares of Union Pacific common stock and Resources common stock on October 15, 1996 (the date of the distribution), as reported by *The Wall Street Journal* for New York Stock Exchange Composite Transactions, the following is an acceptable method for allocating the tax basis in your shares of Union Pacific common stock held immediately prior to the distribution between your Union Pacific common stock and your Resources common stock received in the distribution:

- To determine the tax basis in your **Union Pacific common stock** held after the distribution, multiply your pre-distribution tax basis in those shares by **67.24%**.
- To determine the tax basis in your shares of **Resources common stock** received in the distribution (including any fractional share), multiply the pre-distribution tax basis in your shares of Union Pacific common stock by **32.76%**.

If you owned more than one lot or block of Union Pacific common stock having different tax bases, the tax basis allocation described in this document should be computed separately for each such lot or block.

Example

The preceding computation may be illustrated as follows:

Dr. DeSoto owns 100 shares of Union Pacific common stock, which she acquired for investment purposes in a single lot in 1994, with a tax basis of \$5,000.00, or \$50.00 per share. Based on the distribution ratio of 0.846946 share of Resources common stock for each share of Union Pacific common stock, she was entitled to receive 84.6946 shares of Resources common stock.

Dr. DeSoto's tax basis in her Union Pacific common stock after the distribution is \$3,362 (her pre-distribution basis of \$5,000.00 times 0.6724), or approximately \$33.62 per share.

Dr. DeSoto's tax basis in the 84.6946 shares of Resources common stock which she received in the distribution is \$1,638 (her pre-distribution basis in her Union Pacific common stock of \$5,000.00 times 0.3276), or approximately \$19.34 per share.

The tax basis in the fractional share of Resources common stock Dr. DeSoto was entitled to receive was \$13.43 (per-share basis of \$19.34 times 0.6946 share). Since the net proceeds from the sale of that fraction on her behalf was \$19.07, she recognized a taxable gain of \$5.64 (\$19.07 minus \$13.43) that she should report as a long-term capital gain on her 1996 Federal income tax return.

Worksheet

You may complete the following worksheet to determine the results in your own situation. If you have more than one lot or block of Union Pacific stock with different tax bases, you may want to copy the worksheet and complete it separately for each lot or block.

WORKSHEET

Union Pacific Shares

$$\text{\$ } \underline{\hspace{2cm}} \quad \times \quad 0.6724 \quad = \quad \text{\$ } \underline{\hspace{2cm}}$$

Pre-distribution basis in
your Union Pacific shares

Post-distribution basis in
your Union Pacific shares

$$\text{\$ } \underline{\hspace{2cm}} \quad \div \quad \underline{\hspace{2cm}} \quad = \quad \text{\$ } \underline{\hspace{2cm}}$$

Post-distribution basis in
per
your Union Pacific shares

Number of your
Union Pacific shares

Your post-distribution basis
Union Pacific share

Resources Shares

$$\text{\$ } \underline{\hspace{2cm}} \quad \times \quad 0.3276 \quad = \quad \text{\$ } \underline{\hspace{2cm}}$$

Pre-distribution basis in
your Union Pacific shares

Basis in your
Resources shares

$$\text{\$ } \underline{\hspace{2cm}} \quad \div \quad \underline{\hspace{2cm}} \quad = \quad \text{\$ } \underline{\hspace{2cm}}$$

Basis in your Resources shares

Number of your Resources
shares (including any fraction)

Your basis per
Resources share

If the number of Resources shares that you were entitled to receive included a fraction, complete the following:

$$\text{\$ } \underline{\hspace{2cm}} \quad \times \quad \underline{\hspace{2cm}} \quad = \quad \text{\$ } \underline{\hspace{2cm}}$$

Your basis per Resources share

Your fractional Resources share

Basis in your fractional
Resources share

$$\text{\$ } \underline{\hspace{2cm}} \quad - \quad \text{\$ } \underline{\hspace{2cm}} \quad = \quad \text{\$ } \underline{\hspace{2cm}}$$

Net proceeds from the
sale of your Resources
fractional share

Basis in your fractional
Resources share

Taxable gain or (loss) to be
reported on your 1996
Federal income tax return

Income Tax Reporting

The Internal Revenue Service requires that you sign and attach to your 1996 Federal income tax return a statement setting forth certain prescribed information regarding the distribution. The last page of this document is a sample statement that, after consulting with your tax advisor, you may want to use for that purpose.

If you received a check in payment of fractional share proceeds, a Form 1099B will be issued for payments in excess of \$20 and mailed to you in January 1997. A Form 1099B will not be issued for payments of \$20 or less, although any such payment that you receive must be reported on your 1996 Federal income tax return.

The information contained herein represents our understanding of existing Federal income tax law and does not constitute tax advice. A more detailed description of the Federal income tax consequences of the distribution can be found at pages 3-4 of the Information Statement dated September 30, 1996, which you should have received prior to the distribution. We suggest that you consult with your own tax advisor, particularly if you purchased your Union Pacific common stock at different prices or acquired them by gift or bequest.

Questions

You may direct any questions concerning the foregoing tax basis information or any other aspect of the Resources distribution to Harris Trust and Savings Bank, the Transfer Agent for Union Pacific and Resources, at (800) 317-2512 on weekdays between 9:30 a.m. and 6:00 p.m. (Eastern time).

UNION PACIFIC CORPORATION

**Statement of Shareholder
Receiving a Distribution of
Union Pacific Resources Group Inc. Common Stock**

**To Be Filed with Your 1996 Federal Income Tax Return
Pursuant to Treasury Regulations Section 1.355-5(b)**

1. The undersigned, a shareholder owning common stock of Union Pacific Corporation as of September 26, 1996, the record date, received a distribution on October 15, 1996, from Union Pacific Corporation of shares of common stock of Union Pacific Resources Group Inc., a corporation controlled by Union Pacific Corporation, to which section 355 of the Internal Revenue Code of 1986, as amended (the "Code") applies.
2. The names and addresses of the corporations involved are:
 - (a) Union Pacific Corporation
1416 Dodge Street
Omaha, NE 68179
 - (b) Union Pacific Resources Group, Inc.
801 Cherry Street
Fort Worth, TX 76102
3. The undersigned surrendered no stock or securities in Union Pacific Corporation in connection with the distribution.
4. The undersigned received _____ shares of common stock of Union Pacific Resources Group Inc. in the distribution.
5. Union Pacific Corporation has received a private letter ruling from the Internal Revenue Service to the effect that the distribution of shares of Union Pacific Resources Group Inc. common stock qualifies as a tax-free distribution under section 355 of the Code.

Shareholder Signature

Social Security Number or
Employer Identification Number