

February 1, 2012

United Steel, Paper and Forestry,
Rubber, Manufacturing, Energy,
Allied Industrial and Service Workers'
International Union, AFL-CIO, CLC
ATTN: Mr. Bill Locke
Staff Representative
927 South Village Oaks Dr. Suite #100
Covina, CA 91724

Gentlemen:

SUBJECT: 2012 SETTLEMENT OFFER

This will confirm understandings reached during the current negotiations between Aera Energy Services Company and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers' International Union. In this regard, the Union Negotiating Committee will recommend to the membership for ratification the following in full settlement of all issues in these negotiations.

TERM OF AGREEMENT

February 1, 2012 through January 31, 2015.

WAGES

Effective February 1, 2012, all hourly wage rates will be increased 2.5% rounded to the nearest cent.

Effective February 1, 2013, all hourly wage rates will be increased 3.0% rounded to the nearest cent.

Effective February 1, 2014, all hourly wage rates will be increased 3.0% rounded to the nearest cent.

HEALTH CARE

The Company renews and extends its current commitments that the Company's contributions toward premiums for the Aera medical plan for active employees will be based on an employer contribution rate of 80% of the premium and an employee contribution rate of 20% of the premium. The Company's contributions toward premiums for approved alternate Company sponsored medical plans for active employees will be based on an 80% contribution, but in no case will it exceed its monthly contribution to the Aera medical plan.

NO RETROGRESSION

The Company agrees to renew the letter agreements on Rate Maintenance, Notice of Layoff, Short Term Disability Plan, Recognition Share Award Program, Gain Share Program, Plant Closure, National Health Insurance, Health and Safety, Successorship, and Job Security where such letter agreements exist.

SERVICE LETTERS AND REPORTS ON UNSATISFACTORY WORK

Effective February 1, 2012 modify Article 15, Paragraph 1 to show the change of fourteen (14) days to twenty-one (21) days as follows:

“In the event that any unfavorable report is recorded against the record of any employee, two (2) copies of such report shall be submitted to the employee at the time of recording. No written report on unsatisfactory work shall be charged against the record of any employee unless such report has been made within twenty-one (21) days (excluding Saturdays, Sundays, and holidays recognized under this Agreement) of the Company's knowledge of the occurrence, which is the subject of the report. Provided that no additional report has been issued during the intervening period, each report will be removed at the end of two (2) years, or in the case of a disciplinary suspension three (3) years.”

GRIEVANCES

Effective February 1, 2012 modify Article 20, Section C, Paragraph 7 to show the change of seven (7) days to fourteen (14) days as follows:

“The supervisor shall give his decision in the grievance to the employee within fourteen (14) days. If the grievance is submitted in writing, the supervisor's decision shall be in writing.”

Effective February 1, 2012 modify Article 20, Section C, Paragraph 8 to show the following sequential changes to reflect the new language below:

- Five (5) days to ten (10) days
- Seven (7) days to fourteen (14)

- Seven (7) days to fourteen (14)
- Fourteen (14) days to twenty-one (21) days

“If the grievance is not settled by the supervisor to the employee's satisfaction, he may within ten (10) days present his grievance to the Adjustment Committee. The Adjustment Committee shall have the right to meet with Local Management for discussion of the grievance. The Adjustment Committee must make written request for such meeting within fourteen (14) days of receipt of the grievance from the employee, accompanying their request with a copy of the grievance. The meeting shall be held within fourteen (14) days of receipt of such request at a time and place to be designated by Local Management, and Local Management shall give written decision to the employee and to the Committee on the grievance within the twenty-one (21) day period following the meeting.”

Effective February 1, 2012, new language will be added to Article 20, Section D reflecting Paragraph 13 as follows:

“13. Time limitations specified may be extended by mutual agreement between parties. In the event the Company fails to respond within any of the time limits set forth above in this Article, it shall be considered a denial of the grievance by the Company and the Union may proceed to the next step of the grievance procedure within the time limits set for the applicable step.”

PROMOTIONS, DEMOTIONS, LAYOFFS, RE-EMPLOYMENT

Effective February 1, 2012 modify Article 23, Section F, Paragraph 19 to reflect the addition of the following language as part of the Commencement and Retention of Seniority, Paragraph 19:

“provided, however, the Company and the Union may mutually agree to extend the probationary period by an additional one hundred eighty (180) days.”

The new language for Paragraph 19 will read as follows:

“Seniority rights shall be from date of hire except that an employee shall not have any seniority rights in case of terminations until he currently has one hundred eighty (180) days' seniority; provided, however, the Company and the Union may mutually agree to extend the probationary period by an additional one hundred eighty (180) days. In calculating seniority rights in case of terminations, credit towards the 180 days' seniority will not be given for any workdays that the employee is absent from work. Each workday absent shall extend the period by a workday.”

MISCELLANEOUS

BO'SUN CHAIR ALLOWANCE

Effective February 1, 2012, Article 25, Paragraph 4, the "Bo'Sun Chair Allowance" language will be deleted.

MEAL AND SAFETY SHOE ALLOWANCE

Effective February 1, 2012, modify Article 25, Paragraph 6, to increase by \$200 gross the Meal and Safety Shoe allowance as follows:

"The Company will pay each employee an annual allowance of \$635.00 gross, to be paid in a lump sum in March of each contract year."

SENIOR ELECTRICIANS

Local USW and Aera Energy Services Company agree to a Letter of Agreement confirming the following:

- 1) The classification of Senior Electrician will be utilized exclusively at the Midway Sunset Production Unit.
- 2) Effective February 1, 2012 the \$37.06 hourly wage rate for the Senior Electrician will be increased according to the wages in the 2012 Settlement Offer, dated February 1, 2012.
- 3) Future vacancies, if any, in the Senior Electrician classification will be filled in accordance with Article 24, Job Bidding, of the Agreement.

OUTSTANDING GRIEVANCES

The parties agree that effective February 1, 2012, all outstanding grievances, except Grievance # 1-2011 (Union Dues), filed pursuant to Article 20 in the years 2009, 2010 and 2011 shall be withdrawn.

ACCEPTED AND AGREED TO THIS _____ DAY OF _____, 2012.

United Steelworkers International
Union

Aera Energy Services Company