

EFFECTS AGREEMENT

BETWEEN

CHEVRONTEXACO, SAN JOAQUIN VALLEY BUSINESS UNIT

AND

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

The undersigned parties, ChevronTexaco, San Joaquin Valley Business Unit ("the Company") and the Paper, Allied-Industrial, Chemical and Energy Workers International Union, AFL-CIO, CLC ("PACE") recognize that there will be layoffs as a result of workforce reductions in the San Joaquin Valley. In order to ensure the peaceful and orderly implementation of these layoffs, the parties hereby enter into this Effects Agreement.

Involuntary Layoff Procedure

The Company will offer PACE-represented employees the Surplus Employee Severance Program (SESP) for involuntary workforce reductions. The Company shall reserve its right to determine who may be laid off until all workforce reductions are achieved. PACE-represented employees will be allowed to express interest in being involuntarily laid off. If workforce reductions are not achieved in each classification outlined, the Company will displace surplus employees in each classification in accordance with the terms of Article V of the Articles of Agreement down to the Operator classification. The Company will retain the sole and exclusive right to determine the number of workforce reductions, up to 28 total PACE represented employees.

Modified Displacement Process

Employees who are displaced into the Operator classification, will be placed in an Operator pool and assigned to vacancies within the Operator classification based on their seniority, interest, and capabilities.

Where the Company chooses to fill vacancies as a result of expressed interest in SESP that are of competitive wages, i.e. Head Operators and Craftsmen, they will be posted and awarded in accordance with the terms of the Articles of Agreement.

Employees who have expressed interest in transferring to assets in Lost Hills and Cymric will be transferred, on a one-time, non-precedent setting basis, as follows:

- Operators who expressed interest will be transferred based on seniority.
- Head Operators and Craftsmen who expressed interest will be transferred based on business needs.

Order of Displacement Process

1. The Company will collect solicitations of interest in SESP
2. The Company will make transfers to Lost Hills/Cymric
3. The Company will determine the number of involuntary separations and positions open.
4. The Company will begin displacement process.

Modified Displacement Process

The Company will begin the displacement process with the Senior Impacted Person (All Craftsman Electrical; least senior in each of the Head Operator Field Service, Craftsman Instrumentation, Craftsman Machinery Repair, and Operator classifications)

- Competitive Positions
 - Displace/Transfer – Stay Whole
 - Self Demote to Operator Pool
 - Displaced to Operator Pool
- Operator
 - Displaced to Operator Pool
- Employees that are surplus will be laid off pursuant to the Collective Bargaining Agreement. That is, the last employee to be hired shall be the first to be laid off.

Redeployment Process

- List of available positions ready
- Start with senior person
- Make choice from available positions
- Work through list until all open positions are filled.

Craftsman Instrumentation and Electrical

The Craftsman Electrical Classification will be eliminated and all Craftsman Electricians will be reclassified as Craftsman Instrumentation and Electrical. The Head Operator Electrical Classification will be eliminated and all Head Operator Electricians will be reclassified as Head Operator Instrumentation and Electrical.

Details of Reclassification:

- Wage rate will remain the same as Craftsman Electrical and Head Operator Electrical
- Electricians have the option to be reclassified as I&E or self demote to Operator with two years of rate retention.
- Formal training will consist of the current Craftsman Electrical formal training and include ISA training and certification.
- All incumbent Craftsman Electrical will be given twelve months to take ISA training and certification from date of MOA.

- Future Craftsman Instrumentation and Electrical will be required to complete Craftsman Electrical training before being eligible for a Craftsman Instrumentation and Electrical position and to obtain ISA training and Level I certification within twelve months. Additional qualifications will be addressed by the Formal Training Team.
- The Company will offer ISA training as necessary in order that Craftsman Electrical and others are able to complete the formal training necessary to obtain their ISA certification in a timely manner.
- Those employees that fail to complete their training and testing and are unable to demonstrate their ability will be reclassified as Operators pursuant to Article V of the Collective Bargaining Agreement and placed in an Operator classification within their area, without rate retention.

2004 Surplus Employee Severance Program (SESP)

Employees who are laid off according to the procedure set forth above may be eligible for the 2004 Surplus Employee Severance Program (SESP) under the conditions set forth in this "Effects Agreement", as well as the following additional benefits:

- COBRA Medical and MHSA coverage for up to six months for employees that are not eligible for post-retirement health care benefits (Company pays Company contribution – but terminating employee MUST actively elect to continue coverage)
- Educational retraining up to \$5000 (to be completed within two years from date of termination)
- Outplacement services will be provided by Drake, Beam, and Morin

The Company will have the sole and exclusive right to set the departure date for any employee who accepts the SESP program. The departure date will be set within 180 calendar days of date of ratification. The departure date shall be the employee's date of termination of employment with the Company. If employees do not accept the SESP program, they will be laid off in accordance with Article V, of the Articles of Agreement.

Any Union-represented employee terminating employment in connection with SESP shall waive any recall rights outlined in the current Articles of Agreement. Employees can only qualify for SESP if they meet all of the requirements of SESP including execution of a required release of claims in connection with their employment by the Company (in a form substantially similar to the attached "Sample of Release of Liability Waiver"). Any employee who does not execute the releases will not be eligible to receive the SESP program. The Union agrees not to assert any rights waived by terminating employees.

In the event of a conflict between SESP or this Effects Agreement and any provision of the Articles of Agreement in effect between the Parties or any document or practice incorporated into that agreement or any other Agreement between the Parties, the terms of this Effects Agreement and SESP shall control.

Any dispute as to the interpretation of the application of this Effects Agreement shall be subject to the Grievance and Arbitration provision of the Articles of Agreement in effect between the Parties, provided, however, that the Impartial Arbitrator shall have no jurisdiction to hear or determine any claim which seeks a change or any interpretation of the terms of SESP or a change

in any determination reserved to the Company, SESP or this Effects Agreement, and provided further than the exclusive remedy for any claim that an employee denied a benefit shall be the appeals procedure specified in the SESP plan text.

The Parties agree this is a non-precedent setting, one-time only agreement and understanding.

This Effects Agreement sets forth the full and complete agreement between the Company and the Union regarding the layoffs occurring as a result of workforce reductions. The Company and the Union hereby agree that no further bargaining will be required on these subjects, and the Company and the Union hereby waive any statutory, common law, contractual, or other claims which each may have against each other arising out of the layoffs resulting from the workforce reductions.

This Effects Agreement shall be effective as of the date of ratification and shall continue in effect 180 days from the date of ratification at which time this Effects Agreement shall expire and shall have no force or effect after that date. After the expiration of this Effects Agreement, the benefits provided herein shall not continue as a term or condition of employment under the National Labor Relations Act. The parties waive the right to bargain over the expiration of this Effects Agreement or the termination of the benefits provided herein upon expiration of this Effects Agreement.

PACE and the Statewide Committee will promptly submit this Effects Agreement to its members for ratification, and PACE and the Statewide Committee will recommend to its members that this Effects Agreement be ratified. It is agreed and understood by and between the Union and the Company that the provisions of this Agreement shall apply only if ratified by midnight June 11, 2004.

IN WITNESS WHEREOF, the parties have executed this Effects Agreement as of this _____ day of _____, 2004.

FOR THE UNION

FOR THE COMPANY

Signature

Signature

Date

Date

Att: SESP Program