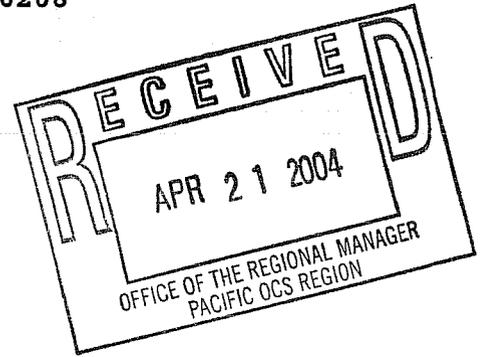


SAMEDAN OIL CORPORATION
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April 20, 2004

Mr. Peter Tweedt
Regional Manager
Minerals Management Service
U. S. Department of the Interior
770 Paseo Camarillo
Camarillo, California 93010



Re: Gato Canyon Unit; OCS Leases P 0460, P 0462* and P 0464,
Santa Barbara Channel, California; Update of Request for Previously Approved
Suspension of Production

Dear Mr. Tweedt:

Introduction

On November 12, 1999, the Minerals Management Service ("MMS") granted Samedan Oil Corporation's May 13, 1999 suspension of production ("SOP") request for the Gato Canyon Unit. As of June 20, 2001, Samedan 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 SOP 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, Samedan 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 lessees' suspension request.

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..."

* Lease P 0462 was not included in the Gato Canyon Unit SOP by MMS and it expired August 16, 1999. Samedan has appealed this decision by MMS to the Interior Board of

Gato Canyon Unit, Updated Request for SOP, April 20, 2004

Land Appeals. If that appeal is successful, Lease P 0462 will be reinstated, and subject to this updated SOP request in the same manner as the other Gato Canyon leases.

This letter provides the updated information that MMS has instructed Samedan to submit. The information previously submitted in connection with the SOPs 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.

Samedan submits this information without waiving any of the rights of the Gato Canyon Unit lessees, and specifically without waiving their assertion that the application of the 1990 CZMA amendments to the Gato Canyon Unit 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 the lessees were prevented from completing as a result of the July 2001 SOO. Because the Gato Canyon Unit lessees have been barred from conducting any operations on the leases since July 2001, they have no new substantive information to report regarding their progress toward those milestones or the prospectivity of the Gato Canyon Unit, beyond that contained in the May 1999 SOP request that MMS had already granted, and the quarterly progress reports that Samedan submitted pursuant to the November 1999 SOP. All of these documents are incorporated herein by reference.

Pursuant to MMS's direction, Samedan has updated the time-frames for accomplishing the outstanding milestones. These updates 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, the Gato Canyon Unit lessees had two months remaining before the deadline for the submission of a revised Exploration Plan ("EP") required by MMS' November 12, 1999 SOP approval letter. As described further below, the lessees had hired a contractor to conduct certain shallow hazard surveys necessary for preparing the revised EP. Upon receiving the MMS order, Samedan was forced at great expense to instruct the contractor, which had just mobilized equipment toward California, to terminate its planned work and to return the equipment to Houston, Texas.

In response to MMS's direction, Samedan estimates that it would take four months from the time that MMS re-approves the "updated" SOP request to retain a contractor and complete the shallow hazard survey. We have adjusted the previously approved work schedule accordingly. For example, the enclosed schedule provides that Samedan would submit a revised EP six months after the SOP is re-approved--four months to complete the surveying plus the previously allotted two months to finalize the revised EP. As noted, this six month period is

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entirely due to the premature termination of ongoing work caused by the imposition of the SOO.

For purposes of responding to MMS, we have assumed an SOP effective date of January 2005. For other assumed SOP effective dates, factors such as weather, marine mammal migration, and fisheries interaction may affect the timing of the milestone activities and thus the duration of the SOP period. We have provided the attached Table 1 to illustrate the effect different SOP starting times have on the remaining milestones.

Activities during SOP from November 1999 to June 2001

1. In February 2000 Samedan timely submitted the Project Description for the Gato Canyon Unit. Following review of the document by MMS a revised Project Description was submitted in August 2000 with additions and corrections in accordance with the comments by MMS.
2. On August 23, 2000 Samedan submitted a plan for the geohazards survey of the Gato Canyon Unit. The plan was accepted with clarifications, additions and revisions as set out in MMS letter to Samedan of November 28, 2000.
3. Geohazards field operations were conducted during May and June 2001 until the order by the U.S. District Court for the Northern District of California in the case of *California v. Norton*, issued on June 20, 2001, set aside the SOP for the Gato Canyon Unit leases and a Suspension of Operations was directed by the MMS on July 2, 2001 thereby halting operations.
4. The survey boat was in port at the time of the court's order waiting on delivery of equipment (air guns) to complete the survey. The carrier was halted en route and returned to Houston. The contract was terminated and the survey boat released.
5. Under the November 1999 SOP, Samedan was required to submit proof to MMS by November 2001 that a Request for Proposal ("RFP") for a Mobile Offshore Drilling Unit ("MODU") had been sent out to potential contractors. The operators of the undeveloped Pacific OCS units on which delineation drilling would require a single MODU formed the Offshore Rig Activation Committee ("ORA") to prepare such an RFP. Samedan is a member of ORA and participated in 20 ORA meetings between December 1998 and July 2001. Significant planning, logistical, and coordination progress was made before the July 2001 SOO, including development of a draft formal agreement between the ORA participants and submission of bid requests to hire a third party "Schedule Administrator" capable of overseeing numerous ORA tasks. These and

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other ORA matters would have to be reactivated, updated, and finalized during the SOP period prior to the time a drilling rig is contracted.

Going Forward Activities

Exploration Plan Update

The Exploration Plan (EP) would be reviewed and updated where necessary and submitted for approval. The geohazards air gun survey would be completed over the proposed wellsite area and the geohazards report would be incorporated into the EP. The oil spill plan would be updated and submitted for approval.

Proposed delineation well OCS-P 0460 #3

Simultaneously with the update of the Exploration Plan, Samedan would be participating in the Offshore Rig Activation (ORA) Group as described above. The purpose of ORA is to identify and locate a mobile drilling unit (MODU), preferably a semi-submersible, to mobilize to California to drill additional delineation wells on existing POCS leases.

Prior to taking the MODU to drill the Gato Canyon Unit well, Samedan would be a participant in the ORA process. ORA would do a global search to identify appropriate MODU candidates, generate a Request for Proposal to solicit bids by contractors and enter contract negotiations with the selected contractor. Mobilization to California will take 90 to 150 days depending on distance and availability of transportation.

Please see the Gato Canyon Unit Project Description of August 2000 for details on the well location, proposed drilling program and description of the proposed type of drilling equipment. Also please see the Fisheries Plan, Marine Wildlife Contingency Plan and Worst Case Oil Spill Calculation for the OCS-P 0462 #3 well that were submitted to MMS on July 31, 2000.

The attached Table 1 Sliding Calendar shows the activities described above. The time frames are best estimates based on current knowledge.

Sincerely,



Ronald G. Heck

Attorney-in-fact

Offshore California Projects Coordinator

Gato Canyon Unit, Updated Request for SOP, April 20, 2004

cc: Cam Countryman, Houston
GCU Partners

Attachments

1. Table 1 Gato Canyon Unit Sliding Calendar for Unit Activities
2. Figures
 - a. Figure 1- Gato Canyon Unit Location Map (previously submitted)
 - b. Figure 2 - Well Location Map (previously submitted)
3. Gato Canyon Unit lease ownership (updated)

GATO CANYON UNIT SLIDING CALENDAR FOR UNIT ACTIVITIES

Suspension of Production – Starting Date vs. Milestone Dates

SOP Starting Date	Complete Shallow Hazard Surveying 1 & 2	Submit Revised Exploration Plan 3	Provide Copy of RFP for MODU 4	Begin EP Operations 5
October 2004	October 2005	December 2005	February 2006	August 2007
November 2004	October 2005	December 2005	February 2006	August 2007
December 2004	October 2005	December 2005	February 2006	August 2007
January 2005	October 2005	December 2005	February 2006	August 2007
February 2005	October 2005	December 2005	February 2006	August 2007
March 2005	October 2005	December 2005	February 2006	August 2007
April 2005	October 2005	December 2005	February 2006	August 2007
May 2005	October 2005	December 2005	February 2006	August 2007
June 2005	October 2005	December 2005	February 2006	August 2007
July 2005	October 2006	December 2006	February 2007	August 2008
August 2005	October 2006	December 2006	February 2007	August 2008
September 2005	October 2006	December 2006	February 2007	August 2008
October 2005	October 2006	December 2006	February 2007	August 2008
November 2005	October 2006	December 2006	February 2007	August 2008
December 2005	October 2006	December 2006	February 2007	August 2008

¹ Four months would be required after the effective date of the SOP to rebid & negotiate a contract for survey vessel, provide notices to affected parties, and mobilize the survey vessel.

² October would be the optimum month to conduct shallow hazard surveying using an air gun. This timing will avoid possible conflict with gray whale migration (Nov. – May), salmon fishery (May – September), and rough seas characteristic during winter weather.

³ Revised Exploration Plan (EP) would be submitted two months after completing shallow hazard surveys.

⁴ Request for Proposal (RFP) for Mobile Offshore Drilling Unit (MODU) would be submitted two months after submitting revised Exploration Plan.

⁵ Operations that are approved under the Revised Exploration Plan would begin 18 months after submitting the RFP for the MODU.

Attachment 2a, Gato Canyon Unit Updated Request for SOP, April 20, 2004

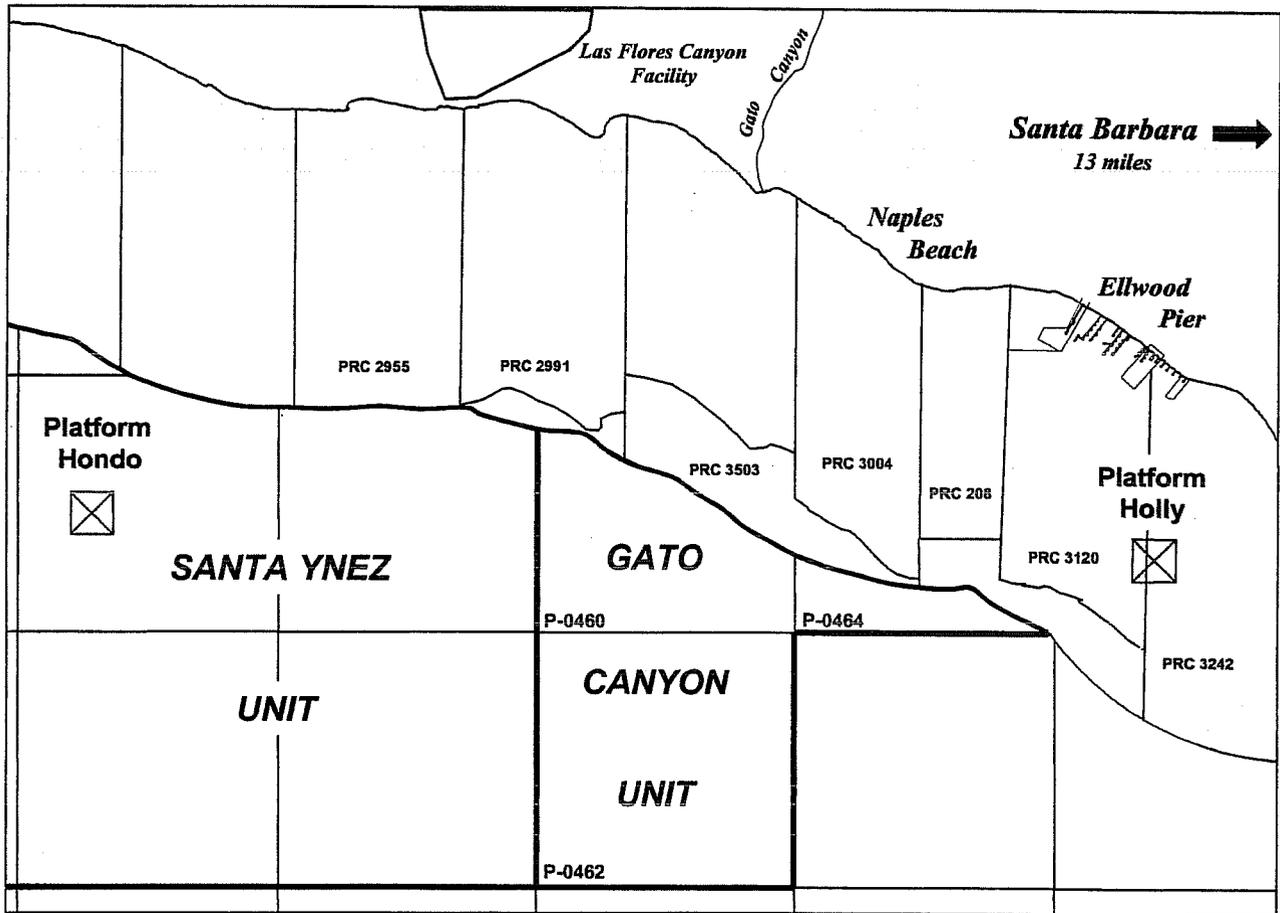


Figure 1: Location map showing Gato Canyon Unit relative to State Leases, Santa Ynez Unit, and Santa Barbara County shoreline.

Note: Lease P 0462 was not included in the Gato Canyon Unit SOP by MMS and it expired August 16, 1999. Samedan has appealed this decision by MMS to the Interior Board of Land Appeals. If that appeal is successful, Lease P 0462 will be reinstated, and subject to this updated SOP request in the same manner as the other Gato Canyon leases.

Attachment 2b, Gato Canyon Unit Updated Request for SOP, April 20 , 2004

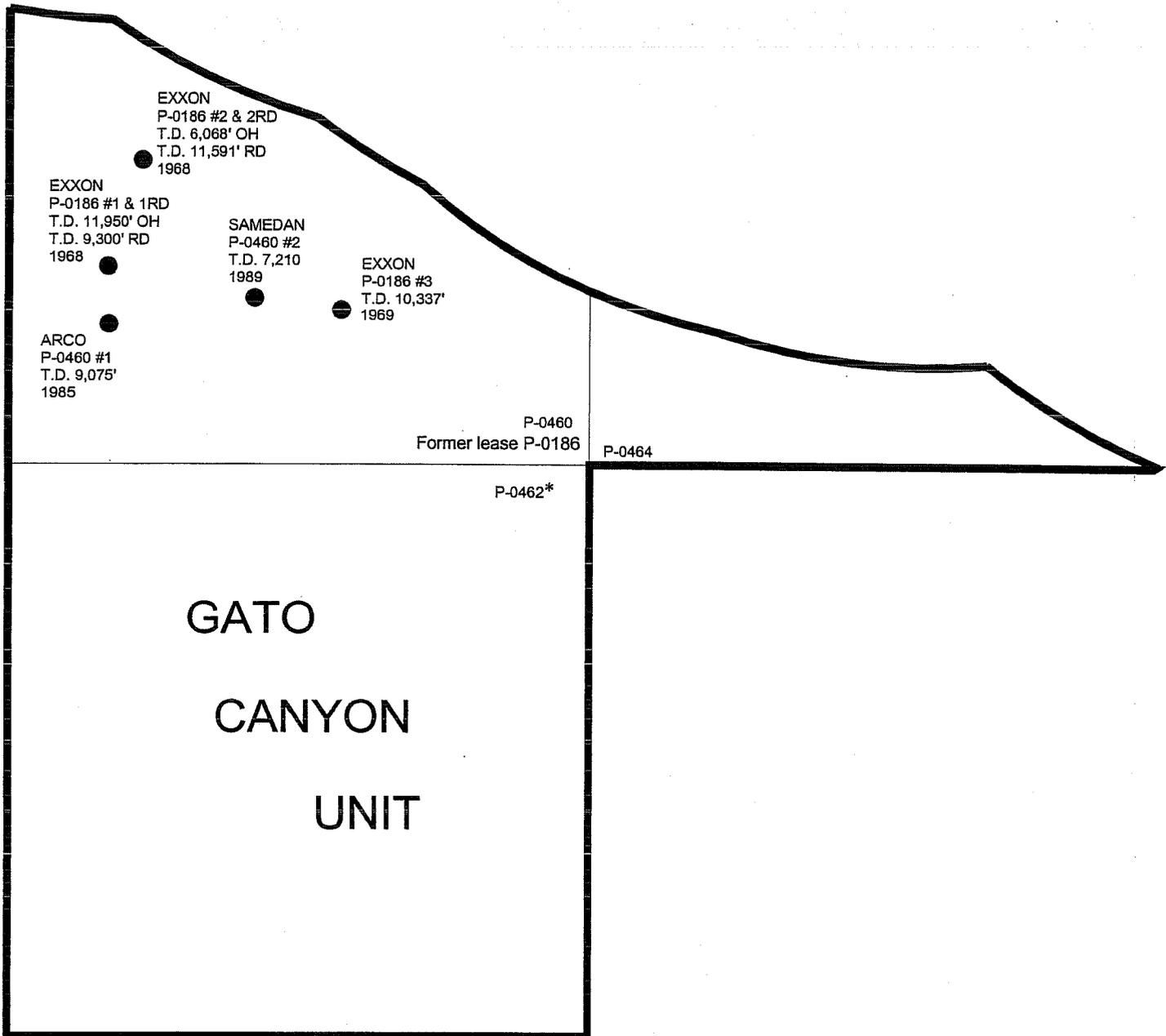


Figure 2: Well location map, Gato Canyon Unit.

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GATO CANYON UNIT LEASES AND OWNERSHIP

<u>LEASE</u>	<u>ACRES</u>	<u>DESCRIPTION*</u>	<u>ROYALTY</u>	<u>OTHER</u>
OCS-P 0460	3,375	Block 53N-72W	16.66667%	Section 8g
OCS-P 0462	5,760	Block 52N-72W	12.50000%	Section 8g
OCS-P 0464	966	Block 53N-71W	16.66667%	Section 8g

* POCS leasing maps No. 6A and 6B, Santa Barbara Channel

<u>COMPANY</u>	<u>PERCENTAGE**</u>
Amber Resources Co.	6.97108
Delta Petroleum Company	8.62930
Nuevo Energy Company	15.29297
Nycal Offshore	4.25313
Ogle Petroleum Inc.	3.00000
OLAC Resources, LLC	9.50000
Samedan Oil Corporation***	10.00000
RME Petroleum Company	42.35352

** Ownership in the Gato Canyon Unit leases is the same for all leases

*** Designated Operator

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