



February 11, 2002

Paper, Allied-Industrial, Chemical & Energy
Workers' International Union
3415 Nighthawk Lane
Bakersfield, CA 93312

Gentlemen,

SUBJECT: 2002 SETTLEMENT OFFER

This will confirm understandings reached during the current negotiations between Aera Energy Services Company and the Paper, Allied-Industrial, Chemical & Energy 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.

1. **Term of Agreement**

February 1, 2002, through January 31, 2006.

2. **Wages**

- Effective February 1, 2002, all hourly wage rates will be increased 85 cents per hour.
- Effective February 1, 2003, all hourly wage rates will be increased 3.5% rounded to the nearest cent.
- Effective February 1, 2004, all hourly wage rates will be increased 3.7% rounded to the nearest cent.
- Effective February 1, 2005, all hourly wage rates will be increased 4.0% rounded to the nearest cent.

3. **Medical and Dental Plans Contributions**

During the term of the Articles of Agreement, the Company's contributions toward premiums for Company-sponsored medical and dental plans 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.

4. **Shift Bonus**

Effective February 1, 2002, the night shift bonus specified in Article 8, paragraph 1, to be \$0.50 per hour and \$1.00 per hour, will be increased to \$0.75 per hour and \$1.50 per hour, respectively.

5. **Occupational Death Benefit**

Effective February 1, 2002, in the event of a work-related accidental death which occurs as a direct result of an accident while at work, an occupational death benefit of \$500,000 (including any death benefit paid under the Company's Accidental Death and Dismemberment (AD&D) Plan) will apply.

6. **Letter Agreements**

The parties agree to renew the Letter Agreements on Rate Maintenance, Notice of Layoff, Short Term Disability Plan, Recognition Share Award Program, and Gain Share Program.

Effective with the 2002 program period, the Gain Share Letter Agreement will be modified to provide for a maximum individual Gain Share Award payment of \$2,500.00

7. **Exhibit A**

Effective February 1, 2002, the following will be added to Exhibit A of the Articles of Agreement:

"Where a vacancy, which was posted in accordance with the provisions of Article 24 remains unfilled, a new employee or an Aera employee from outside the Bargaining Unit may begin at any of the Production Operator wage rate progression steps when it is determined by the Company that the individual is qualified."

Current employees who are at less than the Production Operator After 3rd Year rate as of February 1, 2002, will be administered as follows:

Should a new employee be hired at a wage rate above Production Operator Start, any of the above current employees who are, at that time, at a lower rate of pay than the rate assigned to the new employee, they will be moved to the wage rate assigned the new employee.

8. **Hours of Work**

Effective February 1, 2002, modify Article 5, paragraph 1, by adding the following:

"Work schedules other than the normal schedules outlined above may be utilized by mutual written agreement."

9. **Holidays**

Effective February 1, 2002, modify Article 9, paragraph 1, as follows:

Delete "President's Day, Good Friday, and Veteran's Day" and add "Two (2) Employee Elective Holidays and one holiday to be designated by the Company."

10. **Savings Plan - 2% Flex**

The parties agree that if the Company elects to eliminate the 2% "flex" option in the Savings Plan during the term of the Agreement, such change shall also be applicable to employees represented by the Union. This change will not result in a reduction in current Company contributions to the Savings Plan.

11. **Outstanding Grievances**

The parties agree that effective February 1, 2002, any and all outstanding grievances filed pursuant to Article 20 in the years 1996, 1997, 1998, or 1999 shall be closed and no longer considered valid.

12. **Article 21 - Disability Leave**

Effective February 1, 2002, modify Article 21 to delete "Shell Disability Benefit Plan Regulations as reviewed March 10, 1954" and add "Aera Energy Services Company Short Term Disability Plan."

13. **Article 22 - Assignment On Return From Disability Leave**

Effective February 1, 2002, modify Article 22 to delete all references to "Shell Disability Benefit Plan" and add in their place "Aera Energy Services Company Short Term Disability Plan."

14. **Article 25 - Meals and Safety Shoes**

Effective February 1, 2002, modify Article 25 to delete paragraphs 6 (Meals) and 7 (Safety Shoes) and add new paragraphs 6 and 7 as follows:

"6. Meal and Safety Shoe Allowance

The Company will pay each employee an annual allowance of \$435.00 gross, to be paid in a lump sum in March of each contract year."

This is a taxable, non-benefits-bearing lump sum allowance. An employee must be active on the payroll on the date of payment of the allowance to be eligible (no prorated payments will be made).

"7. Opportunity to Eat at Work

An employee who is required to work two (2) or more consecutive excess hours, either before or after, but continuous with his regular shift, shall be afforded an opportunity to eat on Company time."

15. **Article 24 (A) - Job Bidding**

Effective February 1, 2002, modify Article 24, section A, to delete "seven (7)" and add "ten (10)." The parties further agree that job vacancies will be posted on the Aera home page.

16. **Article 23 (B) - Promotions and Filling Vacancies**

At the Union's request during the term of the Agreement, the parties agree to meet and discuss the Company's process for making promotions and/or filling vacancies.

17. **New Payroll/Timekeeping System**

The Company advised the Union that it would be implementing a new payroll/timekeeping system during the term of the Agreement and that as a result, some existing practices may be modified. The Company agreed to advise the Union in advance of any change(s) to current practices, and at the Union's request, to meet and discuss the changes.

18. **Disability Management Process**

The Company advised the Union of its intent to implement a disability management process during the term of the Agreement and that as a result, some existing practices may be modified. The Company agreed to advise the Union in advance of any change(s) to current practices, and at the Union's request, to meet and discuss the changes.

19. **Article 23, Paragraph 23**

Effective February 1, 2002, modify Article 23, paragraph 23 as follows:

[Supervisors] **Return To Bargaining Unit**

An employee now in or hereafter transferred or demoted to a classification under this Agreement shall be given credit for seniority purposes under this Agreement for all time spent [in any supervisory capacity in the service of the Company in operations administered by the Company provided such employee had previously been employed] previously in a classification covered by this Agreement. Upon return from a [supervisory] job outside the Bargaining Unit, assignment will be made on a seniority basis to a job in the department from which the employee came.

20. **Article 20, Paragraphs 5-8 - Grievances**

At the Union's request during the term of the Agreement, the parties agree to meet and discuss the time limits for processing grievances.

21. **Article 28 - Maintenance of Existing Conditions**

Effective February 1, 2002, modify Article 28 by adding the following:

"Unless specifically provided otherwise in this Agreement or in a letter of agreement

between the parties, employees covered by this Agreement will receive employee benefits in accordance with the provisions set forth in the published benefit plans (Aera Energy Services Company Benefits Handbook) of the Company, provided however, that these plans will be subject to any change, revision, or revocation which is made generally effective throughout the Company. The Company agrees to advise the Union in advance of any change, revision, or revocation to such plans, however, these are not subject to collective bargaining."

22. **Article 2, Contract Work**

Effective February 1, 2002, modify Article 2, paragraph 1 by adding:

"(c) maintenance work performed by craftsmen"

23. **Article 7 - Overtime**

Effective February 1, 2002, modify Article 7, paragraph 1 by adding:

"All work performed by an employee in excess of twelve (12) consecutive hours in any twenty-four (24) hour period shall be paid at two (2.0) times the applicable rate."

ACCEPTED AND AGREED TO THIS _____ DAY OF _____, 2002.

Paper, Allied-Industrial, Chemical & Energy
Workers' International Union

Aera Energy Services Company