

MEMORANDUM OF AGREEMENT

BETWEEN

**TEXACO EXPLORATION & PRODUCTION INC.,
A SUBSIDIARY OF CHEVRONTEXACO CORP.**

AND

**PAPER, ALLIED-INDUSTRIAL, CHEMICAL AND
ENERGY WORKERS INTERNATIONAL UNION, AFL-CIO, CLC**

The undersigned parties, Texaco Exploration & Production Inc., a subsidiary of ChevronTexaco Corp. ("the Company") and the Paper, Allied-Industrial, Chemical and Energy Workers International Union, AFL-CIO, CLC ("PACE"), enter into this Memorandum of Agreement in order to adopt the Articles of Agreement between Texaco Exploration and Production, Inc. ("TEPI") and PACE, except as modified in this Memorandum of Agreement. The integration of former Chevron and Texaco production assets and workforces in the San Joaquin Valley has raised complex questions concerning the representation of employees who work in these assets, and has necessitated certain operational changes. The parties enter into this Memorandum of Agreement with the intent to facilitate the peaceful and orderly implementation of these changes, and to minimize the impact of these changes on employees represented by PACE. This Memorandum of Agreement is contingent upon ratification by the PACE membership.

1. Recognition of Unions

PACE will be recognized as the representative of Production and Maintenance employees in the integrated Kern River asset and in the integrated Midway Sunset/Taft asset, to include Station 31.

IUPIW will be recognized as the representative of Operations and Maintenance employees in the assets of Coalinga and Lost Hills, and in a bargaining unit encompassing the integrated asset of Cymric, North Midway, and McKittrick.

2. Recognition of Unions (Central Operations)

PACE will be recognized as the representative of CoGen Operators working in the integrated Kern River asset and in the integrated Midway-Sunset/Taft asset; provided, however, that the Company may assign IUPIW-represented CoGen Operators, Relief Operators and Mechanics to service CoGens in these assets for temporary periods of time, i.e. emergency, vacation relief, illnesses, temporary assignments. The Company may also assign PACE-represented CoGen Operators, Relief Operators, and Craftsmen to operate CoGens in the integrated asset of Cymric, North Midway, and McKittrick, and in the assets of Lost Hills and Coalinga for temporary periods of time, such as emergency, vacation relief, illness, and temporary assignments.

After one year the Company is willing to meet with PACE and review "assignments for temporary periods of time, i.e. emergency, vacation relief, illnesses" to address any concerns.

3. Adoption of the Articles of Agreement

Subject to the modifications set forth in this Memorandum of Agreement, and all active Letters of Agreement, the Company will adopt the 1996 Articles of Agreement.

4. Recognition of Seniority

PACE will recognize all seniority of IUPIW-represented employees accumulated while on the payroll of Chevron U.S.A., Inc., Chevron Corp., and/or ChevronTexaco Corp. for all purposes.

PACE will recognize the years of service of Midway-Sunset Station 31 employees accumulated on the payroll of Texaco Exploration and Production, Inc., and ChevronTexaco Corp. for all seniority purposes.

5. Transfers between Assets throughout the San Joaquin Valley

The Company may transfer PACE-represented employees to and from assets represented by PACE and IUPIW, for temporary training assignments and permanent assignments. Conversely, the Company may transfer IUPIW-represented employees to and from assets represented by IUPIW and PACE, for temporary training assignments and permanent assignments.

After one year the Company is willing to meet with PACE, and review the transfer process to address any concerns.

In addition, the Company agrees that active elected officials of PACE will not be involuntarily transferred to assets represented by the IUPIW.

6. Recognition of Classification

PACE will recognize the permanent classification of an IUPIW-represented employee who is transferred to a PACE-represented asset.

7. Pay Days

In order to standardize the pay days for employees in the San Joaquin Valley Business Unit, all PACE-represented employees will be placed on a bi-weekly pay schedule, commencing with the pay period ending on December 30, 2001.

January 4, 2002 will be the first pay day on the 14-day cycle. Subsequent pay days will be every other Friday thereafter.

Each pay cycle will be a 14-day period, starting on Monday and ending on a Sunday. Pay day will be the Friday following the end of the 14-day pay period.

These pay days will be implemented as follows :

- 26 pay days per year;
- Two pay days per year without benefit deductions; and
- Evenflow of income based on 14-day cycle opposed to calendar days in month (February).

8. Interim Benefits

IUPIW-represented employees transferring to a PACE-represented asset will continue to be covered by their existing employee benefit plans until the Company implements new plans in July of 2002.

Likewise, PACE-represented employees transferring to a IUPIW-represented asset will continue to be covered by their existing employee benefit plans until the Company implements new plans in July of 2002.

9. Job Posting for Regular Promotions

Those positions that are of competitive wages (promotions) (i.e. Head Operator(s) and Head Elect/Instr., Head Elect., Head Mechanic, and Craftsman etc.) will be posted throughout production assets represented by PACE in the San Joaquin Valley, and be awarded in accordance with the terms of Article V of the 1996 Articles of Agreement between TEPI and PACE.

If no PACE-represented employee(s) is qualified for the position(s) or no PACE-represented employee indicates interest in the position(s), the position(s) will be posted throughout the production assets represented by IUPIW in the San Joaquin Valley, and be awarded in accordance with the terms of Article V of the 1996 Articles of Agreement between TEPI and PACE.

10. Supervisory Transfers

Paragraph F, of the Article V will be removed from the Articles of Agreement between TEPI and PACE.

In addition, the Company agrees not to place any supervisory or other non-represented employees in PACE-represented positions as a result of the Chevron and Texaco merger.

11. Modified Displacement Procedures

Should there be surplus employees in any classifications, the Company will displace those employees pursuant to Article V of the 1996 Articles of Agreement. However, when an individual is displaced into an Operator classification as a result of the workforce integration, layoffs, and operational changes implemented by the Company, the employee will be placed in an Operator pool and assigned to vacancies within that classification.

To the extent possible, workers represented by PACE will be assigned to vacancies within the integrated Kern River and Midway-Sunset/Taft assets. Those employees assigned to a vacancy will be given 60 days in which to demonstrate ability to perform duties. If not able to demonstrate the ability to perform the tasks, the employee may be reassigned to other duties within the classification.

12. Reduction or Elimination of Certain Non-Core Functions

The Company will not retain certain non-core positions, such as MHOs, MOs, Welders, and Garage Craftsmen. The Company will grandfather wages of non-core employees in positions of MHOs, MOs, Welders and Garage Craftsmen through January 31, 2005, after which time their wages will return to that which is consistent with the classification in which they are individually working.

13. Callout Pay

The terms of Article VII, Paragraph C of the Articles of Agreement will be modified as follows:

An employee shall be guaranteed a minimum of five (5) hours' pay at his regular straight time rate, regardless of number of hours worked when he is required to report to work on his regular schedule, or having left the job, he is required through emergency to return to work outside his schedule.

14. Meal Allowance

The meal allowance provided under Article VII, Paragraph D of the Articles of Agreement will be increased from \$5.00 to \$6.00. All other conditions of Article VII, Paragraph D will remain the same.

PACE and the Statewide Committee will promptly submit this Memorandum of Agreement to its members for ratification, and PACE and the Statewide Committee will recommend to its members that this Memorandum of Agreement be ratified.

IN WITNESS WHEREOF, the parties have executed this Memorandum of Agreement this 17th day of November, 2001.

FOR THE COMPANY

Carla J. Mason

FOR PACE

Bob A. Johnson

SJVBU REPRESENTED AREAS – MANPOWER NUMBERS AS OF 11/10/01

Asset	Current Emp "I"	Current "P" Emp	"I" to COS	"I" to COS Non-Rep	"P" to COS	"P" to CPL	Non Core "P"	Adjusted "I"	Adjusted "P"	Total Adj. I&P	To Be O&M (I&P)	Estimated Reductions (after non core)	Estimated "I" Layoffs	Estimated "P" Layoffs
Kern River	27	166	6	4	6	5	19	17	136	153	130	23	6	39
Midway/Taft	17	148	1	1			12	15	136	151	111	40	5	48
LHCym/No.M/McK	83	21	3	6			7	74	14	88	102	-14	-2	5
Coalinga	20	0					0	20	0	23	26	-3	-3	0
COS	0	0					0	0	0	16	16	0	0	0
Totals	147	335	10	11	6	5	38	126	286	431	385	46	6	92
													Electrician/Mechanics*	-22
													Estimated "P" Layoffs	70

I = IUPIW

P = PACE

COS = Central Operation Services

O&M = Operation and Maintenance

Emp = Employees

*The Company will reduce these positions through attrition