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April 20, 2004



Peter Tweedt
Regional Manager
Minerals Management Service, Pacific Regional Office
770 Paseo Camarillo
Camarillo, CA 93010-6064

Dear Mr. Tweedt:

SUBJECT: CAVERN POINT UNIT; OCS LEASES P 0210 AND P 0527,
SANTA BARBARA CHANNEL, OFFSHORE CALIFORNIA
UPDATED REQUEST FOR PREVIOUSLY APPROVED
SUSPENSION OF OPERATIONS

Introduction

On November 12, 1999, the Minerals Management Service (“MMS”) granted Venoco, Inc.’s (“Venoco”) May 14, 1999 suspension of operations (“SOO”) request for the Cavern Point Unit (“CPU”). As of June 20, 2001, Venoco had complied with all milestone activities set forth in MMS’ approval letter that had arisen as of that date. However, on June 20, 2001, the federal district court for the Northern District of California held that, as a result of the 1990 amendments to the Coastal Zone Management Act (“CZMA”), MMS’s grant of the November 1999 SOO was “subject to a consistency determination as a federal activity affecting the coastal zone” under CZMA § 307(c)(1), 16 U.S.C. § 1456(c)(1). *California v. Norton*, 150 F. Supp.2d 1046, 1053 (N.D. Cal. 2001) (“*Norton case*”), *aff’d*, 311 F.3d 1162 (9th Cir. 2002). Based on this ruling, Poseidon Petroleum, LLC (“Poseidon”), the owner of the CPU leases, joined by other lessees filed a breach of contract action against the United States in the U.S. Court of Federal Claims, *Amber Resources Co. v. United States*, No. 02-30C (the “*Amber case*”).

Pursuant to the requirements of the *Norton case*, MMS on July 2, 2001, set aside its approval of the November 1999 suspension and directed a suspension of operations (“SOO”) for the unit until MMS “has acted on” the suspension request for the unit.

On February 26, 2004, the California court in the *Norton case* ordered MMS to obtain “updated lease suspension applications from the lessees.” By letter dated March 10, 2004, MMS directed that “in accordance with the Court’s order and the requirements of 30 C.F.R. 250.171,

you must submit to the regional Manager, MMS Pacific Regional Office, updated information relating to your suspension request...”

This letter provides the updated information that MMS has instructed Venoco to submit. The information previously submitted in connection with the SOO granted in November 1999, which had been found by MMS to meet all of the requirements of 30 C.F.R. 250.171, remains effective, except as modified in this letter. This letter is submitted by and on behalf of Venoco, operator of the CPU leases, and Poseidon, 100% leasehold interest owner of those leases.¹

Venoco submits this information without waiving any rights of itself or Poseidon, and specifically without waiving any assertion that the application of the 1990 CZMA amendments to the CPU and other undeveloped offshore California leases constituted a material breach of those leases as asserted in the *Amber* case.

The “going forward” activities described in this update are based on the previously approved milestones that Venoco was prevented from completing as a result of the July 2001 SOO. Because Venoco has been barred from conducting any operations on the leases since July 2001, it has no new substantive information to report regarding its progress toward those milestones or the prospectivity of the CPU, beyond that contained in the May 1999 SOO request that MMS had already granted, and the quarterly progress reports that Venoco submitted pursuant to the November 1999 SOO. All of these documents are contained in MMS’s files and are incorporated here by this reference.

Pursuant to MMS’s direction, Venoco has updated the time-frames for accomplishing the outstanding milestones, in order to reflect current estimates for certain work and necessary equipment and permits in light of the cessation of ongoing activity that was necessitated by the June 20, 2001, court Order and the July 2, 2001 MMS-directed SOO.

Specifically, at the time of the July 2001 SOO, Venoco had submitted to MMS a revised Exploration Plan (“EP”) for the CPU. Venoco had originally submitted a proposed EP to MMS in November 2000 as required by MMS’s November 12, 1999 SOO approval letter, and had subsequently revised the EP in response to MMS comments. By letter dated June 4, 2001, MMS deemed the EP for the CPU submitted effective as of that date. In response to MMS’s directed July 2001 SOO, however, Venoco withdrew the EP from consideration pursuant to an agreement with MMS (the “withdrawal agreement”) dated July 3, 2001.

¹ For ease of reference, this letter will generally use the term “Venoco” to refer to both Venoco itself, as operator of the Cavern Point Unit, or Poseidon, as 100% leasehold owner, or both, as appropriate for the time period and activity discussed. Poseidon may be referred to individually in some instances.

In response to MMS's direction, Venoco estimates that it would require thirty (30) days from the effective date of MMS's re-approval of the "updated" SOO request to resubmit the EP for the CPU. We believe this time frame is consistent with the withdrawal agreement requirement that Venoco "promptly resubmit" the EP upon issuance of an SOO for the CPU, and have adjusted the previously approved work schedule accordingly. The date of subsequent activities would then be calculated based on the EP resubmittal date. For example, at the time the previously approved SOO was set aside in July 2001, ten months remained until Venoco was to submit its seismic interpretation, the next deliverable under the previously approved SOO. The enclosed schedule therefore provides that Venoco would resubmit its EP for the CPU thirty days after the SOO is re-approved, and would then submit its seismic interpretation ten months after resubmission of the EP. This thirty-day period after re-approval of the CPU SOO would be necessary to allow updating of the previously submitted EP, and is the direct result of withdrawal of the CPU EP in response to the July 2001 SOO. For purposes of this letter, we have assumed an SOO effective date of January 2005 (the attached schedule highlights the dates running from that assumed effective date).

Activities from November 1999 to June 2001

1. On February 29, 2000, Venoco timely submitted a Project Description for the CPU. Following review of the document by MMS, a revised Project Description was submitted on May 30, 2000 with additions and corrections in accordance with comments by MMS;
2. In May, June and July 2000, Venoco commenced the High Energy Seismic Survey ("HESS") permit application in preparation for completing a then-planned 3D seismic survey of the CPU, submitting a HESS-1 Form application to MMS on May 30, 2000, and holding two meetings required under HESS guidelines, the first on June 8, 2000 and the second on July 19, 2000. Venoco subsequently informed MMS by a letter dated November 17, 2000 that it no longer intended to perform the 3D seismic survey, but instead would acquire additional, newly discovered 2D data to supplement its interpretation of the CPU structure. MMS approved that change in scheduled activities by a letter to Venoco dated April 19, 2001;
3. In June and July 2000, Venoco submitted to MMS the following information and reports to supplement information contained in the CPU Project Description:
 - Air quality and expected emissions data (submitted June 23, 2000)
 - Information regarding consistency with the COOGER report (submitted June 23, 2000)
 - Cumulative impact data (submitted June 23, 2000)
 - Marine Wildlife Contingency Plan (submitted July 31, 2000)
 - Fisheries Plan (submitted July 31, 2000)
 - Worst-Case Oil Spill Calculations (submitted July 31, 2000)

4. On November 30 2000, Venoco submitted to MMS a proposed EP for the CPU. In December 2000, MMS advised Venoco of certain revisions or additions necessary in order for the EP to be deemed submitted;
5. In June 2001, MMS deemed the resubmitted EP for the CPU submitted effective June 4, 2001.

Going Forward Activities

Re-Submission of Exploration Plan

Venoco would update and resubmit its previously submitted EP for the CPU proposing to drill two exploration wells from an existing platform. The planned surface and bottom hole locations for the wells would be as stated in the previously submitted EP. The EP would articulate how the wells would be designed in order to verify whether commercial oil and gas reserves on the unit and to provide information regarding future development potential.

Expanded Interpretation of Seismic Data (Incorporating Additional Acquired Data)

Venoco would then complete the seismic data acquisition, interpretation and analysis as described in its November 17, 2000 letter to MMS and approved by MMS in its April 19, 2001 letter to Venoco. This reinterpretation would add additional detail to Venoco's current seismic interpretation prior to commencing the planned exploratory wells.

Proposed Exploratory Well OCS-P 0210 #1

The previously approved SOO request provided that Venoco would drill one extended reach exploration well from Platform Gail, which is located on the adjacent Santa Clara Unit, to the CPU during the SOO period. The previously submitted EP for the CPU also described an additional exploration well. For purposes of this letter, Venoco would drill at least one exploration well to test the Monterey formation (Well OCS-P 0210 #1, also referred to in the previously submitted EP as Well CP-1). As described in earlier submittals, Venoco would file an Application for Permit to Drill ("APD") with MMS. After the APD approval, a drilling rig would be contracted and mobilized to Platform Gail.

The precise timing of the well would depend on events leading up to the spud date that are within MMS control, namely the SOO re-approval date. Therefore, we provide the enclosed Table 1 to illustrate when the well could spud as a function of prerequisite activities.

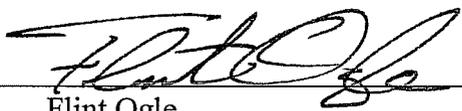
Please see the previously submitted Project Descriptions and EP (including the supporting information submitted with the EP) for the CPU for details of the well location,

proposed drilling and testing program, and a description of the proposed drilling equipment. Also please see the Fisheries Plan, Marine Wildlife Contingency Plan, Worst Case Oil Spill Calculation and other documents submitted to MMS during June and July of 2000.

The attached Table 1 – Cavern Point Unit Sliding Calendar indicates the dates on which the above activities would be performed as a function of the SOO re-approval date. The time frames are best estimates based on current knowledge.

Sincerely,

VENOCO, INC.

By: 
Flint Ogle
Attorney-in-Fact for Venoco, Inc.
Relative to Cavern Point Unit Matters

Attachments:

1. Table 1 – Cavern Point Unit Sliding Calendar
2. Attachment 1 – Cavern Point Unit Leases and Ownership
3. Attachment 2 – Cavern Point Unit Location
4. Attachment 3 – Cavern Point Unit Neighboring Leases

cc: Bruce Berwager
Burdette A. Ogle
Ronald G. Heck

**Table 1 – Cavern Point Unit
Suspension of Production – Starting Date vs. Milestone Dates**

SOO Starting Date	Resubmit Exploration Plan ¹	Submit Seismic Data Interpretation ²	Begin EP Operations ³
October 2004	November 2004	September 2005	November 2005
November 2004	December 2004	October 2005	December 2005
December 2004	January 2005	November 2005	January 2006
January 2005	February 2005	December 2005	February 2006
February 2005	March 2005	January 2006	March 2006
March 2005	April 2005	February 2006	April 2006
April 2005	May 2005	March 2006	May 2006
May 2005	June 2005	April 2006	June 2006
June 2005	July 2005	May 2006	July 2006
July 2005	August 2005	June 2006	August 2006
August 2005	September 2005	July 2006	September 2006
September 2005	October 2005	August 2006	October 2006
October 2005	November 2005	September 2006	November 2006
November 2005	December 2005	October 2006	December 2006
December 2005	January 2006	November 2006	January 2007

¹ The CPU Exploration Plan would be resubmitted thirty (30) days after re-approval of the SOO.

² Venoco would submit its seismic data interpretation ten (10) months after resubmitting the CPU Exploration Plan.

³ Operations that are approved under the Exploration Plan would begin two (2) months after submitting the seismic data interpretation (twelve months after resubmitting the Exploration Plan).

Attachment 1

**CAVERN POINT UNIT
LEASES AND OWNERSHIP**

<u>LEASE</u>	<u>ACRES</u>	<u>DESCRIPTION*</u>	<u>ROYALTY</u>
OCS-P 0210	5,760.00	Block 47N-62W	16.66667%
OCS-P 0527	455.64	Block 46N-62W	12.50000%

* POCS Leasing Map No. 6B, Santa Barbara Channel

COMPANY

PERCENTAGE**

Poseidon Petroleum LLC

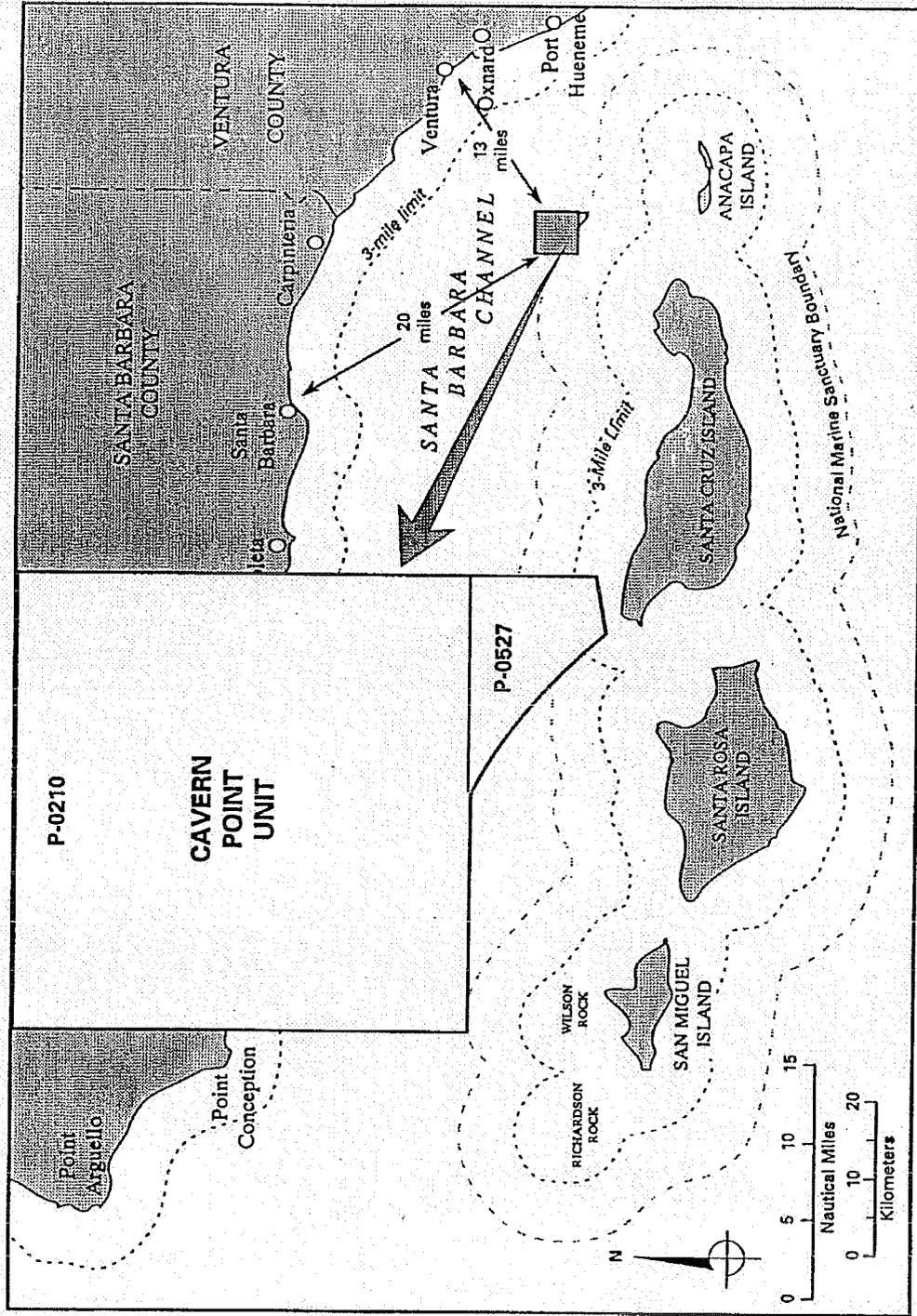
100%

** Ownership in the Cavern Point Unit leases is the same for both leases.

Venoco, Inc. is the designated operator.

Attachment 2

CAVERN POINT UNIT LOCATION



Attachment 3

CAVERN POINT UNIT - NEIGHBORING LEASES

