

SAMEDAN OIL CORPORATION
100 Glenborough Drive, Suite 100
Houston, Texas 77067
(281) 872-3100 FAX(281) 876-6208

April 20, 2004



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

Re: Sword Unit; OCS Leases P 0319, P 0320, P 0322 and P 0323A,
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 Conoco Inc.'s May 13, 1999 suspension of production ("SOP") request for the Sword Unit. As of June 1, 2000, Conoco had complied with all milestone activities set forth in MMS' approval letter that had arisen as of that date.

On May 30, 2000 Samedan Oil Corporation acquired Conoco's interests in the Sword Unit leases. On June 1, 2000 Conoco resigned as operator and on August 4, 2000 Samedan filed the designated operator forms with the MMS. On August 28, 2000 Samedan was approved as the operator of the Sword Unit and continued with the activities leading to production under the SOP for the Sword Unit.

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 Sword Unit until MMS "has acted on" the lessees' suspension request.

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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 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 Sword Unit lessees, and specifically without waiving their assertion that the application of the 1990 CZMA amendments to the Sword 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 Sword 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 Sword Unit, beyond that contained in the May 1999 SOP request that MMS had already granted, the quarterly progress reports and other correspondence 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 Sword lessees had three 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 as required by MMS. As a result of the MMS directed suspension Samedan was unable to complete the approved survey plan in that the multi-beam swath bathymetry was not performed.

Samedan estimates that it would take four months from the time that MMS re-approves the "updated" SOP request to retain a contractor to complete the shallow hazard survey. The start date of operations depends on weather, marine mammal migration and fisheries interaction. However, the purpose of the

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shallow hazards survey at Sword is to provide information on the sea floor conditions for anchoring of a mobile drilling unit at the location of the OCS-P 0320 #2 in preparation for the abandonment of that well in accordance with 30 CFR 250, Subpart Q. The survey information will be included in the abandonment plan required by Subpart Q.

For purposes of responding to MMS, we have assumed an SOP effective date of January 2005. 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 Conoco timely submitted the Project Description for the Sword Unit.
2. Effective May 30, 2000 Samedan acquired Conoco's interests in the Sword Unit leases.
3. On July 25, 2000 Samedan met with MMS in Camarillo to discuss a change in the proposed exploratory activities for the Sword Unit. Samedan proposed that the planned re-entry and testing of OCS-P 0320 #2 be changed to the drilling of a new well from Platform Hermosa located on the Point Arguello Unit to the north of the Sword Unit (see Figure 1).
4. Conoco and Samedan, by letter dated July 27, 2000, informed the MMS that as of May 30, 2000 Samedan had acquired Conoco's interests in the Sword Unit leases and that Conoco had resigned as Operator on June 1, 2000. In that letter MMS was notified of Samedan's intent, as discussed in the July 25, 2000 meeting with MMS, to modify the Schedule of Activities to plan to drill a Sword exploratory well from Platform Hermosa in lieu of using a semi-submersible to re-enter the OCS-P 0320 #2 to drill an extended reach well. As a result of this new plan and, in accordance with 30 CFR 250, Subpart Q, the temporarily abandoned OCS-P 0320 #2 will be permanently abandoned.
5. On August 4, 2000 Samedan filed the designation of operator forms with the MMS. On August 28, 2000 MMS approved Samedan as Designated Operator for the Sword Unit.
6. On August 16, 2000 MMS wrote to Conoco acknowledging receipt of the Conoco/Samedan letter of July 27, 2000. In that letter MMS required that a description of the plans for the abandonment of OCS-P 0320 #2 be prepared, a draft of that report submitted to MMS by September 1, 2000 and a final project description submitted by October 1, 2000.
7. On October 5, 2000 MMS wrote to Samedan regarding the draft report on abandonment of the OCS-P 0320 #2 and listed the information to be included in the draft project description.

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8. On November 2, 2000 Samedan submitted the draft project description for the abandonment of OCS-P 0320 #2 to the Santa Maria MMS District Office and to the Regional Office.
9. On November 17, 2000 Samedan submitted a Modified Schedule of Activities for the Sword Unit for MMS approval. The original plan was to drill a delineation well by entering the temporarily abandoned OCS-P 0320 #2 well bore and directionally drilling a new well (OCS-P 0320 #3) to further test the Monterey producing zone. At the end of the test period the proposed OCS-P 0320 #3 and the OCS-P 0320 #2 would be permanently abandoned.

To develop the field, a structure was proposed to be installed on Lease OCS-P 0320 and a pipeline constructed to Platform Hermosa from which the oil would be transported by the Point Arguello pipeline to the onshore Gaviota Plant. The oil would be heated and then transferred to the All America pipeline for transport out of Santa Barbara County.

The modified plan would be to drill a new well from the existing Platform Hermosa in the nearby Point Arguello Unit into the Sword Field and test the well for capability and treatment of the oil for commingling with Point Arguello Field oil for transport. Development of the Sword Field would be from Platform Hermosa thereby eliminating installation of a platform on Lease OCS-P 0320 in the Sword Unit.

The OCS-P 0320 #2 is to be abandoned as required by 30 CFR 250 Subpart Q, *Permanently Plugging Wells*, 250.1710 through 250.1715. In the November 17, 2000 letter Samedan requested approval of the Modified Schedule of Activities and noted that the draft plan for abandonment had been submitted to the Santa Maria District Office November 2, 2000.

10. On April 11, 2001 Samedan responded to a request from MMS to provide a potential production scenario for the Sword Field under the proposed modified plan of production from Platform Hermosa. Please see our letter of April 11 to Mr. Harold Syms for more details.

11. On April 13, 2001 MMS responded to Samedan's request for approval of a modified Schedule of Activities stating that the proposal was "an excellent way to proceed" and that the schedule need not be modified. The revised Exploration Plan was required to be submitted by September 28, 2001 to meet the existing SOP Milestone.

12. On May 10, 2001 Samedan submitted a proposed plan for the Sword Unit Shallow Hazards Survey. This proposal was consistent with the appropriate NTL's and the conditions listed in the MMS letter by Mr. Richard Clingan, MMS District Geophysicist, dated April 26, 2001 to Padre Associates, our environmental consulting firm.

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13. On May 15, 2001 the plan was approved by the MMS District Office with two additional conditions regarding the multi-beam survey for the Sword Unit.

14. Thales Geosolutions collected the geohazards data at the Sword Unit on the 16th, 17th and 18th of June 2001. All data was acquired except for the multi-beam bathymetry. The survey ship was in port on June 20 refitting and waiting on equipment when the U.S. District Court for the Northern District of California, in the case of *California v. Norton*, set aside the SOP for the Sword Unit leases and a Suspension of Operations was directed by the MMS on July 2, 2001 thereby halting operations.

15. For additional information please see the Quarterly Reports submitted during the SOP period from the fourth quarter of 1999 to the time of the directed Suspension of Operations in July 2001.

Going Forward Activities

Exploration Plan Update

The Exploration Plan (EP) would be reviewed and updated where necessary and submitted for approval. The oil spill plan would be updated and submitted for approval.

Proposed delineation well OCS-P 0320 #3

Simultaneously with the update of the Exploration Plan, Samedan would be working with the operator of Point Arguello Platform Hermosa to develop a drilling schedule for an extended reach well to the Sword Field (see Figure 3 for a cross section diagram for the proposed well).

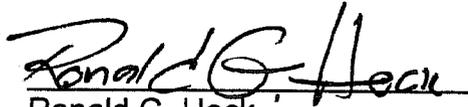
Although not an activity included in this Update of the Request for a Suspension of Production, Samedan intends to permanently abandon OCS-P 0320 #2. In preparation for the abandonment the geohazards multi-beam bathymetry survey will be completed over the anchor spread area for the OCS-P 0320 #2.

A final project description, in accordance with 30 CFR Subpart Q, *Permanently Plugging Wells*, § 250.1710 through § 250.1715, will be prepared and submitted for approval prior to abandonment of OCS-P 0320 #2.

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

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Sincerely,



Ronald G. Heck
Attorney-in-fact
California Offshore Projects Coordinator

cc: Cam Countryman, Houston
Sword Unit Partners

Attachments

1. Sword Unit Sliding Calendar
2. Sword Unit Leases and Ownership Table
- 3.. Figures
 - a. Figure 1- Sword Unit Location Map
 - b. Figure 2 - Sword Leases Well Locations
 - c. Figure 3. – Proposed Sword Unit ERD Well Course from Platform Hermosa

SWORD UNIT SLIDING CALENDAR FOR UNIT ACTIVITIES

Suspension of Production – Starting Date vs. Milestone Dates

SOP Starting Date	Submit Revised Exploration Plan	Begin EP Operations
October 2004	December 2004	November 2006
November 2004	January 2005	December 2006
December 2004	February 2005	January 2007
January 2005	March 2005	February 2007
February 2005	April 2005	March 2007
March 2005	May 2005	April 2007
April 2005	June 2005	May 2007
May 2005	July 2005	June 2007
June 2005	August 2005	July 2007
July 2005	September 2005	August 2007
August 2005	October 2005	September 2007
September 2005	November 2005	October 2007
October 2005	December 2005	November 2007
November 2005	January 2006	December 2007
December 2005	February 2006	January 2008

Attachment 2, Update of Sword Unit SOP Request, April 20, 2004

SWORD UNIT LEASES

<u>Lease</u>	<u>Acres</u>	<u>Description*</u>	<u>Unit Description</u>	<u>Acres</u>	<u>Royalty</u>	<u>Date</u>	<u>Other</u>
OCS-P 0319	5,760	Block 54N-85W	SE/4, S/2 NE/4	2,160	16.66667%	9/1/79	Sec 8
OCS-P 0320	5,760	Block 54N-84W	S/2 NW/4, SW/4 NE/4, W/2 SE/4, SW/4	3,240	16.66667%	9/1/79	Sec 8
OCS-P 0322	5,760	Block 53N-85W	E/2, SW/4, S/2 NW/4	5,040	16.66667%	9/1/79	Sec 8
OCS-P 0323A	1,800	Block 53N-84W	NW/4, NW/4 SW/4	1,800	16.66667%	9/1/79	Sec 8

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

SWORD UNIT OWNERSHIP

<u>COMPANY</u>	<u>LEASE</u>	<u>UNIT INTEREST</u>
	P 0319	P 0320
Amber Res.	00.88226	00.97953
Colton Gulf Cst.	-0-	02.68442
Delta Petroleum	-0-	02.41934
TotalFinaElf	11.76348	14.48649
Nuevo Energy	11.06004	10.53815
Ogle Petroleum	01.17155	01.22816
OLAC Res.	05.49636	04.72386
Samedan Oil**	69.62631	60.92777
PRS Offshore, LP	-0-	02.01228
	P 0322	P 0323A
	00.81973	00.81973
	02.24647	02.24647
	02.02463	02.02463
	12.12377	12.12377
	08.89476	07.97212
	01.45620	02.85921
	12.09301	11.70353
	58.65745	58.57960
	01.68398	01.71594

** Designated Operator

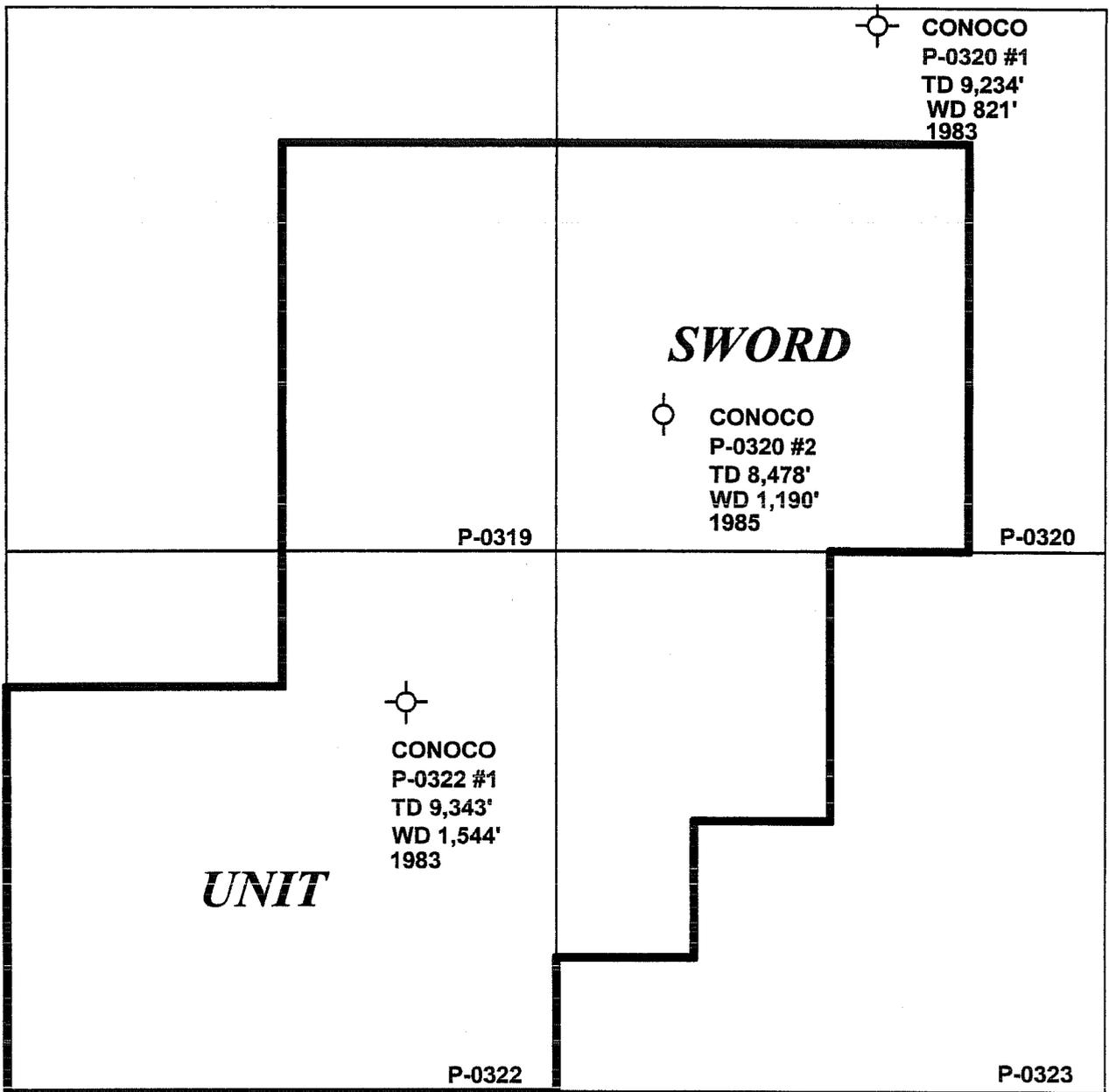


Figure 2: Sword Leases Well Locations

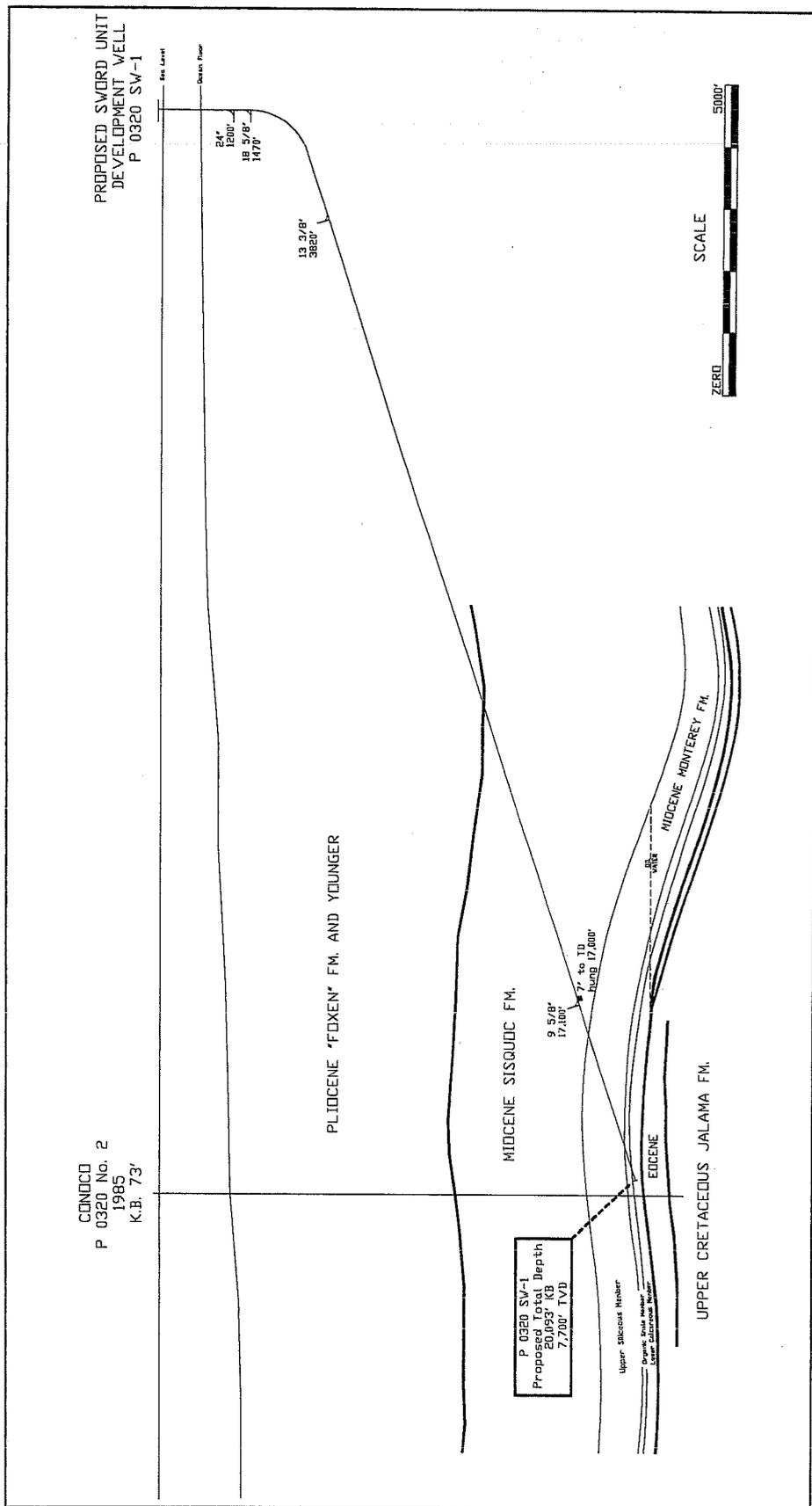


Fig 3. Proposed Sword Unit ERD Well Course from Platform Hermosa