

**MEMORANDUM OF AGREEMENT****BETWEEN****TEXACO EXPLORATION & PRODUCTION, INC.  
BAKERSFIELD REGION****AND****PAPER, ALLIED-INDUSTRIAL, CHEMICAL AND ENERGY  
WORKERS INTERNATIONAL UNION, AFL-CIO, CLC**

It is hereby agreed by and between Texaco Exploration & Production, Inc., Bakersfield Region (hereinafter called the "Company") and the Paper, Allied-Industrial, Chemical and Energy Workers International Union, AFL-CIO, CLC (hereinafter called "Union") that the following understandings have been reached in contract negotiation meetings.

1. Per the discussions between the Company and the Union concerning the recent transfers of supervisory and non-supervisory employees back to the bargaining unit, and in accordance with Article V, F, which states "The Company shall have the right at all times to demote or transfer supervisory employees who have previously worked in any classification subject to this agreement to job assignments subject to the terms of this contract for which they are qualified on the basis of department seniority...". Also in accordance with the Memorandum of Agreement dated March 20, 1998, which states "In addition, this contract applies to those field development, production and maintenance employees formerly employed by MRI and formerly covered by a collective bargaining agreement between MRI and the Union." On the basis of these provisions, PACE agrees to discourage any grievances surrounding said demotions or transfers back to the bargaining unit.
2. With respect to the upcoming reduction in forces, the return of former supervisors and non-supervisors to the bargaining unit, and the reorganization in connection with the Aera trade ("reorganization") the Company and the Union agree that employees shall be reassigned as follows:
  - a) It is agreed that Head Operators and Craftsman displaced by the reorganization will have the right to bump as provided in Article V, E. Employees displaced as provided in this sub-paragraph shall become part of the pool of workers displaced by the reorganization.

- b) The Company shall identify all new jobs created by the reorganization and those created by voluntary separations. The Company shall post such jobs pursuant to the provisions of Article V, I. Prior to posting the jobs, the Company will communicate to the Union those jobs to be posted.
- c) Within seven (7) calendar days employees may bid on the posted jobs. The bid for each job shall be awarded pursuant to the criteria of Article V, I.
- d) The Company shall identify and post the jobs vacated by the successful candidates under the bid procedure specified in paragraphs b) and c) above. Employees may file an expression of interest for such jobs within three (3) calendar days of the posting by submitting a written expression of interest submitted individually or through their union representative in the same manner as for submitting a bid for a job as described in Article V, I. Said expression of interest must be received by the Company no later than 8:00 a.m. the morning following the date the bid closes. The Company shall fill each job according to qualifications and seniority.
- e) The Company shall fill the remaining jobs on the first two lists and the jobs vacated by persons assigned to new jobs pursuant to subparagraph d) above by assignment of qualified workers who do not occupy a permanent position following the reorganization in order of seniority.
3. The Company and the Union agree to cancel the Washington's Birthday and Good Friday holidays now provided in Article VII, G, 1.a, effective January 1, 2000, and to grant each employee (in accordance with Article VII, G, 2.) two floating holidays to be scheduled as provided herein. An employee shall submit a written request for a floating holiday within 14 calendar days prior to the requested day off. The request should be submitted to their respective supervisor. The Company shall consider such request based on business necessity. The Company shall answer the employee's request in writing at least eight (8) calendar days prior to the requested holiday day off. If the Company grants the request for a floating holiday, the Company may never the less direct that the employee work on the approved floating holiday, in which case the employee shall be paid holiday pay in accordance with Article VII, G, 3, and the employee to be deemed to have used one floating holiday.

The employee shall have the right to cancel a scheduled floating

holiday no later than seven (7) calendar days before the scheduled floating holiday.

- 4. It is agreed that on all scheduled holidays the Company may schedule skeleton crews. Employees making up skeleton crews shall be paid holiday pay pursuant to Article VII, G, 3. The Company may direct that others in addition to the skeleton crew work on the holiday and such workers will also receive holiday pay. Assignment of crews working the holiday shall be handled in accordance with Article VII, J, with respect to distribution of overtime work. As partial consideration for this agreement the Union agrees to dismiss Grievances #11-98 and #14-98.
- 5. The Statewide Committee will recommend to the general membership that Grievance 24-94 shall be withdrawn on a non-precedent setting basis and without prejudice to bringing a grievance on the same subject matter with respect to any other job classified by the company as "technical" that the union believes should be a bargaining unit job.

In consideration for the above, on a one-time basis only and without precedent toward future negotiations, the Company agrees to no involuntary layoffs of represented employees as a result of the reorganization of the California Business Unit implemented during January through March, 1999, and Texaco's public announcement dated March 5, 1999, concerning Texaco's agreement with Aera for the exchange of it's interest in Texaco's Belridge, Lost Hills and Coalinga Fields for Aera's interest in Kern River.

It is agreed and understood that this Memorandum of Agreement is subject to the ratification of the membership.

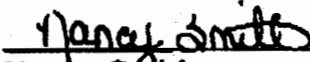
If the foregoing correctly reflects your understanding, please sign in the space below, returning three (3) copies to the undersigned.

Understood and Agreed this 16<sup>th</sup> day of MARCH, 1999, 1999.

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

**TEXACO EXPLORATION &  
PRODUCTION, INC.  
BAKERSFIELD REGION**

  
Raul Ramirez  
International Representative

  
Nancy Smith  
Human Resources Manager