

**MEMORANDUM OF AGREEMENT**

**BETWEEN**

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

**AND**

**OIL, CHEMICAL AND ATOMIC WORKERS INTERNATIONAL  
UNION, AFL-CIO**

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

In consideration of the restructuring in the Texaco, Inc. Worldwide Upstream organization as well as the sales and trades of non-core assets, as discussed in these negotiations, and recognizing the terms of the Severance Pay Plan as agreed to on August 24, 1992, (a copy of such agreement is annexed hereto and made a part hereof) it is agreed that the following terms and conditions will be in effect immediately and as provided herein:

**I. Redeployment Strategy**

The business decisions resulting from the restructuring of Texaco, Inc. Worldwide Upstream as well as the sales and trades of non-core assets will impact manpower levels and many employees will be required to make decisions, which affect both themselves and their families.

The parties have agreed to the options described herein, which may be considered by all represented employees in the Bakersfield Division.

## Redeployment Strategy Objective

Recognizing the value of the experience of our workforce, the goal in building the new Texaco North America Producing, California Businesses is to utilize and redeploy the workforce where possible consistent with the Articles of Agreement and good business practices. It is also a goal to assist in minimizing the impact on the workforce through timely communication of the Company's plans, through outplacement assistance, and through the Severance Pay Plan.

## Implementation Timetable

Some represented positions will be eliminated as a result of restructuring in Texaco's Worldwide Upstream Reorganization as well as non-core asset sales or trades. Positions to be eliminated will be identified at the time of the transfer of ownership. Some property sales or trades could occur by December 1998. As more information is developed on this timeline it will be conveyed to all employees.

## **II. Employee Options**

All layoffs of represented personnel will take place according to the layoff and seniority provisions of the Articles of Agreement.

### Voluntary Separation

Represented employees can volunteer to leave under the Severance Pay Plan of Texaco, Inc. with enhanced benefits under the Special Involuntary Separation Program. Employees must submit applications for voluntary separation to the Human Resources Department, Truxtun Office Building, by 12:00 noon on January 31, 1999. Applications received after that time will not be considered. Represented employees that express interest need to be serious about their expression and should be prepared to separate if they are approved.

### Involuntary Separation

Represented employees who are laid off through no fault of their own will be eligible for benefits under the Severance Pay Plan of Texaco, Inc. In addition, represented employees who voluntarily or involuntarily separate on or before July 1, 1999 will be eligible for enhanced benefits under the Special Involuntary Separation Program.

## Redeployment

An active represented employee may apply for posted opportunities within Texaco North America Production (TNAP). A represented employee may also apply for a transfer to an opportunity outside of TNAP (foreign or domestic) from available job postings. All applications will be considered and opportunities will be filled according to the terms of the job posting program.

### **III. Special Involuntary Separation Program**

The following special programs are available to represented employees who voluntarily and involuntarily separate on or before July 1, 1999.

#### Employees Age 50 – 54

Eligibility – Represented employees who retire from the Company on or before July 1, 1999, at age 50 or older, but before age 55, with 10 or more years of service will be eligible for the following options and benefits.

#### Options and Benefits

Lump Sum – The right to retire under the Group Pension Plan of Texaco Inc., with the right to elect any of the retirement payment options available under the terms of the Plan, including the Lump Sum Option, except in the case of former represented employees of Monterey Resources, Inc. the lump sum option is available only for the portion of their pension benefit accrued on and after May 1, 1998, upon retirement on or before July 1, 1999. Early retirement commencement discounts will be calculated based on a .4166% reduction for each month (approximately 5% per year) before age 60 that the employee begins receiving his or her pension benefit. Employees retiring after July 1, 1999 will be limited to the provisions of the Group Pension Plan of Texaco, Inc. set forth in the Summary Plan Description.

Medical & Life Insurance Coverage – On a pro-rated basis, retiree medical coverage under a company or union sponsored medical plan and retiree life insurance coverage under the Group Life Insurance Plan. As required for employees who retire at age 55 or older, to qualify for retiree medical coverage, an employee who is age 50 – 54 must be covered under a company or union sponsored medical plan continuously for the 5-year period immediately before his or her retirement (or from the date the employee was first eligible for coverage until his or her retirement date, if shorter than 5 years). As required for employees who retire at age 55 or older, to qualify for retiree life insurance, an employee who is age 50-54 must have maintained contributory life insurance coverage during the same period in order to

qualify for retiree life insurance based on contributory levels in effect immediately before retirement. Otherwise, retiree life insurance will be based on non-contributory levels.

### Employees Not Eligible to Retire

Medical Coverage – Employees who are not eligible to retire under the Group Pension Plan will have the option to continue their Company-sponsored medical coverage under COBRA for up to 18 months, subject to the normal rules that apply to continued COBRA coverage. However, if an employee elects continued medical coverage under COBRA, the Company will also continue making its monthly contributions on the employee's behalf up to the first six months of the COBRA coverage.

### Outplacement and Retraining Programs

The Company will provide assistance for outplacement counseling and/or vocational retraining. The Company will pay the lowest of:

- Actual expenses incurred; or
- \$2,500

Outplacement Counseling Service – Employees may elect to participate in a three-day career continuation workshop, which covers the essential information and techniques necessary to launch a successful job search. Employees electing to participate in the workshop can supplement this outplacement support with Vocational Retraining. The three-day workshop will account for a \$1,000 charge, leaving up to \$1,500 for the reimbursement of Vocational Retraining expenses, as described in the Vocational Retraining section below. Employees who elect to utilize this service must notify the designated Program Coordinator in writing, and must begin participation in such outplacement service with an organization designated by the Company, but no later than 30 days following the date of separation. The Company will make payments directly to the Outplacement Counseling service.

Vocational Retraining Program – If an employee elects to participate in Vocational Retraining, the courses selected must be part of a bona fide training program that supports career transitions. The courses require prior company approval and must be started within six months of separation with reimbursement of expenses completed within 24 months of employment separation. The total cost of any Vocational Retraining reimbursement is not to exceed \$2,500 per employee, less the cost of the three-day workshop, if any.

#### **IV. Conclusion**

A goal is to provide represented employees time to choose from various options to chart a course of action. The Company recognizes that timing is critical to any type of planning. We will continue to communicate directly to individuals, units and the OCAW as quickly as new information is available and final decisions are made.

No dispute, grievance, or question arising from the selection of properties to be sold or traded or the scheduling of such sales or trades, which are matters of management's sole discretion, will be subject to the arbitration procedure described in Article XVI of the Articles of Agreement between the parties, provided, however, that nothing in this agreement shall preclude the Union and/or any individual employee from filing a grievance pursuant to Article XVI of the labor agreement challenging any layoff or demotion which is not done in accordance with the terms and provisions of the labor agreement respecting seniority.

Understood and Agreed this \_\_\_\_ day of \_\_\_\_\_, 1998.

**Oil, Chemical and Atomic Workers  
International Union, AFL-CIO**

**Texaco Exploration &  
Production, Inc.  
Bakersfield Region**

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**David Welty  
International Representative**

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**Nancy W. Smith  
Human Resources Manager**

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