



February 16, 2009

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

Gentlemen:

SUBJECT: 2009 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, 2009 through January 31, 2012.

WAGES

Effective February 1, 2009, all hourly wage rates will be increased 3.0% rounded to the nearest cent.

Effective February 1, 2010, all hourly wage rates will be increased 3.0% rounded to the nearest cent.

Effective February 1, 2011, all hourly wage rates will be increased to 3.0% rounded to the nearest cent."

RATIFICATION BONUS

All represented, full time, active employees in the USW represented bargaining unit on the payroll as of the date of ratification of this agreement, will receive a one-time lump sum payment of \$2500. The payment of this bonus is contingent upon ratification occurring no later than February 24, 2009.

The ratification bonus, which will be paid as soon as practical following notification to the Company of union ratification of this entire agreement, is non-benefits bearing. This means that it will not be included in the definition of earnings in calculating any benefit under any Aera benefit plan, policy or payroll practice.

The ratification bonus will not be included in wages for purposes of calculating vacation pay, holiday pay, non-occupational disability pay, occupational disability pay, overtime pay, workers compensation payments, or any other types of premium or special payment.

The ratification bonus will be subject to all deductions required by law, such as applicable withholding for federal, state and local taxes.

HEALTH CARE

The Company renews and extends its current commitments that the Company's contributions toward premiums for the primary 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 contribution towards premiums for approved alternate company-sponsored medical plan options for active employees will be based on an 80% contribution, but in no case will exceed its monthly contribution to the primary 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.

PROTECTIVE CLOTHING

The Company will provide long-sleeved 100% cotton t-shirts to be used by bargaining unit employees as needed to meet personal protective equipment requirements when performing work associated with electrical equipment as part of their assigned job duties.

VACATIONS

Effective February 1, 2009, amend Article 10 – Vacations of the Articles of Agreement as shown on Attachment A.

SENIOR ELECTRICIANS

Renew and extend the letter of agreement dated June 27, 2008 titled “Agreement to Temporarily Establish Senior Electrician Classification at Midway Sunset Unit” through January 31, 2010. See Attachment B.

WORK SCHEDULES

The Company and Union agree 12-hour work schedule employees who desire to return to an alternate schedule will provide management with ninety (90) days notice of the desired schedule change. Management will attempt to honor requests to return to alternate schedules.

LISTS OF CONTRACTORS

Effective February 1, 2009, modify Article 2, Paragraph 3 of the Articles of Agreement to read as follows:

“The Company will mail quarterly a list of such contractors to the nearest Local Union.”

PERSONAL LEAVES

Effective February 1, 2009, modify Article 11, paragraph 2 of the Articles of Agreement to read as follows:

“Employees may be granted leaves of absence with or without pay for personal reasons or emergencies that may be deemed justifiable by the Company.”

ROUSTABOUTS AND PRODUCTION OPERATOR TRAINEES

Effective February 1, 2009, modify Exhibit A of the Articles of Agreement to delete “Roustabout” and replace it with “Trainee”. An employee classified Trainee may be assigned at Company discretion for training purposes. Only employees hired after February 1, 2009 may be classified as “Trainee.”

DRIVER RECORD CHECKS

The Company advised the Union that in 2009 it will reinstate a process to obtain information from the Department of Motor Vehicles necessary to monitor driving records and assure an employee has a valid drivers' license.

MECHANICS

Effective February 1, 2009, the wage rate for Mechanic No. 1 will increase \$.85/hour in addition to the aforementioned general wage rate increases.

ACCEPTED AND AGREED TO THIS _____ DAY OF _____, 2009.

United Steelworkers International
Union

Aera Energy Services Company

ARTICLE 10 VACATIONS

Vacation Eligibility - Calendar Year Accrual

1 Earned vacation entitlement for all full time employees will be the common date of January 1 and vacation will be earned on a calendar year basis. Vacation will be earned in accordance with the following schedule:

| Service Anniversary attained during calendar year: | Vacation Entitlement for the calendar year: (accrued monthly) |
|---|--|
| 1st-4th | 80 hours |
| 5th-9th | 120 hours |
| 10-19th | 160 hours |
| 20-29th | 200 hours |
| 30th + | 240 hours |

For individuals on the payroll prior to January 1, 1996, accrual differences between previous vacation eligibility dates and the new January 1st common vacation eligibility date will be applied to in-lieu vacation payments made upon termination.

NEW HIRE VACATION ELIGIBILITY

~~Full-time Employees with a hire date of January 1, 1996, or later, may take vacation immediately upon employment. As of January of the calendar year following employment, these employees will be eligible to take the full calendar year's vacation entitlement. Regardless when an employee is hired during a month (first through the last day of the month), the employee will get full credit for that month. Vacation entitlement for a new employee will be prorated by the following formula:~~

~~(Number of months employed for the current year/12) X 80 120 vacation hours)~~

~~Annual vacation entitlement not taken in the year accrued will be administered consistent with the Company's vacation policy, carried forward to the next year, up to a maximum deferral of current annual vacation eligibility.~~

Employees hired/rehired on or after January 1, 1996 will sign the "Employee Authorization for Deduction From Wages" form.

~~2 All vacations shall be taken annually except that employees may, subject to Company approval, elect to defer up to their annual vacation eligibility to the following calendar year. Requests to defer vacation must be made at the time of selecting the current year's vacation and such request will be approved on the basis of accredited service to the extent that operations will permit and there is no additional cost to the Company. The Company reserves the right to deny such requests if, in its judgment, operations do not permit, or granting the request will result in additional costs to the Company.~~

Holiday During Vacation

32 When a holiday specified in this Agreement occurs while an employee is on vacation, he shall receive an extra day of paid vacation or, at the employee's option, a day's pay in lieu thereof at the holiday rate.

Scheduling

43 The time for each vacation shall be designated by the Company. Employees will be invited to express their preference as to when they shall take their vacations. In the assignment of vacation times, the Company will, as far as practicable, comply with these requests, giving preference to requests of senior men. Vacation schedules will be posted at least fifteen (15) days prior to the time vacations are scheduled to start. Under normal operations, vacations for all shift men shall run from change-date to change-date. However, at the time an employee expresses his vacation preference, he may elect to have his vacation run from change-date to change-date and receive pay for the vacation to which he is eligible. Alternatively, he may elect to defer his return to work unless he has received the full number of scheduled workdays of vacation to which he is entitled.

Employees may schedule one-half week of their annual vacation in increments of less than one week, with a minimum of one-half a shift, provided there is no increase in cost to the Company, Company operations will not be hindered, and prior supervisory approval is attained. This supersedes other provisions of the Agreement otherwise in conflict with this Agreement.

Vacation Pay

54 Vacation pay shall be computed on the basis of an employee's straight-time hourly rate (excluding overtime) plus applicable night shift bonus, if any, based upon an employee's forward work schedule determined as of his last day worked prior to vacation.

Determination of Eligibility

65 Employees absent due to illness or injury will be given credit toward vacation entitlement for a maximum of six (6) months' continuous absence. Employees absent for any other purpose will be given credit for a maximum of thirty (30) days' continuous absence. In the event the leave of absence exceeds the above limitations, the employee's vacation entitlement date shall be adjusted by the period in excess of the limitation. Employees who are terminated while on a leave of absence shall be paid in full for all vacation earned up to the date absence commenced.

Payment in Lieu of Earned Vacation

76 Should any employee be terminated or resign, he shall be paid for all vacation earned but not enjoyed and fractions of a year shall be prorated.



June 27, 2008

United Steelworkers USW
P.O. Box 2105
Kernville, CA 93238


Gentlemen,

**Subject: Agreement to Temporarily Establish Senior Electrician
Classification at Midway Sunset Unit**

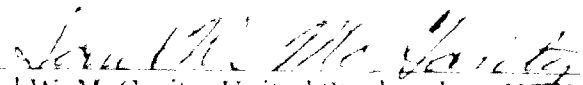
This will confirm our agreement, which will remain in effect for the term of the current Articles of Agreement (i.e. through January 31, 2009), regarding:

- 1) A new classification of Senior Electrician, which will be utilized exclusively at the Midway Sunset Unit, will be added to Exhibit A of the Agreement.
- 2) The hourly wage rate for Senior Electrician will be \$37.06.
- 3) As soon as practicable following acceptance of this agreement, the Company will select the individuals to be reclassified from Mechanic No. 1 to Senior Electrician.
- 4) Future vacancies, if any, in the Senior Electrician classification will be filled in accordance with Article 24 (A), Job Bidding, of the Agreement.

Regards,


Robert C. Alberstadt
Senior Vice President
Aera Energy Services Company

Accepted and agreed to this 5th day of July, 2008.


Saul W. McGarity, United Steelworkers USW