

August 1, 2005

Mr. Bob Johnston
International Representative
United Steelworkers
607 Nineteenth Street
Bakersfield, CA 93301

Dear Mr. Johnston,

This will confirm our understanding regarding the "12-Hour" work schedule at the Ventura Production Unit, specifically for Production Operators assigned to work rotating daylight and non-daylight shifts to provide Production Operator coverage for the night shift (excluding the Ventura Gas Plant).

The specific provisions of the "12-Hour" schedule are described in the attached and they will supersede language in the Articles of Agreement where specifically in conflict. All other provisions of the Articles of Agreement will remain in full force and effect.

The "12-Hour" schedule will apply specifically to four Production Operators at the Ventura Production Unit assigned to work rotating daylight and non-daylight shifts (excluding the Gas Plant) to provide for night Production Operator coverage. This is subject to a majority Union vote by the employees in the bargaining unit. In the absence of a majority vote in this case, the Ventura Production Unit employees will remain on the standard schedule(s) provided for in the current Articles of Agreement and/or current Letters of Agreement and will rotate through the work shifts as necessary. Local management and the Union will meet and discuss decisions as to who is eligible to work the "12-Hour" schedule. These decisions, as well as the foregoing procedures, shall not be subject to the grievance procedure.

Employees may volunteer to be considered for assignment to the 12-hour schedule. Management will make assignments to this schedule from amongst the volunteers at its sole discretion. Such assignments within the classification will not be subject to the grievance procedures. Should an employee who volunteers to work the 12-hour schedule later desire to return to an alternate schedule, he/she must provide management with thirty (30) days notice of the desired schedule change. Management will attempt to honor requests to return to alternate schedules. Every effort will be made to staff positions with 12-hour schedules entirely with volunteers. However, in the case that there are insufficient volunteers to meet business needs, management will usually assign the junior fully qualified employee(s) to the 12-hour schedule.

Although difficulties are not anticipated, should experience show that the "12-Hour" schedule has an adverse impact on safety, costs or other aspects of the Company's business, the Company has, in its sole discretion, the right to cancel this letter agreement. Such decision will not be subject to the grievance procedure. If, for any reason, the Union wishes to cancel this letter agreement, it may do so and the Company will reinstate the standard schedule as soon as practicable. In either case, the parties agree to provide each other with thirty (30) days notice should either wish to cancel.

If the foregoing is in accordance with your understanding, please indicate your acceptance in the space provided below and return (2) signed copies of this letter to us.

Very truly yours,

Robert C. Alberstadt
Sr. Vice President

Attachments

ACCEPTED AND AGREED TO THIS _____ DAY OF _____,
2005.

UNITED STEELWORKERS' UNION

Bob Johnston
International Representative

LETTER OF AGREEMENT
BETWEEN
AERA ENERGY SERVICES COMPANY
AND
UNITED STEELWORKERS' UNION

This Letter of Agreement between Aera Energy Services Company and the United Steelworkers' Union will apply to all workers in positions designated by local management for the "12-Hour" work schedule.

This Agreement supplements the Articles of Agreement between the parties effective February 1, 2002, the latter remaining in full force and effect except as indicated below for employees working the "12-Hour" schedule.

I. 12-HOUR WORK SCHEDULE

The 12-hour work schedule is detailed below. Other variations may be adopted by the affected employees and local management in the future.

A. 12-HOUR WORK SCHEDULE

Over a six-week period, the hours worked per week will be as follows:

Mon	Tues	Wed	Thur	Fri	Sat	Sun
--	--	--	12N	12N	12N	12N
12N	12N	12N	--	--	--	--
--	--	--	12D	12D	12D	12D
12D	12D	12D	--	--	--	--
--	--	--	12N	12N	12N	12N
12N	12N	12N	--	--	--	--
--	--	--	12D	12D	12D	12D
12D	12D	12D	--	--	--	--

N = Night shift, D = Day Shift

Employees on the 12-hour schedule may be assigned to work different variations of 12-hour schedules as needed to meet business needs. The parties will attempt to reach mutually agreeable alternate schedules at a local level when variations are needed.

II. PAY PRACTICES

A. WORKWEEK

Individuals on a "12-Hour" schedule will have a workweek that begins on Sundays, half way through the scheduled work shift. Scheduled work hours in excess of 40 in a work week will be considered scheduled overtime.

B. SCHEDULED WORK SHIFTS

	Start	End*
Twelve (12) hour night shifts:	6:00 p.m.	6:00 a.m.
Twelve (12) hour daylight shifts:	6:00 a.m.	6:00 p.m.

*A meal period will be allowed during the 12-hour shift, however, employees will not be relieved of their duties during this meal period.

C. OVERTIME

Overtime will be paid at one and a half (1 ½) times the straight time rate for all hours worked in excess of 40 in a work week.

Overtime for hours worked beyond 12 consecutive hours in one day will be paid at two (2.0) times the straight time rate.

For the purpose of this Letter of Agreement, Article 7, Paragraph 1 – “Excess Hours” will not apply. Specifically, the ninth through twelfth hours of a work day will not be considered as having been worked in excess of eight (8) hours in a 24-hour period for overtime pay purposes.

D. HOLIDAYS

1. Holiday Credit

The holiday credit will be twelve (12) hours at the straight time hourly rate for holidays recognized on scheduled twelve (12) hour days.

2. Holiday Pay

Holiday pay will apply only to shifts which begin on the calendar day on which the holiday is recognized and will apply for this entire scheduled shift, even if the shift extends into the next calendar day.

Employees shall be paid one and one-half (1 ½) times their applicable straight time rate of pay for the scheduled hours worked during the shift which begins on any recognized holiday and in addition a day's pay at their applicable straight time rate. They will be paid two and one-half (2 ½) times their regular straight time rate for all hours worked beyond the scheduled hours in the shift which begins on the recognized holiday.

3. Holiday Scheduled Off

Any employee shall be entitled to a day's pay at their straight time rate of pay for any recognized holiday on which he/she is not scheduled to work, providing he/she works on the scheduled work day immediately prior to or following the holiday.

E. NIGHT SHIFT BONUS

Individuals on the 12-hour schedule, when working the night shift, will receive a night shift bonus equal to the contractual rate for hours between midnight and 8:00 a.m. (currently \$1.50) for all twelve hours worked on the night shift (6:00 p.m. to 6:00 a.m.).

III. VACATION

Vacation will be charged on the basis of scheduled hours absent.

Any residual hours remaining at year-end (including fractions of days) are eligible for deferral to the next year up to a maximum of the number of vacation hours eligible for in the year per Article 10, paragraph 2. Employees will not be permitted to "borrow" from the next year's vacation in order to take a full shift off with pay.

IV. LEAVES OF ABSENCE

All leaves of absence (disability, funeral, jury, etc.) will be recorded based upon the scheduled hours absent (i.e. twelve (12) hours for a twelve (12) hour day).