

NATURAL RESOURCE DAMAGE
MEMORANDUM OF AGREEMENT

This Memorandum of Agreement ("MOA") is made and entered into by and between the United States Department of the Interior (DOI), acting through the Fish and Wildlife Service (Service), a bureau within Interior; the National Oceanic and Atmospheric Administration (NOAA) of the Department of Commerce and Union Oil Company of California (Unocal). Unocal, NOAA and the Service are hereinafter referred to collectively as "the parties."

RECITALS

1. The Guadalupe Oil Field (GOF), which has been operated by Unocal as an oil production facility, provides habitat for biota, including endangered, threatened, and/or migratory species.
2. DOI and NOAA contend that oil field operations conducted by Unocal at the GOF may have resulted in the release, or threatened release, of hazardous substances, as defined under the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Sections 9601-9626 (CERCLA). Under CERCLA and Executive Order 12580, the Secretary of the Interior and the Secretary of Commerce are designated trustees of natural resources, which may have been, or may be, injured, lost or destroyed as a result of a release of a hazardous substance. The Service and NOAA manage or have jurisdiction over resources actually or potentially affected by such releases.
3. The Service and NOAA contend that they have jurisdiction under 43 C.F.R. Part 11 and other federal authorities to assess injuries to certain natural resources.
4. Unocal has agreed to fund the cost of such assessments in accordance with the terms of this MOA.
5. This MOA does not enlarge nor limit any responsibility Unocal may have for response activities or for natural resource damage restoration activities, or obligations it may owe to other natural resource trustees.
6. The Service, NOAA, and EPA have discussed with Unocal the development and implementation of a sampling and characterization plan, which would assist the Service, NOAA and other trustee agencies in assessing whether natural resources have been injured by the release of a hazardous substance(s).

Now, therefore, in consideration of the foregoing recitals, and for the agreements below, the parties hereby agree as follows:

within thirty (30) days if their costs reach ninety percent (90%) of the amounts listed above and if the Service and NOAA will be requesting a new funding ceiling. The parties agree to review the costs actually incurred and to work in good faith to determine whether the initial or any subsequent funding ceiling should be adjusted. Notwithstanding the foregoing, however, nothing herein shall be construed to limit the obligation of Unocal to the above-specified initial funding ceiling.

4. This MOA shall remain in effect until December 31, 1999 unless the parties otherwise agree in writing. This MOA may be terminated by any party after providing thirty (30) days notice in writing to the other parties. Upon termination by the Service and NOAA or Unocal, or upon expiration, this MOA shall be of no further force or effect, except that Unocal shall remain obligated to pay all the costs of the Service and NOAA incurred through the effective date of the termination or expiration.
5. Nothing in this MOA is intended to be nor should it be construed to be a limitation on the Service's or NOAA's authority to pursue any other method of recovery or to pursue any claim. Nothing in this MOA is intended to be nor should it be construed as an admission of liability on the part of Unocal nor as a limitation upon any of Unocal's rights or defenses.
6. Any notice or other writing to be delivered hereunder shall be mailed or faxed to the following persons at the addresses or fax numbers listed below:

For the Service: Diane K. Noda
U. S. Fish and Wildlife Service
2493 Portola Road, Suite B
Ventura, California 93003
(805) 644-3958 fax

Charles McKinley
Assistant Field Solicitor
Department of the Interior
600 Harrison St., Suite 545
San Francisco, CA 94107-1373
(415) 744-4122 fax

For Unocal: William L. Sharrer
Unocal Corporation
3201 Airpark Drive, #104
Santa Maria, California 93455
(805) 348-3133 fax

AGREEMENTS

1. The Service, with the support of other DOI personnel, and NOAA intend to perform those activities described in 43 CFR §§ 11.22 et seq., which may include but are not limited to overseeing Unocal's development and implementation of a sampling and characterization plan for the GOF, reviewing data and information including that collected in said sampling and characterization effort, attending and participating in meetings concerning the GOF including but not limited to the ongoing Concur mediation meetings, and making a determination whether to proceed with further assessment of injuries to natural resources.

2. The Service and NOAA shall submit to Unocal an accounting of the reasonable costs they and other DOI personnel incur for the aforesaid activities, on at least a quarterly basis beginning January 1, 1999. The accounting shall include backup documentation such as time sheets, travel vouchers and receipts for expenses. Unocal shall pay the costs submitted to an account or accounts as directed by the Service and NOAA, within 30 days after an accounting is submitted by the Service and NOAA. The costs to which the Service and NOAA are entitled under this MOA are the reasonable costs of the activities described herein, not previously reimbursed by Unocal, that were incurred by the Service and NOAA or other Department of Interior personnel, on or after January 1, 1998. These accountings should be directed to the following Unocal address:

William L. Sharrer
Unocal Corporation
3201 Airpark Drive, #104
Santa Maria, California 93455
(805)348-3123
(805)348-3133 fax

3. Unocal agrees that it will reimburse the reasonable costs of the activities described herein up to an initial funding ceiling of seventy five thousand dollars (\$75,000). This initial funding ceiling is established in order to allow the DOI and NOAA to set up a reimbursable account and avoid any potential for violation of the Anti-Deficiency Act. The parties recognize that additional funds may be necessary for activities undertaken pursuant to 43 CFR Part 11.

Unocal's payment obligation under this MOA, however, shall be limited to the payment of reasonable costs which are or have been properly incurred according to the terms of this MOA and which are documented in accordance with this MOA. The Service and NOAA agree to notify Unocal in writing

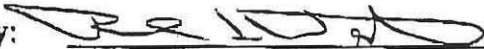
Mark A. Smith, Esq.
Assistant General Counsel
Unocal Corporation
2141 East Rosecrans Avenue
El Segundo, CA 90245
(310) 726-7874 fax

For NOAA: Katherine Pease
Office of General Counsel
501 W. Ocean Blvd., Suite 4470
Long Beach, CA 90802
(562) 980-4084 fax

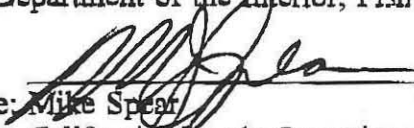
7. The undersigned represent and warrant that they are duly authorized to enter into this MOA on behalf of the parties they represent and that upon their signature, this MOA shall become the binding obligation of the parties they represent. After Unocal has executed this MOA, this MOA shall be effective between Unocal, NOAA and the Service as of the date of the last signature.

In witness whereof, the Service, NOAA and Unocal set forth their signatures on the following dates:

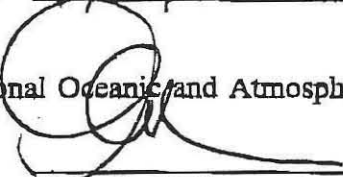
Union Oil Company of California

By: 
Paul West, General Manager
California Operating Services
Date: 9/30/98

The Department of the Interior, Fish and Wildlife Service

By: 
Name: Mike Spear
Title: California/Nevada Operations Manager, Region 1
Date: 10/16/98

National Oceanic and Atmospheric Administration

By: 
Name: Craig R. O'Connor
Title: Deputy General Counsel
Date: 10/28/98