



April 20, 2004

OVERNIGHT DELIVERY

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

Dear Mr. Tweedt:

SUBJECT: OS-07001, LEASE OCS-P 0409;
OFFSHORE SANTA MARIA BASIN (OSMB)
OFFSHORE CALIFORNIA
UPDATED REQUEST FOR PREVIOUSLY APPROVED SUSPENSION OF
PRODUCTION

INTRODUCTION

On November 12, 1999, the Minerals Management Service ("MMS") granted Aera Energy LLC's ("Aera") May 27, 1999 suspension of production ("SOP") request for Lease OCS-P 0409. As of June 20, 2001, Aera 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, Aera 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..."

This letter provides the updated information that MMS has instructed Aera 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.

Aera submits this information without waiving any of the rights of the lease OCS-P 0409 lessees, and specifically without waiving their assertion that the application of the 1990 CZMA amendments to Lease OCS-P 0409 and other undeveloped offshore California leases constituted a material breach of those leases as asserted in the *Amber* case.

Aera's May 1999 SOP request described the close interrelationship and co-development synergy of Lease OCS-P 0409 with the other OSMB units. Associated schedules included activities that benefit all of the OSMB units and leases, since they will be co-developed. Accordingly, this update for Lease OCS-P 0409 continues to reference planned delineation drilling and associated prerequisite activities in the Point Sal Unit (PSU) and Purisima Point Unit (PPU). The spud date of the PSU delineation drilling was the basis for the ending date of the Lease OCS-P 0409 SOP granted by MMS in November 1999. The "going forward" activities described in this update are therefore based on the previously approved milestones that the lessees were prevented from completing in PSU and PPU as a result of the July 2001 SOO. Because Aera has been barred from conducting any operations on its OSMB leases since July 2001, there is no new substantive information to report regarding progress toward those milestones or the prospectivity of Lease OCS-P 0409, beyond that contained in the May 1999 SOP request that MMS had already granted, and the quarterly progress reports that Aera submitted pursuant to the November 1999 SOP. All of these documents are already contained in MMS's files and are incorporated herein by reference.

Pursuant to MMS's direction, Aera has updated the time-frames for accomplishing the outstanding OSMB 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, OCS-P 0409 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 for PSU and PPU. As described further below, the lessees had hired a contractor to conduct certain shallow hazard surveys necessary for preparing the PSU and PPU revised EPs. Upon receiving the MMS order, Aera 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, Aera 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 surveys at PSU and PPU. We have adjusted the previously approved work schedule accordingly. For example, the enclosed schedule provides that Aera would submit the PSU and PPU revised EPs 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 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 would perhaps 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 Purisima Point unit milestones.

SUMMARY OF ACTIVITY SINCE NOVEMBER 1999

Reprocessed 3D seismic survey

On January 19, 2000, Aera submitted a full digital copy of the 3-D seismic data to the MMS.

Project Description

On February 29, 2000, Aera submitted to MMS a project description for Lease OCS-P 0409.

Re-Interpretation of 3-D Data

As MMS is aware, a 3-D seismic data set had been generated over the OSMB that was derived from the recent merging, reformatting, and reprocessing of four previous independent seismic surveys. On April 28, 2000, Aera delivered to MMS a set of eight structure maps and eight sections developed from our reinterpretation of this 3-D seismic survey.

Unitization

Aera submitted a plan for re-unitization of the Offshore Santa Maria Basin and Lease OCS-P 0409 on July 21, 2000. Responding to that submission, MMS stated that it could not support consolidating the OSMB and Lease OCS-P 0409 into one unit.

Pre-drilling surveys

On March 29, 2001, Aera provided an Execution Plan to perform surveying operations over Point Sal and Purisima Point Unit leases. This plan was deemed consistent with NTL 98-12 by letter from the MMS dated May 24, 2001. Geohazards surveying 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 Aera's OSMB leases and a Suspension of Operations was directed by the MMS on July 2, 2001 thereby halting further operations. The survey boat was in port at the time of the court's order awaiting delivery of equipment (air guns) to complete the survey. The carrier was halted en route and returned to Houston, and the survey boat released.

Offshore Rig Planning

Under the November 1999 SOPs for PSU and PPU, Aera 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. As previously reported, Aera 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 other ORA matters would have to be reactivated, updated, and finalized during the SOP period prior to the time a drilling rig is contracted.

North Santa Barbara Co. Siting Study

In 1998, the Santa Barbara County Energy Division undertook a study entitled “North Santa Barbara County Facility Siting Study”. The study was conducted under a state grant with partial funding from Aera (\$22k), and the final completed study was published in April 2001.

GO FORWARD ACTIVITIES

Pre-Drilling Surveys

To prepare a revised EP for Point Sal and Purisima Point Units as required under the November 1999 SOP, Aera would have to acquire shallow hazards data. Aera was on track to complete this work in June 2001. However, immediately prior to the commencement of the airgun operations, Aera learned that, as a result of the California court’s decision, further surveying had to be suspended. Aera was thus forced to cease operations before airgun data acquisition and biological surveying could be performed.

In order to complete this surveying, it would be necessary to rebid the work, negotiate a contract, consult with National Marine Fisheries Service concerning marine mammal protection, consult with the Joint Oil-Fisheries Liaison Office, resubmit a plan to MMS, and make final operational planning including the vessel mobilization. It is expected that these activities would take four months, if they commenced immediately after receiving the re-approved SOP.

Aera had determined suitable time windows to conduct the airgun surveying taking into consideration fishery interactions, marine mammal migration, and weather. Accordingly, the months available to conduct the surveying operations would be essentially the same as those that existed during the previous SOP period. The optimum month is October; however, as experienced in 2001, year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying over Point Sal and Purisima Point Units earlier in the summer. The ability to survey earlier than October 1st cannot be determined until after the season opens (May 1st). Other months present potential conflicts with gray whale migration,

various fisheries, and potentially severe winter weather that could interfere with, or prevent altogether, the vessel operations in the Santa Maria Basin. Table 1 (enclosed) provides a sliding calendar showing when the pre-drilling surveying could first occur as a function of SOP approval date.

Other than survey timing, Aera has not changed or adjusted its airgun survey plans from those provided to MMS on March 29, 2001. MMS approved those plans in a letter dated May 24, 2001.

Revised Exploration Plan

As set forth in the May 1999 SOP request, Aera would revise its previously approved Exploration Plans for Point Sal and Purisima Point Units proposing to drill one delineation well in each unit. The specific well locations would be determined from reviewing the above-mentioned 3-D seismic interpretation. The Exploration Plans would articulate how the wells would be designed in order to provide information that would be used for development planning throughout the OSMB, including Lease OCS-P 0409. Results from the pre-drilling surveys discussed above would be included in the Exploration Plan.

Offshore Rig Activation

When the SOP is issued, ORA would renew its efforts to develop an RFP for a MODU. The enclosed Plan of Operations provides that Aera would supply MMS with proof that a RFP has been sent to various contractors two months after Aera submits its revised EPs for Point Sal Unit and Purisima Point Unit and would spud a delineation wells twelve months and fifteen months later for PSU and PPU respectively. This schedule mirrors that of the November 1999 SOP.

Proposed Delineation Drilling

The previously approved SOP request provided that Aera would drill one delineation well each in the Point Sal and the Purisima Point Units during the SOP period. Precise timing of the wells depends on several events leading up to the spud date that are within MMS control, namely SOP approval date and Revised EP approval date. Therefore, we provide the enclosed Table 1 to illustrate when the well could spud as a function of prerequisite activities.

As always, the exact location of the well is finalized after acquiring and interpreting the planned pre-drilling surveys described above. Aera would intend to abandon the well once drilling and testing is concluded.

Enclosed herein please find the following additional information:

- Plan of Operations (adjusted in the fashion explained above)
- Figure 1 - Lease Map with Prior Well Locations (previously provided)
- Figure 2 - Lease Map with Water Depth (previously provided)
- Table 2 - Permitting History (updated)

- Table 3 - Lease Information Table (updated)

We had attached to our May 27, 1999 SOP request timelines regarding a Proposed Schedule of Activities, and Events Leading to Production. Consistent with the discussion in this letter and Table 1 hereto, all events listed on those timelines that have not yet occurred would have to be shifted five years into the future.

Very truly yours,



T. E. Enders
Land Representative
Coastal Asset

Attachments

Cc: (w/attchmts)

Delta Petroleum Corporation
Attn: Mr. Roger Parker
5555 17th St., Ste. 3310
Denver, CO 80202

Samedan Oil Corporation
Attn: Mr. Cam Countryman
100 Glenborough Dr., Ste. 100
Houston, TX 77067-3610

Ogle Petroleum Inc.
Attn: Dr. Burdette Ogle
P. O. Box 5266
Santa Barbara, CA 93150

Olac Resources, LLC
Attn: Dr. Burdette Ogle
P. O. Box 5266
Santa Barbara, CA 93150

Common Plan of Operations
Offshore Santa Maria Basin – Pacific OCS

Areas covered in this Common Plan of Operations are:

Lion Rock Unit (Leases OCS-P 0396, 0397, 0402, 0403, 0408, and 0414)

Lease OCS-P 0409

Point Sal Unit (Leases OCS-P 0415, 0416, 0421, and 0422)

Purisima Point Unit (Leases OCS-P 0426, 0427, 0432, 0435)

Santa Maria Unit (Leases OCS-P 0420, 0424, 0425, 0429, 0430, 0431, 0433, 0434)¹

All acreage is operated by Aera Energy LLC

This Plan of Operations takes effect January 1, 2005, and expires May 1, 2007 (February 1, 2007 for Point Sal Unit)

Milestones

December 2005	Submit a revised Exploration Plan to drill a delineation well in the Purisima Point Unit and Point Sal Unit.
February 2006	Provide a copy of the Request for Proposal (RFP) for a Mobile Offshore Drilling Unit (MODU) and proof that the RFP has been sent to prospective offerers.
May 1, 2007	Spud a delineation well (February 1, 2007 for Point Sal Unit)

¹ MMS in August 1999 purported to deny lease suspensions for Leases 420, 424 and 429. Aera's timely appeal of that denial is pending before the Interior Board of Land Appeals. If that appeal is successful, the three leases will be reinstated, and subject to this updated SOP request in the same manner as the other Santa Maria Unit leases.

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

SOP Starting Date	Complete Shallow Hazard Surveying ^{2,3}	Submit Revised Exploration Plan ⁴	Provide Copy of RFP for MODU ⁵	Begin EP Operations ⁶
October 2004	October 2005	December 2005	February 2006	May 2007
November 2004	October 2005	December 2005	February 2006	May 2007
December 2004	October 2005	December 2005	February 2006	May 2007
January 2005	October 2005	December 2005	February 2006	May 2007
February 2005	October 2005	December 2005	February 2006	May 2007
March 2005	October 2005	December 2005	February 2006	May 2007
April 2005	October 2005	December 2005	February 2006	May 2007
May 2005	October 2005	December 2005	February 2006	May 2007
June 2005	October 2005	December 2005	February 2006	May 2007
July 2005	October 2006	December 2006	February 2007	May 2008
August 2005	October 2006	December 2006	February 2007	May 2008
September 2005	October 2006	December 2006	February 2007	May 2008
October 2005	October 2006	December 2006	February 2007	May 2008
November 2005	October 2006	December 2006	February 2007	May 2008
December 2005	October 2006	December 2006	February 2007	May 2008

² Four months are 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.

³ October is the optimum month to conduct shallow hazard surveying using an airgun. This timing will avoid: possible conflict with the gray whale migration (Nov. – May), commercial salmon season (May – September), and potentially rough seas common during winter weather.

⁴ Revised Exploration Plan (EP) will be submitted two months after completing shallow hazard surveys.

⁵ Request for Proposal (RFP) for Mobile Offshore Drilling Unit (MODU) will be submitted to prospective bidders two months after submitting revised Exploration Plan.

⁶ Operations that are approved under the Revised Exploration Plan will begin 15 months after submitting the RFP for the MODU (12 months for Point Sal Unit).

OFFSHORE SANTA MARIA BASIN EXPLORATORY WELLS

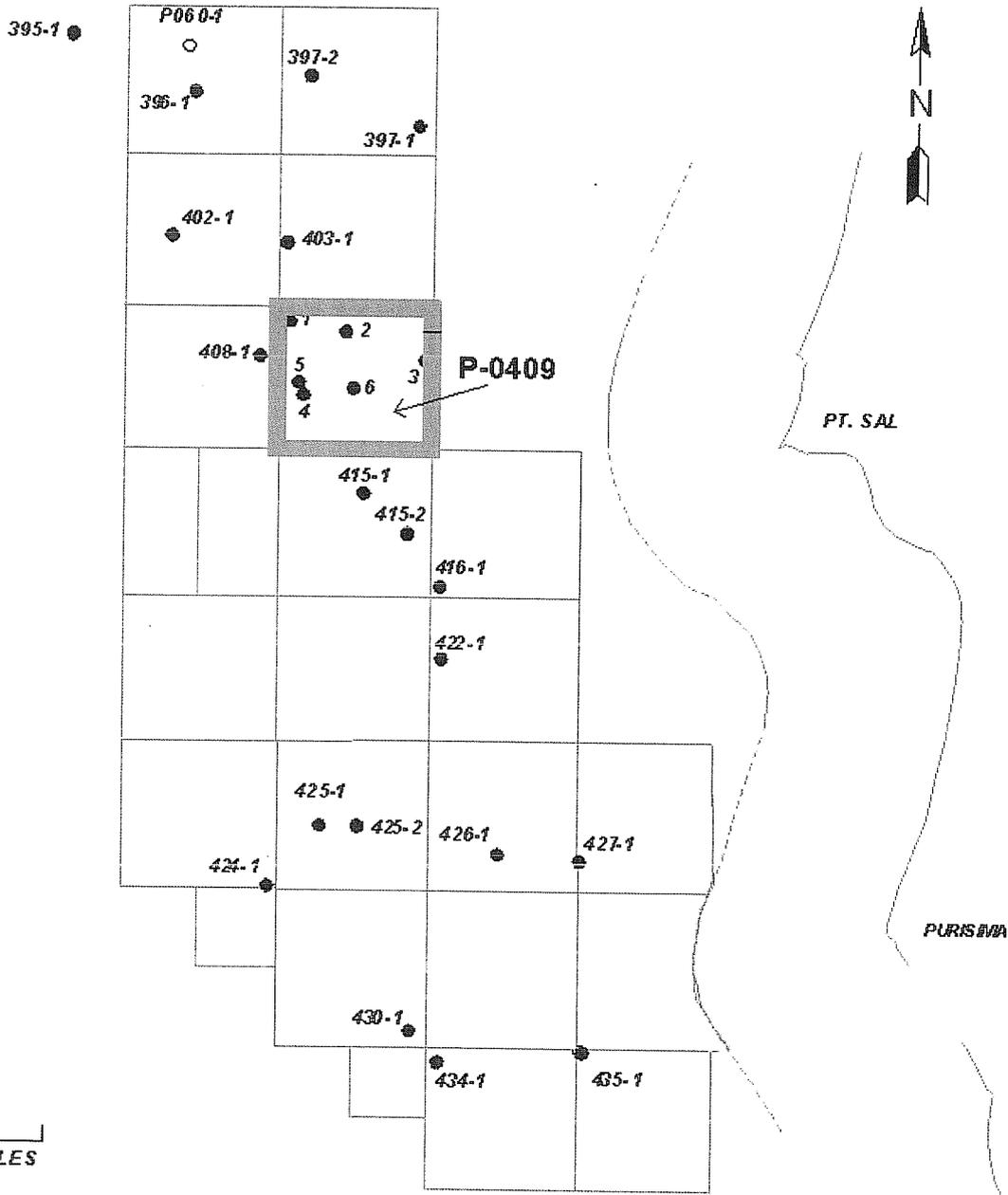


Figure 1

OFFSHORE SANTA MARIA BASIN CALIFORNIA

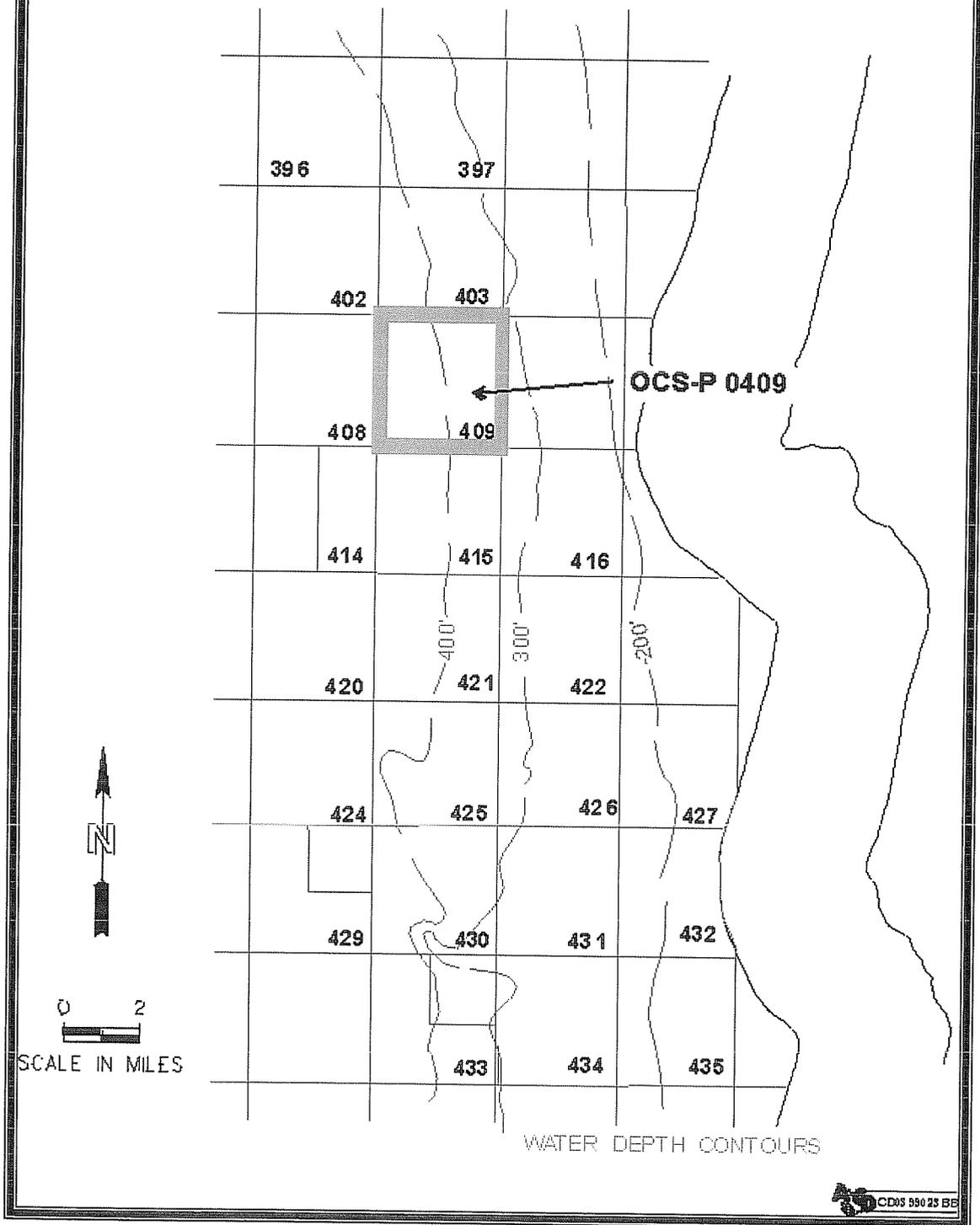


Figure 2

OCS-P 0409
Permitting History

OCS-P 0409

<u>Year</u>	<u>Event</u>	<u>Operator</u>
1981	OCS Sale 53	
1981	Leases Awarded	
1982	Environmental Assessment - FONSI	Oxy
1982	Exploration Plan Approved	Oxy
1982	OSCP	Oxy
1982	CCC Consistency - 2 wells	Oxy
1982	CCC Consistency - 7 wells	Oxy
1983	Discovery Well 0409 #1	Oxy
1983	Drill Well P-0409 #2	Oxy
1983	Drill Well P-0409 #3	Oxy
1984	Drill Well P-0409 #4	Oxy
1984	Drill Well P-0409 #5	Oxy
1984	Drill Well P-0409 #6	Oxy
1985	Julius Construction begins	Cities
1986	SOP for Julius Planning	Cities
1987	CCC Consistency – Julius	Cities
1987	DPP Approved – Julius	Cities
1987	SWEPI Assumes Operatorship	SWEPI
1987	SOP for Julius Construction	SWEPI
1987	SLO County Board Approval	SWEPI
1988	APCD ATC Permit Granted	SWEPI
1988	Measure A vote	SWEPI
1989	SOP for Permits and Seismic	SWEPI
1990	SOP for IROCC and Seismic	SWEPI
1992	SWEPI -> SFOGI	SFOGI
1993	Directed SOO - COOGER	SFOGI
1997	SFOGI -> Aera	Aera
1999	SOP	Aera
2001	Directed SOO	Aera

Note:

In addition to those items listed above, other permits were also issued for drilling operations and seismic operations on P—0409.

Table 2

Offshore Santa Maria Basin Status

OCS-P 0409 Lease Information

<u>Lease</u>	<u>Area</u> Hectares	<u>Acquired</u>	<u>Sale</u>	<u>Royalty</u>	<u>Bonus</u>	<u>Wells</u>	<u>Co-Owners</u>	<u>%</u>	<u>Notes</u>
<u>OCS-P 0409</u>	2304	May-81	053	1/6 th	\$42,125,000	6	Aera Energy OLAC Resources Delta Petroleum Ogle Petroleum Samedan	62.29% 6.90% 24.22% 0.36% 6.23%	

Table 3