



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: PL-90030, PURISIMA POINT UNIT (LEASES OCS-P 0426, 0427, 0432 AND 0435);  
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 the Purisima Point Unit ("PPU"). 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 PPU lessees, and specifically without waiving their assertion that the application of the 1990 CZMA amendments to the PPU 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 PPU 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 PPU, 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 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, the PPU 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, 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 survey. We have adjusted the previously approved work schedule accordingly. For example, the enclosed schedule provides that Aera 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 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 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 Purisima Point. In addition, Aera submitted the following supplemental reports in July of 2000:

- Oil Spill Response Plan
- Fisheries Plan
- Marine Wildlife Contingency Plan
- H2S Contingency Plan

### 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 including the Purisima Point Unit 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 Purisima Point 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 Purisima Point Unit 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 SOP, 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 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 Purisima Point Unit earlier in the summer. The ability to survey earlier than October 1<sup>st</sup> cannot be determined until after the season opens (May 1<sup>st</sup>).

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 Plan proposing to drill one delineation well. The specific well location would be determined from reviewing the above-mentioned 3-D seismic interpretation. The Exploration Plan would articulate how the well would be designed in order to provide information that would be used for development planning throughout the OSMB. 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 EP and would spud a delineation well fifteen months later. 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 in the Purisima Pt. Unit during the SOP period. Precise timing of the well 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)

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

Nuevo Energy Company  
Attn: Mr. Art Boehm  
1200 Discovery Way, Ste.500  
Bakersfield, CA 93309

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

Devon Energy Production Co., L.P.  
Attn: Mr. Will McCrocklin  
1200 Smith, Ste. 3300  
Houston, TX 77002

**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)<sup>1</sup>

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)   |

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<sup>1</sup> 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**

| <b>SOP Starting Date</b> | <b>Complete Shallow Hazard Surveying<sup>23</sup></b> | <b>Submit Revised Exploration Plan<sup>4</sup></b> | <b>Provide Copy of RFP for MODU<sup>5</sup></b> | <b>Begin EP Operations<sup>6</sup></b> |
|--------------------------|---|--|---|--|
| 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                               |

<sup>2</sup> 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.

<sup>3</sup> 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.

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

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

<sup>6</sup> 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

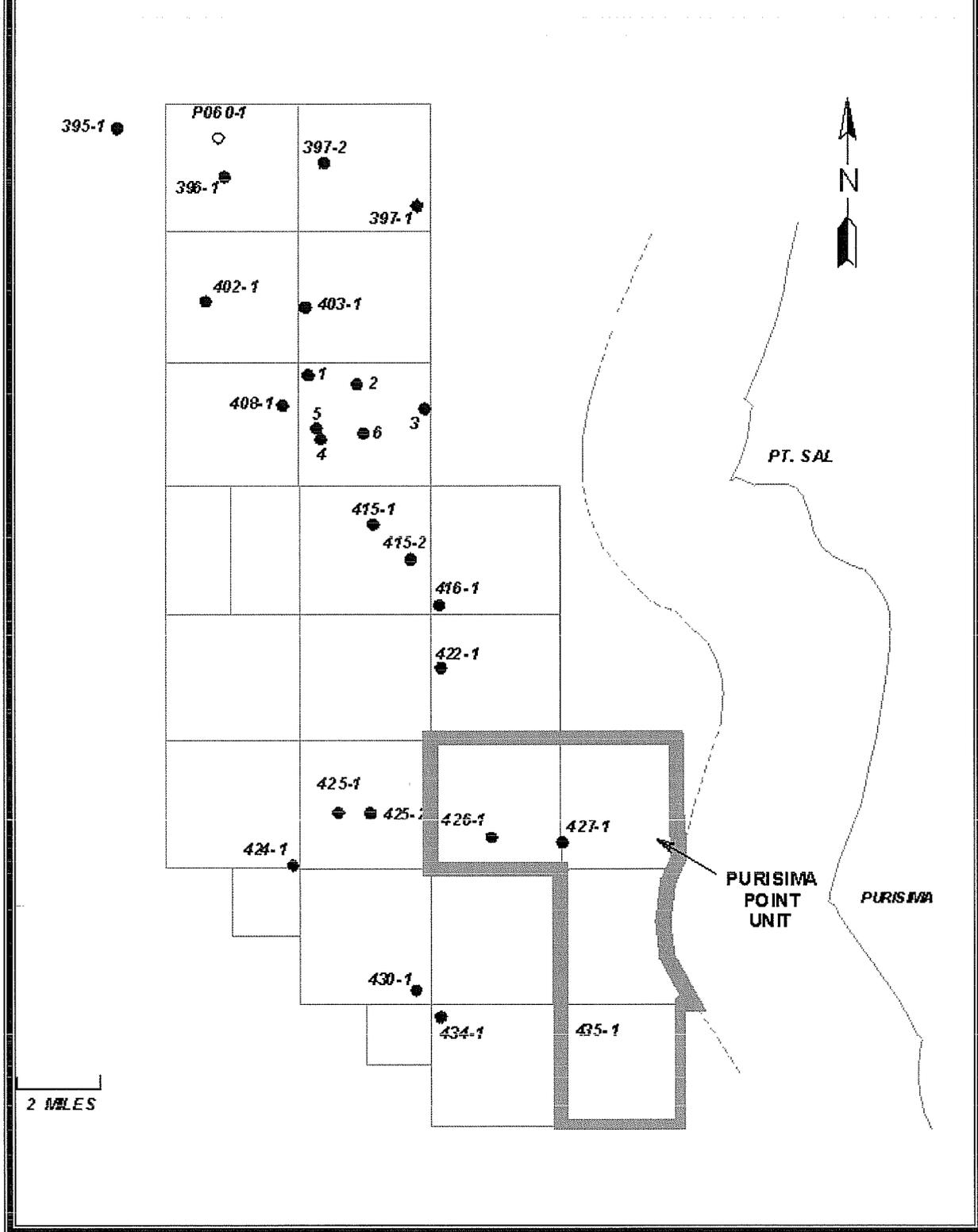


Figure 1

# OFFSHORE SANTA MARIA BASIN CALIFORNIA

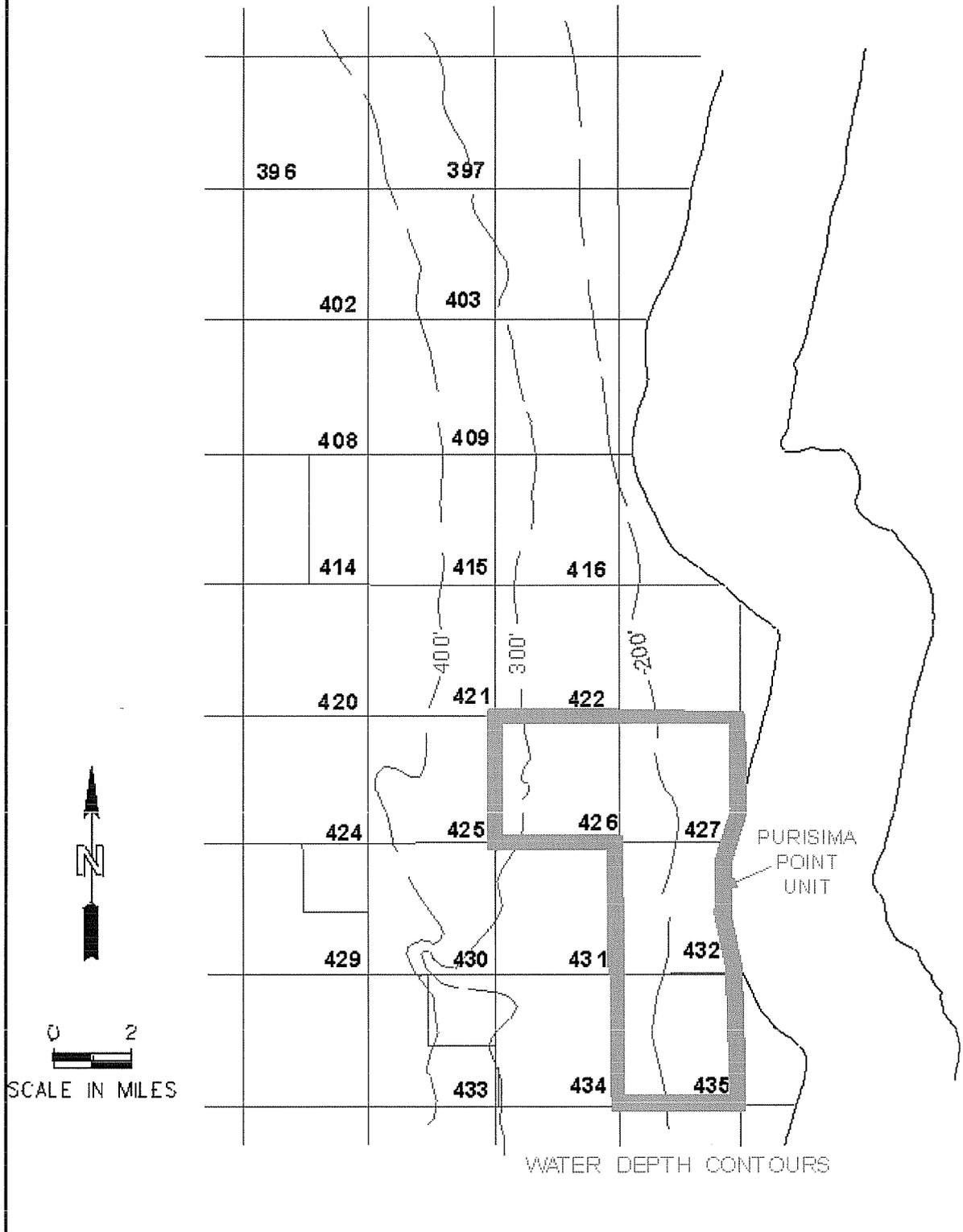


Figure 2

## Purisima Point Unit - OCS-P 0426, 0427, 0432, 0435

### Permitting History

#### OCS-P 0426

| <u>Year</u> | <u>Event</u>                     | <u>Operator</u> |
|-------------|----------------------------------|-----------------|
| 1981        | OCS Sale 53                      |                 |
| 1981        | Leases Awarded                   |                 |
| 1981        | Shallow Hazards Survey           | Chevron         |
| 1982        | Exploration Plan Submitted       | Phillips        |
| 1982        | Environmental Assessment (FONSI) | Phillips        |
| 1982        | Exploration Plan Approved        | Phillips        |
| 1982        | OSCP Approved                    | Phillips        |
| 1983        | CCC Consistency – 5 wells        | Phillips        |
| 1983        | Drilling Activity                | Phillips        |
| 1986        | Purisima Point Unit Formed       | Phillips        |
| 1986        | 2 Year SOP                       | Phillips        |
| 1987        | SWEPI named operator             | SWEPI           |
| 1988        | 2 Year SOP                       | SWEPI           |
| 1990        | 4 year SOP                       | SWEPI           |
| 1992        | SWEPI -> SFOGI                   | SFOGI           |
| 1993        | Directed SOO - COOGER            | SFOGI           |
| 1997        | SFOGI -> Aera                    | Aera            |
| 1999        | SOP                              | Aera            |
| 2001        | Directed SOO                     | Aera            |

#### OCS-P 0427

| <u>Year</u> | <u>Event</u>                     | <u>Operator</u> |
|-------------|----------------------------------|-----------------|
| 1981        | OCS Sale 53                      |                 |
| 1981        | Leases Awarded                   |                 |
| 1982        | Shallow Hazards Survey           | Chevron         |
| 1982        | Environmental Report             | Pennzoil        |
| 1982        | Plan of Exploration Submitted    | Pennzoil        |
| 1982        | Environmental Assessment (FONSI) | Pennzoil        |
| 1982        | Exploration Plan Approved        | Pennzoil        |
| 1983        | Soil Boring                      | Pennzoil        |
| 1983        | OSCP Approved                    | Pennzoil        |
| 1983        | CCC Consistency – 4 wells        | Pennzoil        |
| 1983        | Discovery Well P-0427            | Pennzoil        |
| 1986        | Purisima Point Unit Formed       | Pennzoil        |
| 1986        | 2 Year SOP                       | Pennzoil        |
| 1987        | SWEPI named operator             | SWEPI           |
| 1988        | 2 Year SOP                       | SWEPI           |
| 1990        | 4 Year SOP                       | SWEPI           |
| 1992        | SWEPI -> SFOGI                   | SFOGI           |
| 1993        | Directed SOO – COOGER            | SFOGI           |
| 1997        | SFOGI -> Aera                    | Aera            |
| 1999        | SOP                              | Aera            |
| 2001        | Directed SOO                     | Aera            |

#### OCS-P 0432

| <u>Year</u> | <u>Event</u>                     | <u>Operator</u> |
|-------------|----------------------------------|-----------------|
| 1981        | OCS Sale 53                      |                 |
| 1981        | Leases Awarded                   |                 |
| 1982        | Environmental Report             | Pennzoil        |
| 1982        | Plan of Exploration Submitted    | Pennzoil        |
| 1982        | Environmental Assessment (FONSI) | Pennzoil        |
| 1982        | Exploration Plan Approved        | Pennzoil        |
| 1983        | OSCP Approved                    | Pennzoil        |
| 1983        | Soil Boring                      | Pennzoil        |
| 1983        | CCC Consistency – 4 wells        | Pennzoil        |
| 1986        | Purisima Point Unit Formed       | Pennzoil        |
| 1986        | 2 Year SOP                       | Pennzoil        |
| 1987        | SWEPI named operator             | SWEPI           |
| 1988        | 2 Year SOP                       | SWEPI           |
| 1990        | 4 year SOP                       | SWEPI           |
| 1992        | SWEPI -> SFOGI                   | SFOGI           |
| 1993        | Directed SOO – COOGER            | SFOGI           |
| 1997        | SFOGI -> Aera                    | Aera            |
| 1999        | SOP                              | Aera            |
| 2001        | Directed SOO                     | Aera            |

#### OCS-P 0435

| <u>Year</u> | <u>Event</u>                     | <u>Operator</u> |
|-------------|----------------------------------|-----------------|
| 1981        | OCS Sale 53                      |                 |
| 1981        | Leases Awarded                   |                 |
| 1982        | Shell named operator             | Shell           |
| 1982        | Shallow Hazards Survey           | Shell           |
| 1982        | Soil Boring                      | Shell           |
| 1982        | Environmental Report Submitted   | Shell           |
| 1982        | Environmental Assessment (FONSI) | Shell           |
| 1982        | Exploration Plan Approved        | Shell           |
| 1982        | Cultural Resources Report        | Shell           |
| 1982        | CCC Consistency – 8 wells        | Shell           |
| 1983        | Discovery Well P-0435            | Shell           |
| 1986        | 2 Year SOP                       | SWEPI           |
| 1988        | 2 Year SOP                       | SWEPI           |
| 1988        | P-0435 Incl. in PPU              | SWEPI           |
| 1990        | 4 Year SOP                       | 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, permits were also issued for drilling operations and seismic operations on Purisima Point Unit

Table 2

**Purissima Point Unit Status**

Lease Information

| <u>Lease</u> | <u>Area</u><br>Hectares | <u>Royalty</u> | <u>Bonus</u> | <u>Wells</u> | <u>Co-Owners</u> | <u>%</u> |
|--------------|-------------------------|----------------|--------------|--------------|------------------|----------|
| OCS-P 0426   | 2304                    | Sliding        | \$32,116,800 | 1            | Aera Energy      | 100.00%  |
| OCS-P 0427   | 2245.37                 | Sliding        | \$13,956,500 | 1            | Aera Energy      | 52.95%   |
|              |                         |                |              |              | OLAC Resources   | 3.45%    |
|              |                         |                |              |              | Nuevo Energy     | 4.35%    |
|              |                         |                |              |              | Ogle Petroleum   | 5.63%    |
|              |                         |                |              |              | Devon Energy     | 30.00%   |
|              |                         |                |              |              | Samedan          | 3.63%    |
| OCS-P 0432   | 2062.5                  | Sliding        | \$12,679,300 | 0            | Aera Energy      | 53.64%   |
|              |                         |                |              |              | OLAC Resources   | 3.52%    |
|              |                         |                |              |              | Nuevo Energy     | 4.45%    |
|              |                         |                |              |              | Ogle Petroleum   | 4.69%    |
|              |                         |                |              |              | Devon Energy     | 30.00%   |
|              |                         |                |              |              | Samedan          | 3.71%    |
| OCS-P 0435   | 2304                    | Sliding        | \$16,503,552 | 1            | Aera Energy      | 50.00%   |
|              |                         |                |              |              | Nuevo Energy     | 50.00%   |

All leases acquired in OCS Sale #53 - May 1981

Table 3