

1 DANIEL E. LUNGREN, Attorney General
of the State of California
2 RICHARD FRANK
CHARLES W. GETZ, IV
3 THEODORA BERGER, State Bar No. 50108
Assistant Attorneys General
4 CRAIG THOMPSON, State Bar No. 67805
PATRICIA SHEEHAN PETERSON, State Bar No. 67122
5 TIMOTHY R. PATTERSON, State Bar No. 72209
MARC N. MELNICK, State Bar No. 168187
6 MARY E. HACKENBRACHT, State Bar No. 68289
Deputy Attorneys General
7 2101 Webster Street, 12th Floor
Oakland, California 94612-3049
8 Telephone: (510) 286-1356

9 Attorneys for Plaintiffs People of the State of California, ex rel. California Department of
Fish and Game, the California Regional Water Quality Control Board for the Central Coast
10 Region, California Department of Toxic Substances Control, California State Coastal
Conservancy, and Attorney General Daniel E. Lungren
11

12 SUPERIOR AND MUNICIPAL COURTS OF THE STATE OF CALIFORNIA

13 COUNTY OF SAN LUIS OBISPO

14	PEOPLE OF THE STATE OF CALIFORNIA,)	No. CV75194
	ex rel. CALIFORNIA DEPARTMENT OF)	
15	FISH AND GAME, et al.,)	SETTLEMENT AGREEMENT
)	AND JUDGMENT
16	Plaintiffs,)	
)	
17	v.)	
)	
18	UNION OIL COMPANY OF CALIFORNIA)	
	dba UNOCAL, a California Corporation, et)	
19	al.,)	
)	
20	Defendants.)	

21
22 1. Introduction

23 1.1. This Settlement Agreement and Judgment ("Stipulated Judgment") is entered
24 into by plaintiffs California Department of Fish and Game ("DFG"), the California Regional
25 Water Quality Control Board for the Central Coast Region ("Water Board"), California
26 Department of Toxic Substances Control ("DTSC"), California State Coastal Conservancy
27 ("Conservancy") and Attorney General Daniel E. Lungren ("Attorney General") (collectively
28 referred to as the "State plaintiffs"); and defendants Union Oil Company of California, dba

1 Unocal, a California corporation, and Unocal Corporation, a Delaware corporation
2 (collectively referred to as "Unocal"). The term "parties" in this Stipulated Judgment
3 collectively refers to the State plaintiffs and Unocal. By entering into this Stipulated
4 Judgment, the parties agree to the terms set forth in the paragraphs below and request the
5 Court to enter Judgment.

6 1.2. This action, filed on March 23, 1994, arose out of numerous alleged
7 discharges of diluent, a petroleum thinning agent used in the extraction of crude oil, into the
8 land, environment and waters of the State at the oil field known as "the Guadalupe Oil Field"
9 located in San Luis Obispo County, California, operated by Unocal. The State plaintiffs
10 alleged in this action that on numerous occasions since Unocal began using diluent at the
11 Guadalupe Oil Field, diluent has leaked from the pipelines and storage tanks at numerous
12 locations into the waters of the State, including groundwater, surface water and marine
13 water, directly and indirectly. Unocal denies that it violated any statutory or common law
14 obligations and disputes the allegations made by the State plaintiffs, including but not limited
15 to, the applicability of Proposition 65.

16 1.3. On July 22, 1994, the State plaintiffs filed a First Amended Complaint For
17 Civil Penalties, Civil Monetary Remedies, Natural Resources Damages, Costs, and Injunctive
18 Relief ("First Amended Complaint") against Unocal. The State plaintiffs alleged claims
19 under Water Code subsections 13350(a)(2) and 13350(a)(3); Fish and Game Code sections
20 5650, 5650.1, 12015, 12016, and 2014; Government Code sections 8670.25.5,
21 8670.66(a)(4), 8670.66(a)(3), 8670.56.5, and 12607; Harbors and Navigation Code section
22 151; Health & Safety Code sections 25249.5, 25249.6, 25189.2(c), 25189(d), 25189(b), and
23 25143.10; Business and Professions Code section 17200; Civil Code sections 3479, 3480,
24 and 3481; as well as claims for common law natural resource damages and negligence. On
25 January 12, 1995, the defendants answered the First Amended Complaint and noted that
26 Union Oil Company of California, dba Unocal, is a corporation organized and existing under
27 the laws of California, and that Unocal Corporation is a corporation organized and existing
28 under the laws of Delaware. Unocal Corporation is the parent company of Union Oil

1 Company of California. In its answer, Unocal also denied the allegations of statutory and
2 common law violations made in the First Amended Complaint.

3 2. Jurisdiction and Venue

4 The parties agree that this Court, the San Luis Obispo Superior and Municipal
5 Courts (the "Court"), has subject matter jurisdiction over the matters alleged in this action
6 and personal jurisdiction over the parties to this Stipulated Judgment. The parties further
7 agree that venue is proper in this Court.

8 3. Grounds for Settlement

9 The parties have expended substantial resources in a joint effort to resolve the
10 numerous legal and technical issues in this case. For the purpose of avoiding additional
11 protracted litigation, including a lengthy trial, the parties believe it is in their best interests to
12 resolve this case without further litigation. In addition, the State plaintiffs believe the terms
13 of this settlement are fair, reasonable and in the best interests of the public. By execution of
14 this Stipulated Judgment, Unocal does not admit any violations of state statutory or common
15 law as alleged in the First Amended Complaint.

16 4. Settlement of the State Plaintiffs' Claims for Damages, Civil Penalties and
17 Costs

18 4.1. The parties agree to settle all of the State plaintiffs' monetary claims, subject
19 to the provisions in paragraph 6 of this Stipulated Judgment, for \$43,800,000.00. Pursuant
20 to the terms of the Stipulation of Terms and Conditions of No Contest Plea in People v.
21 Beauchamp, San Luis Obispo County Municipal Court No. M202983 and the Stipulation for
22 Judgment and Judgment Pursuant to Business and Professions Code 17200 et seq. in People
23 v. Unocal Corporation, San Luis Obispo County Superior Court No. 075157, Unocal is
24 entitled to credit for \$1,300,000.00, which sum previously was paid by Unocal to San Luis
25 Obispo County. Therefore, Unocal will make settlement payments in the total sum of
26 \$42,500,000.00 (hereinafter referred to as "settlement funds") to resolve this civil action.

27 4.2. Within ten business days of the lodging of this Stipulated Judgment with the
28 Court, Unocal shall deposit, by electronic funds transfer or similar means, the sum of

1 \$42,500,000.00 in an interest-bearing escrow account to be established by Unocal at an
2 institution for which counsel for the State plaintiffs has provided written consent. The State
3 plaintiffs will provide the escrow instructions. Within ten days from the date this Stipulated
4 Judgment is deemed final, the escrow officer shall distribute the settlement funds in
5 accordance with the escrow instructions prepared by the State plaintiffs. If the Court decides
6 not to enter judgment based on this Stipulated Judgment, all funds in the escrow account
7 shall be returned to Unocal after the Court's order becomes final. For purposes of this
8 Stipulated Judgment, the Court's order either approving or not approving the Stipulated
9 Judgment shall be deemed final when the time for appeal of that order has expired without an
10 appeal being taken or when a final order is issued by an appellate court that is not subject to
11 further review.

12 4.3. The State plaintiffs agree that the settlement funds will be distributed as
13 follows:

14 a. \$9,000,000.00 to be dedicated as natural resource damages to fund
15 projects to restore, replace, rehabilitate and/or acquire the equivalent of the natural resources
16 and related services that were injured, lost, or destroyed by diluent releases at the Guadalupe
17 Oil Field. The funds for natural resources damages may be used to reimburse plaintiffs for
18 design, implementation, permitting (as necessary), monitoring and oversight associated with
19 the funded projects. The funds will be placed into the Guadalupe Natural Resources
20 Restoration Trust (as set forth in Exhibit A).

21 b. \$15,000,000.00 to be dedicated for water quality projects within the
22 Central Coast Region to be selected by the Water Board at public meetings. The funds for
23 water quality projects may be used to reimburse plaintiffs for selection, design,
24 implementation, permitting (as necessary), monitoring and oversight associated with the
25 projects. The funds will be placed into the Guadalupe Oil Field Settlement Water Quality
26 Project Trust (as set forth in Exhibit B).

27 c. \$500,000.00 as civil penalties to the State Water Pollution Cleanup and
28 Abatement Account.

1 d. \$160,000.00 as costs incurred up to February 6, 1998, by the Attorney
2 General in representation of the Water Board in relation to the Guadalupe Oil Field.

3 e. \$11,100,000.00 to DFG to be deposited into the Fish and Wildlife
4 Pollution Account in the Fish and Game Preservation Fund for inland resource protection and
5 pollution response.

6 f. \$375,000.00 as civil penalties to the Environmental Enhancement Fund
7 established under Government Code section 8670.70.

8 g. \$125,000.00 to the Oil Spill Prevention and Administration Fund
9 established under Government Code section 8670.38.

10 h. Up to \$4,840,000.00 as unreimbursed costs incurred by DFG and/or its
11 designees in relation to the Guadalupe Oil Field. This includes agency costs incurred up to
12 February 6, 1998.

13 i. \$700,000.00 to resolve the claims of DTSC, to be allocated as follows:
14 (1) \$236,422.00 as civil penalties to DTSC, pursuant to Health and Safety Code section
15 25192; (2) \$77,140.00 as civil penalties to be used to fund the activities of the local health
16 officer of San Luis Obispo County to enforce the provisions of Chapter 6.5 of the Hazardous
17 Waste Control Law, pursuant to Health and Safety Code section 25192; (3) \$200,000.00 to
18 fund Supplemental Environmental Projects, in the form of restoration projects to be
19 designated by DTSC, relating to natural resource damages at or in the vicinity of the
20 Guadalupe Oil Field, which will be deposited in the Guadalupe Natural Resources Trust as
21 set forth in Exhibit A; and (4) \$186,438.00 as reimbursement for costs of enforcement
22 incurred by DTSC in relation to the Guadalupe Oil Field.

23 j. \$700,000.00 to resolve the claims of the Attorney General, to be
24 allocated as follows: (1) Pursuant to Health and Safety Code section 25192, \$500,000 in
25 civil penalties payable in the amounts of \$250,000.00 to the Hazardous Substances Account
26 of the General Fund, \$125,000.00 to the local health officer of San Luis Obispo County, and
27 \$125,000.00 to the Attorney General; and (2) \$200,000.00 to the Public Health Institute to
28 provide resources for Proposition 65 enforcement activities.

1 k. Interest accrued in the escrow account described in paragraph 4.2 and any
2 amount remaining after paying the costs described in paragraph 4.3(f) to be distributed
3 evenly between the natural resource damages described in paragraph 4.3(a) and the water
4 quality projects described in paragraph 4.3(b).

5 4.4. In addition to the settlement funds described above in paragraphs 4.1 through
6 4.3, Unocal agrees to pay the reasonable costs incurred by the State plaintiffs' staff personnel
7 and attorneys for negotiating and finalizing this settlement and preparing settlement
8 documents, during the period from February 6, 1998 until the date of entry of the proposed
9 Judgment by the Court. The State plaintiffs agree to provide Unocal an invoice(s) for these
10 costs within 60 days after the date of entry of the Judgment by the Court. Unocal agrees to
11 pay the invoice within 30 days after the date of the invoice(s).

12 5. Settlement of the State Plaintiffs' Claims for Injunctive Relief

13 5.1. The parties agree to settle the State plaintiffs' claims for injunctive relief by
14 addressing immediate and long-term site cleanup issues through administrative directives and
15 orders of the Water Board. The staff of the Water Board and Unocal agree that the
16 remediation will proceed in phases. The first phase ("Phase I") of administrative decision-
17 making is set forth in Cleanup or Abatement Order No. 98-38 adopted by the Water Board at
18 its meeting on April 3, 1998 and amended on July 13, 1998 ("CAO 98-38"). The primary
19 goal of Phase I is to prevent discharges of diluent to surface waters. Failure of the remedial
20 action to satisfactorily achieve the goal may require further action at a specific location or
21 locations, even before the completion of all Phase I activities. Secondary goals of Phase I
22 include completing site characterization and investigating and testing alternative cleanup
23 technologies, especially those that have the potential to replace excavation as an effective
24 means of removal of separate phase diluent. Unocal agrees to comply with the requirements
25 set forth in CAO 98-38.

26 5.2. It is difficult to define the parameters of subsequent phases of remediation
27 because there are many variables at this time. For example, the potential impacts on the
28 principal aquifer have not been fully explored, all sources of diluent discharges to ground

1 and surface water have not been fully characterized, and the effectiveness or feasibility of the
2 remediation methods to be implemented as part of Phase I cannot be fully evaluated until
3 after the field work proceeds. Determinations by the Water Board regarding implementation
4 of additional phases of remediation will be based on, among other things, evaluation of
5 Phase I activities, the emergence of new technologies, and the results of existing and ongoing
6 site characterization. All such determinations will be made in accordance with the standards
7 set forth in State Water Resources Control Board Resolution No. 92-49, or the applicable
8 legal standards in existence at that time. Unocal reserves all of its rights under the Water
9 Code to pursue administrative appeals and subsequent litigation challenging any
10 administrative decisions of the Water Board, including decisions regarding compliance with
11 CAO 98-38, with respect to the Guadalupe Oil Field, except that Unocal waives its rights to
12 appeal CAO 98-38. Unocal will dismiss with prejudice its petition regarding CAO 98-38
13 filed with the State Water Resources Control Board within 5 days after this Stipulated
14 Judgment is deemed final as set forth in paragraph 4.2. Any administrative review and
15 litigation initiated by Unocal regarding decisions of the Water Board with respect to the
16 Guadalupe Oil Field shall be conducted in accordance with sections 13320, 13321, 13330 and
17 other applicable provisions of the Water Code.

18 5.3. Unocal and the Water Board agree that all issues that are now within the scope
19 of the CONCUR mediation process will continue to be addressed in that process. All future
20 disputes regarding site characterization and remediation under CAO 98-38, including but not
21 limited to, the performance of pilot tests and interpretation of pilot test results, will be
22 submitted to a mutually-acceptable mediation process, such as the current Concur mediation
23 process, after Unocal and the Water Board attempt informal dispute resolution. DFG may
24 participate at its discretion in the mediation process. Both parties agree to attempt to resolve
25 their dispute in mediation in good faith and mediation shall continue until the issue is
26 resolved or until either party decides to withdraw an issue from mediation and pursue
27 whatever recourse they have as authorized by law to resolve the dispute. An issue may also
28 be withdrawn from mediation upon determination by the mediator that there is not a

1 reasonable likelihood that the issue can be resolved in mediation. The Water Board
2 participation in the mediation process does not limit the Board's discretion to require what it
3 deems appropriate for investigation or cleanup.

4 5.4. Except as specifically provided in CAO 98-38, this Stipulated Judgment shall
5 not limit the State plaintiffs from exercising their authority under any law, statute, or
6 regulation, including, but not limited to, requiring appropriate investigative and cleanup
7 activities at the Guadalupe Oil Field; provided further, that if Unocal complies fully with the
8 requirements for excavation set forth in CAO 98-38, the Water Board may not require
9 Unocal to excavate in any area that has been excavated in compliance with the excavation
10 requirements of CAO 98-38, except in those areas where only partial excavation has been
11 required (for example, L11, M4 and B12).

12 5.5 a. While some chemicals listed under Proposition 65 are present at the
13 field, due to the extent of contamination with petroleum hydrocarbons, and the need for the
14 prompt initiation and completion of cleanup as described in paragraph 5.2, Proposition 65
15 compliance shall be achieved within the parameters of the CAO 98-38 process. The Water
16 Board, in setting final cleanup standards for the Field, shall consult with the Attorney
17 General and take into account the provisions of Proposition 65.

18 b. With respect to warnings required by Health and Safety Code section
19 25249.5, Unocal shall, no later than 10 days after the Court approves this Stipulated
20 Judgment, post one sign at the entrance to the Field and two beachfront signs containing the
21 following in conspicuous type: "This area contains chemicals known to the State of
22 California to cause cancer and birth defects or other reproductive harm."

23 c. In the event of new surface discharges causing potentially significant
24 exposures to Proposition 65 chemicals to those off-site, Unocal will immediately contact the
25 Attorney General to agree upon satisfactory methods of providing additional warnings.

26 5.6. Unocal agrees to provide the Water Board financial assurance of Unocal's
27 long-term capability to carry out remedial activities at the Guadalupe Oil Field as follows:

28 a. The financial assurance shall be in the form of a corporate guarantee

1 demonstrating that Unocal passes the financial test specified in California Code of
2 Regulations, title 22 ("22 CCR"), section 66264.143(f). Unocal shall submit to the Water
3 Board within 60 days of entry of this Judgment and annually thereafter the following
4 documents: (i) a letter from its Chief Financial Officer substantially similar to that
5 established by DTSC under 22 CCR section 66264.143(f)(3); and (ii) reports substantially
6 similar to those established by DTSC under 22 CCR section 66264.143(f)(3)(B) & (C).

7 b. The financial test will be based on the current estimate of total
8 remediation costs. Consistent with DTSC regulations, the remediation cost estimate will be
9 adjusted annually, and a revised financial test letter based on the adjusted cost estimate will
10 be provided.

11 c. If Unocal no longer meets the financial test specified in 22 CCR section
12 66264.143(f), including, but not limited to, an inability based on a change in ownership,
13 Unocal shall send notice to the Water Board of Unocal's intent to establish alternate financial
14 assurance as specified in 22 CCR section 66264.143. Unocal must send the notice within 90
15 days after any occurrence that prevents Unocal from meeting the financial test and Unocal
16 must provide the alternate financial assurance within 120 days after the end of its latest
17 completed fiscal year.

18 d. The Water Board may, based on a reasonable belief that Unocal may
19 no longer meet the requirements of the financial test referred to in paragraph 5.6(a), above,
20 require additional reports of financial condition at any time from Unocal. If the Water Board
21 determines that Unocal no longer satisfies the financial test referred to in paragraph 5.6(a)
22 above, Unocal shall provide alternate financial assurance within 30 days after notification of
23 the Water Board's determination.

24 e. If there is a change in ownership or corporate status of Unocal, Unocal
25 shall require its successor (i) to provide a financial test letter (or other form of financial
26 assurance acceptable to the Water Board) based on the then-current estimate of total
27 remediation costs and (ii) to provide a corporate guarantee to Unocal that substantially
28 conforms to the requirements of 22 CCR section 66264.143(f)(10) and provides that the

1 successor shall carry out the required remedial activities or shall establish a trust fund as
2 specified in 22 CCR section 66264.143(a) in the name of Unocal.

3 5.7. In accordance with Water Code section 13304 and other applicable law,
4 Unocal shall continue to pay (a) the reasonable costs of oversight incurred by the Water
5 Board and DFG in relation to remedial investigation and site cleanup activities at the
6 Guadalupe Oil Field, including reasonable agency overhead, if any, and the reasonable cost
7 of consultants to assist staff with their oversight work; and (b) the reasonable costs of
8 response incurred by the Water Board and DFG in relation to releases at the Guadalupe Oil
9 Field after February 6, 1998, including reasonable agency overhead, if any, and the
10 reasonable cost of consultants to assist staff with their response activities.

11 5.8. The parties acknowledge that, when this Stipulated Judgment is deemed final,
12 Unocal's criminal probation in San Luis Obispo County Municipal Court Case No. M202983
13 will terminate in accordance with paragraph 2(c) of the Stipulation of Terms and Conditions
14 of Settlement of Probation Violation, filed on April 22, 1997. Unocal shall provide notice to
15 the Municipal Court when this Stipulated Judgment is deemed final.

16 5.9. Within 90 days after the Stipulated Judgment becomes final, the Parties shall
17 exchange all data concerning the Guadalupe Field collected after December 1993 that the
18 parties have not previously exchanged; provided, however, that the parties shall not be
19 required to exchange any privileged interpretations of such data. The State Plaintiffs shall
20 provide all such data to Unocal; Unocal shall provide all such data to the Water Board and
21 Unocal shall also provide any data pertaining to the value of any losses of natural resources
22 or services provided by natural resources (including, but not limited, public surveys and
23 recreational use data) and toxicity data contained within that data to DFG. Unocal shall
24 reimburse the State plaintiffs for the reasonable costs associated with providing the data to
25 Unocal.

26 5.10 When Unocal has completed excavation of a particular area in accordance with
27 the excavation performance standards in CAO No. 98-38 and has completed backfilling of
28 the excavated area, the Water Board shall issue a certificate of completion of the excavation

1 task for each such area. This paragraph shall not apply to require a certificate of completion
2 for an area where only partial excavation has been performed (for example, L11, M4, and
3 B12). The Parties agree that the certificates of completion do not constitute final closure and
4 that final closure of particular areas will not occur until the Water Board determines that soil
5 and groundwater cleanup levels to be specified at a later date by the Water Board have been
6 achieved.

7 6. Matters Covered by this Stipulated Judgment

8 6.1. Subject to the reservations set forth in paragraphs 5.4, 5.5, 5.7 and 6.2
9 through 6.6 inclusive, final approval of this Stipulated Judgment by the Court and Unocal's
10 performance of all of the obligations set forth in this Stipulated Judgment resolves all civil,
11 criminal, and administrative claims of the State plaintiffs for the violations set forth in the
12 complaints referenced in paragraphs 1.2 and 1.3, for any claims based upon releases from
13 the Guadalupe Oil Field up to the date of execution of this Stipulated Judgment, including the
14 releases from the 5X area, the 3X area, the A2A area, and the Leroy 2 Access Road sump in
15 February and March, 1998, and for any other claims based on the underlying facts alleged in
16 the complaints referenced in paragraphs 1.2 and 1.3 that could have been asserted, including,
17 but not limited to, all California Water Code, Fish & Game Code, Proposition 65, Business
18 and Professions Code, Government Code, Harbors and Navigation Code, Civil Code, Health
19 and Safety Code, and any other federal or State statutory and common law claims for
20 injunctive relief and any form of monetary relief, including, but not limited to, civil
21 penalties, natural resource damages, tort damages, restitution, disgorgement of profits, cost
22 reimbursement, and attorneys' fees and costs against Unocal or its present, former, or future
23 parents, subsidiaries, directors, officers, consultants or agents. Nothing in this Stipulated
24 Judgment limits the Water Board's reservations of rights in CAO 98-38.

25 6.2. This Stipulated Judgment does not preclude the State plaintiffs from pursuing
26 administratively or judicially any statutory or common law claims they may have based upon
27 the presence of petroleum hydrocarbons, any hazardous substances or any waste in the
28 principal aquifer which is located, in part, beneath the Guadalupe Oil Field; provided,

1 however, that the State plaintiffs may only seek civil penalties for petroleum hydrocarbons
2 based on the petroleum hydrocarbons physically present in the principal aquifer at the time
3 the characterization and assessment of the principal aquifer commenced under the mediation
4 process is completed as determined under the mediation process or by the Water Board.

5 6.3. This Stipulated Judgment does not preclude the State plaintiffs from pursuing
6 administratively or judicially any statutory or common law claims they may have relating to
7 substances other than petroleum hydrocarbons in areas above the principal aquifer; provided,
8 however, that (a) a claim for monetary relief, including but not limited to civil penalties,
9 natural resource damages, tort damages, restitution, and disgorgement of profits, shall only
10 be available if the environmental harm that is caused by the substances other than petroleum
11 hydrocarbons is greater than or different from the environmental harm caused by the
12 presence of petroleum hydrocarbons on and beneath the Guadalupe Oil Field; and (b) relief
13 shall be based on the environmental harm that is greater than or different from the
14 environmental harm caused by the presence of petroleum hydrocarbons on and beneath the
15 Guadalupe Field, as well as other factors authorized by applicable law.

16 6.4. This Stipulated Judgment does not preclude plaintiffs from pursuing any claims
17 based upon violations of state or federal law occurring after the date of the lodging of this
18 Stipulated Judgment with the Court.

19 6.5. Unocal shall be liable for administrative or judicial civil liabilities and
20 penalties for any significant discharges of separate phase diluent to surface waters from the
21 diluent plume at the location commonly known as "5X" which occur after the lodging of this
22 Stipulated Judgment with the Court but prior to the completion of excavation at this location
23 in accordance with the excavation standards and applicable requirements set forth in CAO
24 98-38.

25 The State plaintiffs shall recover civil liabilities and penalties by commencing a new
26 administrative or judicial action within 3 years of the date of discovery of the discharge into
27 the surface water.

28 6.6. Except as specifically provided in this Stipulated Judgment, nothing in this

1 Stipulated Judgment shall preclude, prejudice, waive, or impair any right, remedy, or
2 defense that Unocal may have in any legal proceeding not covered by the release set forth in
3 Paragraph 6.1, above, or in any further proceeding regarding matters covered by this
4 Stipulated Judgment.

5 7. Attorneys Fees and Costs

6 Except as otherwise provided in paragraphs 4 and 8, the parties shall bear
7 their own costs and attorneys' fees.

8 8. Enforcement of Stipulated Judgment

9 Any party may, by noticed motion or other authorized means, apply to the
10 Court for enforcement of the terms of this Stipulated Judgment, except for issues relating to
11 compliance with or interpretations of CAO 98-38 which are to be resolved through the
12 dispute resolution process described at paragraph 5.3 or other remedies authorized by law.
13 In any action brought by the State plaintiffs under this paragraph, the State plaintiffs may
14 seek whatever fines, penalties, and other remedies are provided by law for failure to comply
15 with this Stipulated Judgment and either State plaintiffs or Unocal, whoever is the prevailing
16 party may be awarded attorney's fees and costs if available under applicable law. The Water
17 Board reserves its right to exercise any administrative remedy authorized by law in lieu of
18 proceeding by motion in this action and Unocal reserves its rights to exercise any
19 administrative or judicial challenges to any such administrative remedy exercised by the
20 Water Board.

21 9. Continuing Jurisdiction

22 The Court retains jurisdiction to enforce the terms of this Stipulated Judgment.

23 10. Authority to Stipulate to Enter Stipulated Judgment

24 Each signatory to this Stipulated Judgment certifies that he or she is fully
25 authorized by the party he or she represents to agree in full to the terms of this Stipulated
26 Judgment and to legally bind such party.

27 11. Modification

28 This Stipulated Judgment may be modified upon written approval of the parties

1 and entry of a modified judgment by the Court based thereon, or upon motion of any party
2 as provided by law and upon entry of a modified Judgment by the Court.

3 12. Court Approval

4 If the Judgment is not approved by the Court, it shall be of no force or effect
5 and cannot be used in any proceeding for any purpose.

6 13. Execution in Counterparts

7 This Stipulated Judgment may be executed in counterparts, or by facsimile
8 thereof, which taken together shall be deemed to constitute one document.

9 14. Persons Bound.

10 This Stipulated Judgment shall apply to and be binding upon the State plaintiffs
11 and Unocal and their directors, officers, employees, and agents and their successors or
12 assigns. Any change in ownership or corporate status of Unocal, including, but not limited
13 to, any transfer of assets or real or personal property shall not alter Unocal's responsibilities
14 under this Stipulated Judgment, except as otherwise set forth in paragraph 5.6.e. This
15 Stipulated Judgment shall not apply to or be binding on any federal, state or local
16 department, agency or entity that is not a party to this case.

17 15. Notice and Submittals.

18 When any party is entitled to receive any notice or other written
19 communication under this Stipulated Judgment, the notice or written communication shall be
20 sent by overnight courier service or facsimile to the person and address set forth in this
21 paragraph. Any party may modify the person and address to whom notice is to be sent by
22 sending each other party notice by certified mail, return receipt requested. Said change shall
23 take effect for any notice mailed at least five days after the date the return receipt is signed
24 by the party receiving the change. Notices or written communications shall be sent to the
25 following:

26 For Water Board, DFG, DTSC, Conservancy, and AG:
27 Mary E. Hackenbracht, Esq.
28 Office of the Attorney General
2101 Webster St., 12th Floor
Oakland, California 94612-3049

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Timothy R. Patterson, Esq.
Office of the Attorney General
110 West A St., Suite 1100
San Diego, California 92101

Jennifer Soloway, Esq.
State Water Resources Control Board
901 P Street
Sacramento, California 95814

Katherine Verrue-Slater, Esq.
Department of Fish and Game
Office of Spill Prevention and Response
1416 Ninth Street
P.O. Box 944209
Sacramento, California 94244-2090

Patricia S. Peterson, Esq.
Office of the Attorney General
2101 Webster St., 12th Floor
Oakland, California 94612-3049

Craig Thompson, Esq.
Office of the Attorney General
1300 I Street
P.O.Box 944255
Sacramento, California 94244-2550

For Unocal:
Mark A. Smith, Esq.
Unocal Corporation
2141 Rosecrans Ave., Suite 4060
El Segundo, California 90245

Patrick J. Cafferty, Jr.
Munger, Tolles & Olson
33 New Montgomery St., Suite 1900
San Francisco, California 94105

15. Integration Clause

This Stipulated Judgment constitutes the entire agreement between the parties
and may not be amended or supplemented except as provided for herein.

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16. Interpretation.

The terms of this Stipulated Judgment have been fully negotiated by the parties at arm's length, after advice by counsel and other representatives, chosen independently by each party, and the parties are fully informed with respect thereto. Therefore, none of the parties shall be deemed the scrivener of this Stipulated Judgment and the provisions of this Stipulated Judgment shall be construed as a whole according to their common meaning and not strictly for or against any party.

17. Headings.

The headings used in this Stipulated Judgment are for convenience of reference and should not be used to define the meaning of any provision.

This Stipulated Judgment is agreed to by the following representatives of the parties:

Plaintiffs:

CALIFORNIA DEPARTMENT OF FISH & GAME

DATED: _____

Pete Bontadelli
PETE BONTADELLI, Administrator
Office of Oil Spill Prevention and Response, California
Department of Fish and Game

CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD, CENTRAL COAST REGION

DATED: _____

ROGER BRIGGS, Executive Officer
California Regional Water Quality Control Board, Central
Coast Region

CALIFORNIA DEPARTMENT OF TOXIC SUBSTANCES CONTROL

DATED: _____

JESSE HUFF, Director
California Department of Toxic Substances Control

1 16. Interpretation.

2 The terms of this Stipulated Judgment have been fully negotiated by the parties
3 at arm's length, after advice by counsel and other representatives, chosen independently by
4 each party, and the parties are fully informed with respect thereto. Therefore, none of the
5 parties shall be deemed the scrivener of this Stipulated Judgment and the provisions of this
6 Stipulated Judgment shall be construed as a whole according to their common meaning and
7 not strictly for or against any party.

8 17. Headings.

9 The headings used in this Stipulated Judgment are for convenience of reference
10 and should not be used to define the meaning of any provision.

11 This Stipulated Judgment is agreed to by the following representatives of the parties:

12 Plaintiffs:

13 CALIFORNIA DEPARTMENT OF FISH & GAME

14 DATED: _____

PETE BONTADELLI, Administrator
Office of Oil Spill Prevention and Response, California
Department of Fish and Game

17 CALIFORNIA REGIONAL WATER QUALITY CONTROL
18 BOARD, CENTRAL COAST REGION

19 DATED: 7/20/98

Paul Jagger

b. ROGER BRIGGS, Executive Officer
California Regional Water Quality Control Board, Central
Coast Region

22 CALIFORNIA DEPARTMENT OF TOXIC
23 SUBSTANCES CONTROL

24 DATED: _____

JESSE HUFF, Director
California Department of Toxic Substances Control

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1 16. Interpretation.

2 The terms of this Stipulated Judgment have been fully negotiated by the parties
3 at arm's length, after advice by counsel and other representatives, chosen independently by
4 each party, and the parties are fully informed with respect thereto. Therefore, none of the
5 parties shall be deemed the scrivener of this Stipulated Judgment and the provisions of this
6 Stipulated Judgment shall be construed as a whole according to their common meaning and
7 not strictly for or against any party.

8 17. Headings.

9 The headings used in this Stipulated Judgment are for convenience of reference
10 and should not be used to define the meaning of any provision.

11 This Stipulated Judgment is agreed to by the following representatives of the parties:

12 Plaintiffs:

13 CALIFORNIA DEPARTMENT OF FISH & GAME

14 DATED: _____

15 PETE BONTADELLI, Administrator
16 Office of Oil Spill Prevention and Response, California
17 Department of Fish and Game

18 CALIFORNIA REGIONAL WATER QUALITY CONTROL
19 BOARD, CENTRAL COAST REGION

19 DATED: _____

20 ROGER BRIGGS, Executive Officer
21 California Regional Water Quality Control Board, Central
22 Coast Region

23 CALIFORNIA DEPARTMENT OF TOXIC
24 SUBSTANCES CONTROL

24 DATED: 7/20/98

25 JESSE HUFF, Director
26 California Department of Toxic Substances Control
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CALIFORNIA STATE COASTAL CONSERVANCY

DATED: 7/20/98

William Aher
WILLIAM AHERN, Executive Officer
California State Coastal Conservancy

DATED: 7/20/98

ATTORNEY GENERAL DANIEL E. LUNGREN
Craig C. Thompson
CRAIG C. THOMPSON, Supervising
Deputy Attorney General

DATED: 7/20/98

Counsel for Plaintiffs:
Mary E. Hackenbracht
MARY E. HACKENBRACHT, Supervising
Deputy Attorney General

Counsel for California Department of Fish and Game;
California Regional Water Quality Control Board, Central
Coast Region; and Attorney General Daniel E. Lungren

DATED: _____

TIMOTHY R. PATTERSON
Deputy Attorney General

Counsel for California Department of Toxic
Substances Control

DATED: 7/20/98

Patricia Sheehan Peterson
PATRICIA SHEEHAN PETERSON
Deputy Attorney General

Counsel for California State Coastal Conservancy

CALIFORNIA STATE COASTAL CONSERVANCY

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DATED: _____

WILLIAM AHERN, Executive Officer
California State Coastal Conservancy

ATTORNEY GENERAL DANIEL E. LUNGREN

DATED: _____

CRAIG C. THOMPSON, Supervising
Deputy Attorney General

Counsel for Plaintiffs:

DATED: _____

MARY E. HACKENBRACHT, Supervising
Deputy Attorney General

Counsel for California Department of Fish and Game;
California Regional Water Quality Control Board, Central
Coast Region; and Attorney General Daniel E. Lungren

DATED: 7-20-98

Timothy R. Patterson
TIMOTHY R. PATTERSON
Deputy Attorney General

Counsel for California Department of Toxic
Substances Control

DATED: _____


PATRICIA SHEEHAN PETERSON
Deputy Attorney General

Counsel for California State Coastal Conservancy

UNION OIL COMPANY OF CALIFORNIA, dba UNOCAL, a California Corporation, and UNOCAL CORPORATION, a Delaware Corporation

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DATED: 7/17/98



PAUL T. WEST, General Manager
California Operating Services
Unocal Corporation

DATED: _____

DANIELE FACCHINI
Assistant Secretary
Unocal Corporation

On Behalf of All Defendants

Counsel for Defendants:

DATED: _____

MARK A. SMITH, ESQ.,
Assistant General Counsel
UNOCAL CORPORATION

DATED: _____

PATRICK J. CAFFERTY, JR., ESQ.
MUNGER, TOLLES & OLSON LLP

Counsel for Defendants Union Oil Company of California,
dba UNOCAL, and Unocal Corporation

Having considered the settlement terms set forth in this Stipulated Judgment and good cause appearing therefore, IT IS SO ORDERED, ADJUDGED, AND DECREED.

DATED: _____

By: _____
HONORABLE BARRY C. HAMMER
JUDGE OF THE SUPERIOR COURT

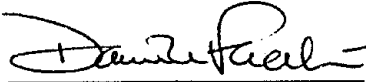
UNION OIL COMPANY OF CALIFORNIA, dba
UNOCAL, a California Corporation, and
UNOCAL CORPORATION, a Delaware Corporation

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DATED: _____

PAUL T. WEST, General Manager
California Operating Services
Unocal Corporation

DATED: 7/17/98



DANIELE FACCHINI
Assistant Secretary
Unocal Corporation

On Behalf of All Defendants

Counsel for Defendants:

DATED: _____

MARK A. SMITH, ESQ.,
Assistant General Counsel
UNOCAL CORPORATION

DATED: _____

PATRICK J. CAFFERTY, JR., ESQ.
MUNGER, TOLLES & OLSON LLP

Counsel for Defendants Union Oil Company of California,
dba UNOCAL, and Unocal Corporation

Having considered the settlement terms set forth in this Stipulated Judgment and good cause
appearing therefore, IT IS SO ORDERED, ADJUDGED, AND DECREED.

DATED: _____

By: _____
HONORABLE BARRY C. HAMMER
JUDGE OF THE SUPERIOR COURT

UNION OIL COMPANY OF CALIFORNIA, dba UNOCAL, a California Corporation, and UNOCAL CORPORATION, a Delaware Corporation

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DATED: _____

PAUL T. WEST, General Manager
California Operating Services
Unocal Corporation

DATED: _____

DANIELE FACCHINI
Assistant Secretary
Unocal Corporation

On Behalf of All Defendants

Counsel for Defendants:

DATED: July 17, 1998

Mark A. Smith

MARK A. SMITH, ESQ.,
Assistant General Counsel
UNOCAL CORPORATION

DATED: _____

PATRICK J. CAFFERTY, JR., ESQ.
MUNGER, TOLLES & OLSON LLP

Counsel for Defendants Union Oil Company of California,
dba UNOCAL, and Unocal Corporation

Having considered the settlement terms set forth in this Stipulated Judgment and good cause appearing therefore, IT IS SO ORDERED, ADJUDGED, AND DECREED.

DATED: _____

By: _____
HONORABLE BARRY C. HAMMER
JUDGE OF THE SUPERIOR COURT

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UNION OIL COMPANY OF CALIFORNIA, dba
UNOCAL, a California Corporation, and
UNOCAL CORPORATION, a Delaware Corporation

DATED: _____

PAUL T. WEST, General Manager
California Operating Services
Unocal Corporation

DATED: _____

DANIELE FACCHINI
Assistant Secretary
Unocal Corporation

On Behalf of All Defendants

Counsel for Defendants:

DATED: _____

MARK A. SMITH, ESQ.,
Assistant General Counsel
UNOCAL CORPORATION

DATED: 7/17/98

Patrick J. Cafferty, Jr.

PATRICK J. CAFFERTY, JR., ESQ.
MUNGER, TOLLES & OLSON LLP

Counsel for Defendants Union Oil Company of California,
dba UNOCAL, and Unocal Corporation

Having considered the settlement terms set forth in this Stipulated Judgment and good cause
appearing therefore, IT IS SO ORDERED, ADJUDGED, AND DECREED.

DATED: _____

By: _____
HONORABLE BARRY C. HAMMER
JUDGE OF THE SUPERIOR COURT

EXHIBIT A

1 **GUADALUPE NATURAL RESOURCES RESTORATION TRUST**

2 This Trust is established with the National Fish and Wildlife Foundation (the
3 "Foundation") by Unocal for the benefit of the California Department of Fish and Game
4 ("DFG"), the California State Coastal Conservancy ("Conservancy"), and the Department of
5 Toxic Substances Control ("DTSC"), on behalf of the People of the State.

6 **DEFINITIONS**

7 1. "Natural Resource" and "Natural Resources" mean land, fish, wildlife, biota,
8 air, water, ground water, drinking water supplies, and other such resources belonging to,
9 managed by, held in trust by, appertaining to, or otherwise controlled by the State of
10 California.

11 2. "Restoration Project" means any action to restore or rehabilitate any injured,
12 lost, damaged, or destroyed Natural Resource (and the services provided by that Natural
13 Resource), or any action that replaces or acquires the equivalent of, the injured, lost, or
14 destroyed Natural Resource and affected services injured, lost, or destroyed as a result of the
15 diluent releases at Guadalupe Oil Field. Restoration projects shall be in the geographical
16 area of San Luis Obispo County and/or Santa Barbara County, as near as possible to the
17 Guadalupe Oil Field.

18 3. "Stipulated Judgment" means the Settlement Agreement and Judgment reached
19 by the parties in People v. Unocal, San Luis Obispo County Superior Court No. CV 075194
20 concerning diluent releases at Guadalupe Oil Field.

21 4. "MOU" means the Memorandum of Understanding Relating to the
22 Unocal/Guadalupe Oil Field Settlement entered into by DFG, the Conservancy, DTSC and
23 the California Regional Water Quality Control Board, Central Coast Region.

24 5. "Settlement Funds" means the money paid into this trust pursuant to paragraph
25 4.3 of the Stipulated Judgment, comprised of the following: \$9,000,000 as natural resource
26 damages; \$200,000 as Supplemental Environmental Projects; and half of the interest earned
27 in escrow less escrow fees and half of any amount remaining from the sum designated to pay

1 costs incurred by DFG and/or its designees.

2 **PURPOSE**

3 6. The purpose of this Agreement is to establish the Guadalupe Natural Resources
4 Restoration Trust ("Trust") and to appoint the Foundation as its Trustee. This Agreement
5 outlines the terms under which the Foundation shall exercise this function.

6 7. The purpose of the Trust is to receive, manage and disburse funds, in
7 accordance with the direction of DFG, the Conservancy, and DTSC for certain Restoration
8 Projects relating to diluent releases at the Guadalupe Oil Field.

9 **SETTLOR**

10 8. Unocal shall fund this Trust with certain settlement funds pursuant to a
11 requirement in the Stipulated Judgment. With the exception of the obligation to establish this
12 Trust, Unocal shall have no rights, duties, obligations, fiduciary or financial responsibilities
13 of any kind in connection with this Trust. Without limiting the foregoing, Unocal shall have
14 no rights, duties, obligations, fiduciary or financial responsibilities with respect to the
15 management of this Trust, the use of funds held in this Trust, property acquired with Trust
16 funds, or Natural Resource Restoration Projects funded by the Trust. This Trust is
17 irrevocable and Unocal retains no interest whatsoever in the corpus or proceeds of this Trust.

18 **TRUSTEE**

19 9. The Foundation shall be Trustee of the Trust.

20 10. The Foundation and/or any successor appointed by DFG and the Conservancy
21 jointly submits to the jurisdiction of the San Luis Obispo County Superior and Municipal
22 Courts ("the Court") for purposes of enforcement and supervision of the Trust.

23 11. DFG and the Conservancy jointly shall have the power to appoint a
24 replacement Trustee if the office of the Trustee becomes vacant.

25 12. DFG and the Conservancy jointly shall have the power to remove the Trustee
26 if at any time DFG and the Conservancy jointly determine that the Trustee is not performing
27 its duties in a manner that is consistent with the purposes of the Trust. DFG and the

1 Conservancy jointly shall have the right to ask the Court to remove the Trustee or to
2 terminate the Trust. The Foundation may resign as Trustee at any time for cause upon 90
3 days written notice to DFG, the Conservancy and DTSC. If the Foundation resigns, DFG
4 and the Conservancy jointly shall appoint a new Trustee or petition the Court to appoint a
5 new Trustee and the Foundation shall transfer any and all moneys in the restricted account
6 and all necessary records to the new Trustee as specified by DFG and the Conservancy and
7 shall promptly provide DFG, the Conservancy and DTSC with an accounting of the status of
8 the Trust. The change in Trustee shall not otherwise alter the terms of the Trust.

9 13. In addition to the powers expressly granted to the Trustee by this Agreement,
10 the Trustee shall have all other powers granted to Trustees under the laws of the State of
11 California, except as otherwise provided in this Agreement.

12 14. Unless otherwise agreed by DFG and the Conservancy, the Foundation shall
13 not hold an interest in any real or personal property acquired with settlement funds nor shall
14 it acquire, manage or dispose of such property. DTSC's concurrence shall be required for
15 real or personal property acquired in whole or in part by the \$200,000 allocated for
16 Supplemental Environmental Projects.

17 15. The settlement funds shall not be deemed federal funds within the meaning of
18 16 U.S.C. section 3703(e) and shall not be deemed State moneys within the meaning of
19 California Government Code section 16305.2.

20 BENEFICIARIES

21 16. The People of the State of California are the beneficiaries of the Trust.

22 DUTIES OF THE TRUSTEE

23 17. The Trustee shall maintain funds subject to the Trust in a Segregated Account
24 separate from all other Foundation accounts.

25 18. All funds held in the Segregated Account shall be invested as directed by DFG
26 and the Conservancy jointly, and, in the absence of specific instructions, shall be invested in
27 U.S. Treasury Bills and notes. Interest and earnings accruing to the Segregated Account

1 shall be reinvested in the Segregated Account and used to carry out the purpose of the Trust.

2 19. The Trustee is authorized and obligated to make disbursements of funds from
3 the Segregated Account pursuant to the requirements of this Trust document.

4 20. The Foundation shall appoint an individual, the Foundation Representative,
5 who will represent the Foundation in carrying out its obligations as Trustee under this
6 Agreement. The Foundation shall identify to DFG, the Conservancy, and DTSC, in writing,
7 the identity, mailing address, and phone number of the Foundation Representative. Any
8 change in the Foundation Representative shall be communicated to DFG, the Conservancy,
9 and DTSC within 10 business days of the change.

10 21. The Trustee shall fund, subject to paragraph 25 below, Restoration Projects
11 (including restoration planning activities, and oversight and monitoring) as directed by DFG,
12 the Conservancy and/or DTSC.

13 22. The Trustee shall submit to DFG, the Conservancy, and DTSC, an annual
14 report, by December 15 of each year, which itemizes all funds maintained, deposited,
15 accrued, and disbursed from the Segregated Account. The Foundation shall not be required
16 to submit an annual report to DTSC in subsequent years following the year that the \$200,000
17 identified for Supplemental Environmental Projects is disbursed in accordance with the
18 direction of DTSC.

19 **SELECTION OF AUTHORIZED PROJECTS**

20 23. DFG, the Conservancy, and DTSC shall, pursuant to the MOU, select
21 Restoration projects to be funded by the Trust. Disbursement of funds totalling no more than
22 \$200,000 shall be approved by DTSC as Supplemental Environmental Projects and evidenced
23 by a written authorization signed by DTSC. Disbursement of all other funds for Restoration
24 Projects shall be approved by DFG and the Conservancy and evidenced by a written
25 authorization signed by both DFG and the Conservancy.

26 24. DFG shall appoint a representative ("DFG Representative") for purposes of
27 communicating with the Foundation regarding management of the Trust and disbursements

1 from the Trust to facilitate Restoration Projects selected by DFG and the Conservancy and/or
2 DTSC. DFG shall give the Trustee Representative written notice of the name, address, and
3 telephone number of the DFG Representative. Any action taken by the Trustee in strict
4 accordance with this Trust Agreement and instructions from the DFG Representative shall be
5 considered authorized by DFG and the Conservancy and/or DTSC.

6 25. The Trustee shall make disbursements from the Trust only when the DFG
7 Representative has submitted to the Trustee a written authorization for the disbursements
8 approved by DFG and the Conservancy for Restoration Projects or by DTSC for
9 Supplemental Environmental Projects in accordance with paragraph 23.

10 **PAYMENT OF TRUST EXPENSES AND DISBURSEMENT OF FUNDS**

11 26. The Trustee shall receive, at the time funds are transferred to the Trust, an
12 initial administrative overhead reimbursement equal to two percent (2%) of the total funds
13 transferred to the Segregated Account. The uses of these funds include expenses for day to
14 day management of the Trust; initial bank charges for establishment of the Trust and bank
15 charges for the first year; and for personnel time for tracking, managing, and making
16 disbursements from the Trust. This initial administrative fee shall be made from the corpus
17 of the Trust. There shall be no liability for payment by Unocal beyond the Settlement Funds
18 required to be paid into this Trust pursuant to the Stipulated Judgment. The Trustee shall
19 make no charge against Unocal for the establishment of this Trust, and except as provided in
20 paragraph 27, no additional charges or deductions shall be made against the corpus of the
21 Trust in connection with the Administration of the Trust.

22 27. The Trustee will be reimbursed for extraordinary expenses not contemplated to
23 be incurred as part of normal management of the Trust, as set forth in paragraph 26,
24 provided such expenses are reasonable and actual expenses approved in writing by DFG and
25 the Conservancy and/or DTSC. Bank charges for the Trust after the first year may be paid
26 from interest collected on the Trust. For the first three years following deposit of funds into
27 the Trust, annual bank charges shall not exceed .025% of the corpus of the Trust.

1 28. Upon receipt from the DFG representative of the written authorization
2 approved by DFG and the Conservancy and/or DTSC to fund Restoration Project(s) pursuant
3 to paragraph 25 above, the Trustee is authorized and obliged to disburse funds in the
4 Segregated Account as directed by DFG and the Conservancy, and/or DTSC.

5 29. Nothing in this Agreement shall create any rights or causes of action in persons
6 who are not signatories to this Agreement.

7 **AMENDMENTS**

8 30. This Agreement may be amended only by written agreement of the Foundation
9 and DFG, the Conservancy, and DTSC.

10 **NOTICES**

11 31. Notices under this Agreement shall be made in writing and may be given by
12 delivery in person, by mail or by telecopy (fax).

13 Administrator, California Office of
14 Oil Spill Prevention and Response
15 1700 K Street, Suite 250
16 Sacramento, CA 95814
17 Fax: (916) 324-8829

18 Executive Officer, California State
19 Coastal Conservancy
20 1330 Broadway, Ste. 1100
21 Oakland, CA 94612-2530
22 Fax: (510) 286-0470

23 Director, California Department
24 of Toxic Substances Control
25 400 P Street
26 Sacramento, CA 95814
27 Fax: (916) 323-3215

32. Notices to the Foundation shall be sent to:

Eric Hammerling
National Fish and Wildlife Foundation
116 New Montgomery St., Ste 203
San Francisco, CA 94105
Phone: (415) 778-0999
Fax: (415) 778-0998

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EFFECTIVE DATE

33. The Trust shall become effective upon transfer of settlement funds to the Trustee pursuant to the Stipulated Judgment.

TERMINATION

34. The Trust shall terminate when all funds subject to the Trust have been disbursed and DFG, the Conservancy and DTSC agree to termination in writing.

FOR UNOCAL

Dated: 7/20/98 By: 
PAUL T. WEST, General Manager
California Operating Services
Unocal Corporation

FOR DFG

Dated: _____ By: _____
PETE BONTADELLI, Administrator
Office of Oil Spill Prevention and Response
California Department of Fish and Game

FOR THE CONSERVANCY

Dated: _____ By: _____
WILLIAM AHEARN, Executive Officer
California State Coastal Conservancy

FOR DTSC

Dated: _____ By: _____
JESSE HUFF, Director
California Department of Toxic Substances Control

FOR THE FOUNDATION

Dated: _____ By: _____
AMOS S. ENO
Executive Director

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EFFECTIVE DATE

33. The Trust shall become effective upon transfer of settlement funds to the Trustee pursuant to the Stipulated Judgment.

TERMINATION

34. The Trust shall terminate when all funds subject to the Trust have been disbursed and DFG, the Conservancy and DTSC agree to termination in writing.

FOR UNOCAL

Dated: _____ By: _____
PAUL T. WEST, General Manager
California Operating Services
Unocal Corporation

FOR DFG

Dated: 1/20/98 By: *Pete Bontadelli*
PETE BONTADELLI, Administrator
Office of Oil Spill Prevention and Response
California Department of Fish and Game

FOR THE CONSERVANCY

Dated: _____ By: _____
WILLIAM AHEARN, Executive Officer
California State Coastal Conservancy

FOR DTSC

Dated: _____ By: _____
JESSE HUFF, Director
California Department of Toxic Substances Control

FOR THE FOUNDATION

Dated: _____ By: _____
AMOS S. ENO
Executive Director

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EFFECTIVE DATE

33. The Trust shall become effective upon transfer of settlement funds to the Trustee pursuant to the Stipulated Judgment.

TERMINATION

34. The Trust shall terminate when all funds subject to the Trust have been disbursed and DFG, the Conservancy and DTSC agree to termination in writing.

FOR UNOCAL

Dated: _____ By: _____
PAUL T. WEST, General Manager
California Operating Services
Unocal Corporation

FOR DFG

Dated: _____ By: _____
PETE BONTADELLI, Administrator
Office of Oil Spill Prevention and Response
California Department of Fish and Game

FOR THE CONSERVANCY

Dated: 7/20/98 By: William Ahern
WILLIAM AHERN, Executive Officer
California State Coastal Conservancy

FOR DTSC

Dated: _____ By: _____
JESSE HUFF, Director
California Department of Toxic Substances Control

FOR THE FOUNDATION

Dated: _____ By: _____
AMOS S. ENO
Executive Director

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EFFECTIVE DATE

33. The Trust shall become effective upon transfer of settlement funds to the Trustee pursuant to the Stipulated Judgment.

TERMINATION

34. The Trust shall terminate when all funds subject to the Trust have been disbursed and DFG, the Conservancy and DTSC agree to termination in writing.

FOR UNOCAL

Dated: _____ By: _____
PAUL T. WEST, General Manager
California Operating Services
Unocal Corporation

FOR DFG

Dated: _____ By: _____
PETE BONTADELLI, Administrator
Office of Oil Spill Prevention and Response
California Department of Fish and Game

FOR THE CONSERVANCY

Dated: _____ By: _____
WILLIAM AHERN, Executive Officer
California State Coastal Conservancy

FOR DTSC

Dated: 7/20/98 By: 
JESSE HUFF, Director
California Department of Toxic Substances Control

FOR THE FOUNDATION

Dated: _____ By: _____
AMOS S. ENO
Executive Director

EXHIBIT B

**GUADALUPE OIL FIELD SETTLEMENT
WATER QUALITY PROJECT TRUST**

This Trust is established with the National Fish and Wildlife Foundation (the "Foundation") by Unocal for the benefit of the California Regional Water Quality Control Board, Central Coast Region ("RWQCB") on behalf of the People of the State of California.

PURPOSE

1. The purpose of this Agreement is to establish the Guadalupe Oil Field Settlement Water Quality Project Trust ("Trust") and to appoint the Foundation as its Trustee. This Agreement outlines the terms under which the Foundation shall exercise this function.

2. The purpose of the Trust is to receive, manage and disburse funds, in accordance with the direction of the RWQCB for certain water quality projects to be selected by the RWQCB in accordance with the provisions of this Trust.

3. This Trust is created pursuant to the Settlement Agreement and Judgment reached by the parties People v. Unocal, San Luis Obispo County Superior Court No. CV 075194 concerning diluent (a type of petroleum product) discharges to soil, ground water and surface waters including the Santa Maria River and Estuary and the Pacific Ocean at Guadalupe Oil Field by Unocal. ("Stipulated Judgment"). The Stipulated Judgment requires Unocal to undertake certain site investigation and remediation activities and to make monetary payments, which include, among other things, funding supplemental environmental projects that benefit water quality. This Trust is created in order to administer the funds for the supplemental environmental projects to be administered by the RWQCB. For the purpose of this Trust, the term "settlement funds" means the

4. For the purpose of this Trust the term "water quality projects" means projects that directly benefit or study ground water or surface water quality and the beneficial use of ground water or surface water. Types of projects that would fall within this definition include, but are not limited to: water quality/water pollution monitoring programs (including long term regional monitoring), studies or investigations; treatment of polluted soils, ground water or

1 surface water; restoration of and augmentation of aquatic and riparian and watershed habitat;
2 water pollution prevention; wetlands protection, studies, investigations, restoration, or
3 augmentation of marine and coastal habitat and waters; enhancement, restoration, or creation of
4 wetlands, aquatic habitat, and marine habitat; and conservation easement purchase, improvement
5 and management needed to protect or improve water quality or the beneficial uses of ground
6 water or surface water; study water quality impacts on endangered species (wildlife and flora),
7 address water rights for aquatic or wildlife habitat, municipal supply or other beneficial uses as
8 a water quality issue, projects to mitigate the impacts of water pollution; stream augmentation;
9 waste water reclamation; and planning, feasibility studies, oversight and other activities needed
10 to support the projects that have been selected for funding, including the costs of the RWQCB
11 incurred in the selection of projects for funding.

12 **SETTLOR**

13 5. Unocal shall fund this Trust with certain settlement funds pursuant to a
14 requirement in the Stipulated Judgment. With the exception of the obligation to establish this
15 Trust, Unocal shall have no rights, duties, obligations, fiduciary or financial responsibilities of
16 any kind in connection with this Trust. Without limiting the foregoing, Unocal shall have no
17 rights, duties, obligations, fiduciary or financial responsibilities with respect to the management
18 of this Trust, the use of funds held in this Trust, property acquired with Trust funds, or water
19 quality projects funded by the Trust. This Trust is irrevocable and Unocal retains no interest
20 whatsoever in the corpus or proceeds of this Trust.

21 **TRUSTEE**

22 6. The Foundation shall be Trustee of the Trust.

23 7. The Foundation and/or any successors appointed by RWQCB, submits to the
24 jurisdiction of the San Luis Obispo County Superior and Municipal Courts ("the Court") for
25 purposes of enforcement and supervision of the Trust.

26 8. The RWQCB shall have the power to appoint a replacement Trustee if the office
27 of the Trustee becomes vacant.

1 and capacity to carry out the project. After the first round of project selection, the RWQCB
2 may review and modify these criteria from time to time. The RWQCB may only select projects
3 to be implemented within its geographical jurisdiction. The RWQCB may select projects that
4 will be implemented by the RWQCB.

5 20. RWQCB shall appoint a representative ("RWQCB Representative") for purposes
6 of communicating with the Foundation regarding management of the Trust and disbursements
7 from the Trust to facilitate Restoration Projects selected by RWQCB. RWQCB shall give the
8 Trustee Representative written notice of the name, address, and telephone number of the
9 RWQCB Representative. Any action taken by the Trustee in strict accordance with this Trust
10 Agreement and written instructions from the RWQCB Representative shall be considered
11 authorized by the RWQCB.

12 21. The Trustee shall make disbursements from the Trust only when the RWQCB
13 Representative has submitted to the Trustee an original signed written authorization for the
14 disbursements approved by the RWQCB.

15 **PAYMENT OF TRUST EXPENSES AND DISBURSEMENT OF FUNDS**

16 22. The Trustee shall receive, at the time funds are transferred to the Trust, an initial
17 administrative overhead reimbursement equal to two percent (2%) of the total funds transferred
18 to the Segregated Account. This initial administrative fee will be the sole charge for the cost
19 of day to day management of the Trust, initial bank charges for establishment of the Trust and
20 charges for the first year, and for personnel time for tracking, managing, and making
21 disbursements from the Trust. This initial administrative fee shall be paid from the corpus of
22 the Trust. There shall be no liability for payment by Unocal beyond the money paid pursuant
23 to paragraph 4.3 of the Stipulated Judgment comprised of the following: \$15,000,000.00 for
24 supplemental environmental projects; and half of the interest earned in escrow less escrow fees
25 and half of any amount remaining from the sum designated to pay costs incurred by DFG and/or
26 its designees. The Trustee shall make no charge against Unocal for the establishment of this
27 Trust, and except as provided in paragraph 23, below, no additional charges or deductions shall

1 be made against the corpus of the Trust in connection with the Administration of the Trust.

2 23. The Trustee will be reimbursed for extraordinary expenses not contemplated to
3 be incurred as part of normal management of the Trust, as set forth in paragraph 22, provided
4 such expenses are reasonable and actual expenses approved in writing by the RWQCB. Bank
5 charges for the Trust after the first year may be paid from interest collected on the Trust. For
6 the first three years following deposit of funds into the Trust, annual bank charges shall not
7 exceed .025% of the corpus of the Trust.

8 23. Upon receipt from the RWQCB representative of the written approval by RWQCB
9 to fund water quality projects selected pursuant to paragraph 19 above, the Trustee is authorized
10 and obliged to disburse funds in the Segregated Account as directed by the RWQCB.

11 24. Nothing in this Agreement shall create any rights or causes of action in persons
12 who are not signatories to this Agreement.

13 AMENDMENTS

14 25. This Agreement may be amended only by written agreement of the Foundation
15 and RWQCB.

16 NOTICES

17 26. Notices under this Agreement shall be made in writing and may be given by
18 delivery in person, by mail or by telecopy (fax).

19 27. Notices to the RWQCB shall be sent to:

20 Roger Briggs, Executive Officer
21 Regional Water Quality Control Board, Central Coast Region
22 81 Higuera Street, Suite 200
23 San Luis Obispo, CA 93401-5427
24 Phone: (805) 549-3147
25 Fax: (805) 549-0397

26 28. Notices to the Foundation shall be sent to:

27 Eric Hammerling
National Fish and Wildlife Foundation
116 New Montgomery St., Ste 203
San Francisco, CA 94105
Phone: (415) 778-0999
Fax: (415) 778-0998

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EFFECTIVE DATE

29. The Trust shall become effective upon transfer of settlement funds to the Trustee pursuant to the Stipulated Judgment.

TERMINATION

30. The Trust shall terminate when all funds subject to the Trust have been disbursed and the parties, excluding Unocal, agree to termination in writing.

FOR UNOCAL CORPORATION

Dated: 7/20/98 By: [Signature]

Paul T. West
General Manager
California Operating Services

FOR RWOCE

Dated: _____ By: _____

Roger Briggs
Executive Officer

FOR THE FOUNDATION

Dated: _____ By: _____

Amos S. Eno
Executive Director

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EFFECTIVE DATE

29. The Trust shall become effective upon transfer of settlement funds to the Trustee pursuant to the Stipulated Judgment.

TERMINATION

30. The Trust shall terminate when all funds subject to the Trust have been disbursed and the parties, excluding Unocal, agree to termination in writing.

FOR UNOCAL CORPORATION

Dated: _____ By: _____
Paul T. West
General Manager
California Operating Services

FOR RWOCB

Dated: 7-20-98 By: Paul Joppa
Roger Briggs
Executive Officer

FOR THE FOUNDATION

Dated: _____ By: _____
Amos S. Eno
Executive Director

EFFECTIVE DATE

29. The Trust shall become effective upon transfer of settlement funds to the Trustee pursuant to the Stipulated Judgment.

TERMINATION

30. The Trust shall terminate when all funds subject to the Trust have been disbursed and the parties, excluding Unocal, agree to termination in writing.

FOR UNOCAL CORPORATION

Dated: _____ By: _____
Paul T. West
General Manager
California Operating Services

FOR RWOCB

Dated: _____ By: _____
Roger Briggs
Executive Officer

FOR THE FOUNDATION

Dated: 7/20/98 By: *Amos S. Eno*
Amos S. Eno
Executive Director