

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 the "Union") that the following understandings have been reached in contract negotiation meetings.

The Union agrees to accept the below listed Non-Represented Employee Benefit Plans (hereinafter called "White-Book Benefit Plans") to replace the Represented Employee Benefit Plans (hereinafter called "Gray-Book Benefit Plans") applicable under the 1996 Articles of Agreement and its extension through January 31, 2002, according to the schedule and other details set forth in this Memorandum of Agreement. The Company agrees to recognize the service of represented employees for purposes of the White-Book Benefit Plans on the same basis as the Company recognizes service for non-represented employees to the extent provided under Benefits in this Memorandum of Agreement.

The White-Book Benefit Plans are offered as a package (excluding medical and dental plans and the company's contributions on behalf of active employees covered under these plans) subject to the same conditions and contribution levels that apply to all other plan members covered by the same plan.

The following is a listing of the Gray-Book Benefit Plans that will be transitioned (as noted under Benefits) to the White-Book Benefit Plans, plus any additional benefits that are included as part of the White-Book Benefit Plans package:

Gray-Book Benefit Plans	White-Book Benefit Plans
The Group Pension Plan	The Retirement Plan
The Employees Savings Plan	The Employees Thrift Plan
The Group Life Insurance Plan	The Term Life Insurance Plan
The Accidental Death & Dismemberment Ins. Plan	The Group Accident Insurance Plan
The Permanent Total Disability Plan	The Long-Term Disability Plan
The Accident & Sick Benefit Plan	The Short-Term Disability Plan
The Severance Pay Plan	The Separation Pay Plan
The Vacation Plan for Represented Employees	The Vacation Plan
The Flexible Spending Account Plans	The Flexible Spending Account Plans

The Benefit Cost Reduction Plan	The Benefit Cost Reduction Plan
The Travel Accident Insurance Plan	The Travel Accident Insurance Plan
The Adoption Assistance Plan	The Adoption Assistance Plan
The Special Health Services Program	The Employee Assistance Program
(No Comparable Plan)	The Long-Term Care Plan

Benefits

Effective March 1, 2000, represented employees will be eligible to participate in the following White-Book Benefit Plans, subject to all of the provisions of the Plans, which shall determine all questions arising under and in connection with the Plans:

1. The Retirement Plan
2. The Employees Thrift Plan
3. The Term Life Insurance Plan
4. The Group Accident Insurance Plan
5. The Long-Term Disability Plan
6. The Short-Term Disability Plan
7. The Separation Pay Plan
8. The Vacation Plan
9. The Flexible Spending Account Plan
10. The Benefit Cost Reduction Plan
11. The Travel Accident Insurance Plan
12. The Adoption Assistance Plan
13. The Employee Assistance Program
14. The Long-Term Care Plan

The company reserves the right to amend, modify, or terminate such plans at any time, with or without advance notice, prospectively as well as retroactively, subject to applicable law. Changes to the plans can be approved by the Plan Administrator, Executive Management, or the Board of Directors. The level of approval required for changes depends on their cost or whether the changes are required by law.

Nothing in this Memorandum of Agreement is intended by the Union nor understood by the Company to preclude the Union from bargaining over any term or condition of employment, including benefit plans, or any National Pattern Bargaining issues effective after the expiration of the current Articles of Agreement.

No dispute, grievance or question in connection with the above Plans will be subject to arbitration; except that upon the request of any member of the above Plans or their representative any dispute concerning the following only as they apply to these Plans may be arbitrated in accordance with the provisions of Article XVI:

1. Length of service

2. Pay class or normal rate of pay, whichever is applicable

The Plan Administrator is responsible for the administration of the plan and has final discretionary authority to interpret the plan's provisions. The decisions of the Plan Administrator with respect to all issues and questions relative to the plan will be final and conclusive.

Retirement Plan: Eligibility Service, Vesting Service, and Benefit Service recognized and credited under the Group Pension Plan as of February 29, 2000, will be immediately transferred, credited and recognized for the same purposes under the Retirement Plan on and after March 1, 2000, and the merger of the Group Pension Plan assets into the Retirement Plan will be completed as soon as practical thereafter. This means that effective March 1, 2000, a member's accrued pension benefit will be payable under the terms of the Retirement Plan. Under no circumstances will a represented employee's accrued pension benefit or benefit rights under the Retirement Plan be less following the plan merger than immediately before the plan merger.

In addition, the pension benefits accrued by represented employees who are active plan members of the Group Pension Plan as of February 29, 2000, will be subject to the provisions of the Retirement Plan on and after March 1, 2000, except that: (1) any pension benefits accrued under the former Monterey Pension Plan will continue to be payable only in the form of a monthly annuity, and (2) the fixed pension amount of \$33.00 per the Participant's full and partial years of Credited Service payable under the terms of the former Monterey Pension Plan will increase to \$36.00 per the Participant's full and partial years of Credited Service.

Employees Thrift Plan: As soon as practical after the effective date of plan participation, the Company will merge the Employees Savings Plan into the Employees Thrift Plan by transferring the account balances of all plan participants from the Employees Savings Plan to the Employees Thrift Plan. Following the plan merger and subject to any changes in current U.S. tax laws or federal regulations:

- (1) dividends paid on ESOP Common Stock transferred from the Employees Savings Plan into the Employees Thrift Plan will continue to be paid directly to plan participants and not reinvested in the Plan, and
- (2) any rules or limitations that apply to assets transferred from the former Monterey Savings and Investment Plan into the Employees Savings Plan will continue to apply to these assets once they are transferred into the Employees Thrift Plan.

Vacation Plan: A represented employee may request "one day at a time" vacation in other than consecutive days, not to exceed fifteen days per year (or the employee's actual vacation entitlement, if less), and may take two (2)

days (sixteen hours) of these "one day at a time" vacation days in half (1/2) day vacation increments.

All Other White-Book Benefit Plans: All other White-Book Benefit Plans (collectively referred to as the "White-Book Welfare Benefit Plans") will replace the corresponding Gray-Book Welfare Benefit Plans on the specified effective date. The corresponding Gray-Book Welfare Benefit Plans will be terminated effective as of the date immediately preceding the effective date of transfer. Each represented employee's continuous service recognized under the Accident & Sick Benefit Plan, the Severance Pay Plan, and the Vacation Plan for Represented Employees immediately preceding the transfer date will be recognized as continuous service under the Short-Term Disability Plan, the Separation Pay Plan, and the Vacation Plan.

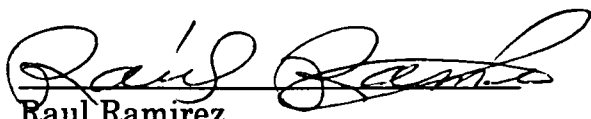
It is agreed and understood that this Memorandum of Agreement is subject to the ratification of the Union membership.

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

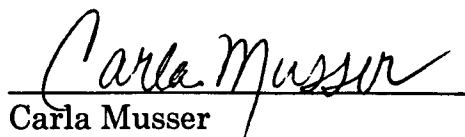
Understood and Agreed this 23 day of February, 2000.

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

TEXACO EXPLORATION &
PRODUCTION, INC.
BAKERSFIELD REGION



Raul Ramirez
International Representative



Carla Musser
Human Resources Manager