



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Pacific OCS Region
770 Paseo Camarillo
Camarillo, California 93010-6064

FEB 11 2005

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Memorandum

To: File: 1703-02a(1) Sword Unit Correspondence
1703-02a(1) Undeveloped Leases/Units, Environmental Analyses

From: Chief, Office of Environmental Evaluation

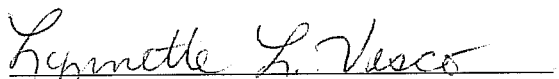
Subject: Finding of No Significant Impact (FONSI)

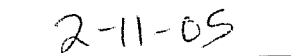
Proposed Action: MMS to Grant a Suspension of Production to Samedan Oil Corporation for the Sword Unit (Leases OCS-P 0319, 0320, 0322, and 0323A)

Area: Southern Santa Maria Basin, California
Date: February 11, 2005

Documents Included: Environmental Assessment

Based on the evaluation of Samedan Oil Corporation's Suspension of Production request, as updated, and potential impacts discussed in the attached EA, the Minerals Management Service has determined that granting a suspension for the Sword Unit (the proposed action) does not constitute a major Federal action significantly affecting the quality of the human environment, pursuant to the National Environmental Policy Act 102(2)(C).


Lynnette Vesco
Chief, Office of Environmental Evaluation
Pacific OCS Region


Date

Attachment



Environmental Assessment (Final)

February 11, 2005

Proposed Action: Minerals Management Service to Grant a Suspension of Production for Samedan Oil Corporation's Sword Unit (Leases OCS-P 0319, 0320, 0322, and 0323A)

Operator: Samedan Oil Corporation

Area: Southern Santa Maria Basin,
Offshore Santa Barbara County, California

Responsible Agency: Minerals Management Service (MMS)
Pacific OCS Region
Office of Environmental Evaluation

Abstract: The MMS proposed action is to grant a Suspension of Production for Samedan Oil Corporation's (Samedan) Sword Unit for a period of 25 months. A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct leaseholding operations [Suspension of Operations (SOO)]." Granting the suspension would allow Samedan 25 months to update and submit a revised Exploration Plan to MMS for subsequent technical and environmental review. MMS would approve, require modification, or disapprove the plan. All of these administrative activities would be completed by Samedan and/or their consultant(s) in an office setting and involve no physical activities on the unit itself. Since there are no impact-producing agents associated with Samedan's proposal, there would be no environmental impacts.

Document Available on the Web at: <http://www.mms.gov/omm/pacific>

By Mail from: Minerals Management Service
Attn: Suspension EA's
Office of Environmental Evaluation
770 Paseo Camarillo
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By Phone: 800.672.2627

For further information, contact: Maurice Hill, Environmental Coordinator, Minerals Management Service, 770 Paseo Camarillo, Camarillo, CA 93010; (805) 389-7815.

Environmental Assessment (Final)

Samedan Oil Corporation

Sword Unit

Leases OCS-P 0319, 0320, 0322, and 0323A

1 Introduction

On June 20, 2001, the U.S. District Court for the Northern District of California (hereinafter referred to as the Court) issued a ruling in *California v. Norton* (No. C 99-4964 CW, Northern District of California) ordering the Minerals Management Service (MMS) to provide a reasoned explanation for its reliance on the categorical exclusion under the National Environmental Policy Act (NEPA) and the inapplicability of the extraordinary circumstances exceptions in granting certain suspensions¹. MMS has decided to forego reliance on the categorical exclusion for the suspensions in this case in favor of preparing Environmental Assessments (EA's). On February 26, 2004, the Court ordered the Federal Defendants to propose a timetable for completing their analyses of applications for suspensions filed by the operators for nine units and one non-unitized lease offshore southern California, and for submitting consistency determinations to the State of California under the Coastal Zone Management Act (CZMA). On June 28, 2004, the Court adopted the proposed timeline which included the time for the MMS to prepare six EA's (MMS, 2005a-f) to analyze the environmental impacts of granting the suspensions.

This EA covers the Sword Unit, operated by Samedan Oil Corporation (hereinafter referred to as Samedan). The Unit is located in the southern Santa Maria Basin, offshore Santa Barbara County (Figure 1-1) and it is described in the background section, below.

1.1 Need for the Proposed Action

MMS's Need: Pursuant to the Outer Continental Shelf Lands Act (OCSLA), as amended, the MMS is required to balance expeditious and orderly mineral resource development with the protection of the human, marine, and coastal environment. If MMS grants a Suspension of Production (SOP) for Samedan's Sword Unit, it would allow the company time to update and submit a revised Exploration Plan (EP) to MMS. Pursuant to 30 CFR §250.203, MMS would conduct a technical review, comply with the National Environmental Policy Act (NEPA), and approve, require modification, or disapprove the revised EP.

Samedan's Need: Samedan needs MMS to grant a suspension for the Sword Unit to allow time to conduct administrative activities to update and submit a revised EP to MMS. This action would allow Samedan's revised EP to undergo an MMS technical and environmental review and decision process during the suspension period.

The proposed action meets both MMS's and Samedan's needs in this case.

Samedan's goal beyond their suspension period is to delineate the oil and gas reservoir within the Sword Unit by drilling an extended-reach well from Platform Hermosa, located in the adjacent Point Arguello Unit.

¹ A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct leaseholding operations [Suspension of Operations (SOO)]."

A revised EP would need to be approved by MMS and reviewed by other appropriate Federal, State, and local agencies before these activities could occur.

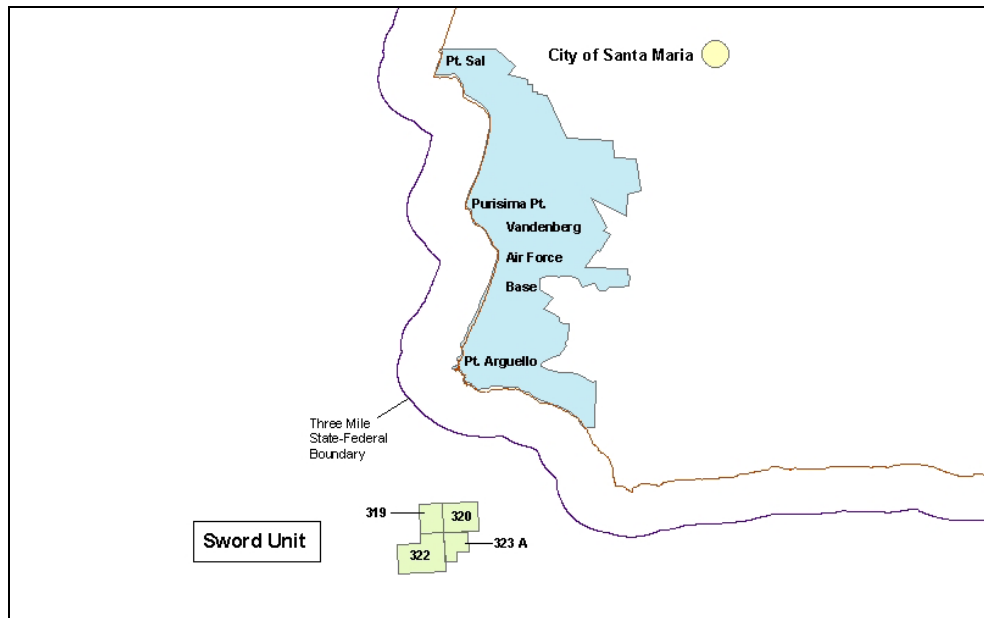


Figure 1-1. Samedan's Sword Unit.

1.2 Background

The Sword Unit is comprised of four leases, OCS-P 0319, 0320, 0322, and 0323A, in the southern Santa Maria Basin (Figure 1-1). The leases were issued in Lease Sale 68. Three wells were drilled on two leases, and MMS issued two Producibility Determinations. In 1984, the leases were unitized as the Sword Unit. The unit was held through November 1999, by virtue of a series of suspensions, issued for a variety of reasons (e.g., reinterpretation of seismic data, permitting activities, etc.). A lengthy suspension ending in 1999 was directed by MMS for the development and completion of a multi-interest study (MMS, 1999) on the onshore constraints to offshore oil and gas development.

On May 13, 1999, Conoco Inc. (predecessor operator of the unit) submitted a request to MMS for an SOP for the Sword Unit. The MMS granted an SOP on November 12, 1999. The November 1999 suspension decision was set aside as a result of the ruling by the Court in *California v. Norton* on June 20, 2001. As ordered by the Court, the MMS issued a directed Suspension of Operations (SOO) for the Sword Unit. MMS stated that the directed SOO would terminate when the MMS acted on Conoco's suspension request of May 13, 1999.

In May 2000, Samedan acquired interest in the Sword Unit and became operator of the Unit in August 2000. In July 2001, MMS offered Samedan an opportunity to update the May 1999 suspension request, which Samedan submitted on August 1, 2001. On March 10, 2004, in accordance with the Court Order, MMS required Samedan to submit an updated suspension request. On April 20, 2004, Samedan submitted an update, requesting a 25-month SOP (see Appendix).

2 Description of Alternatives Including the Proposed Action and Need for the Proposed Action

The following sections include a discussion of the proposed action and alternatives.

2.1 Alternative 1: Proposed Action—Grant Suspension

The MMS proposed action is to grant an SOP for the Sword Unit for a period of 25 months. Assuming an MMS decision on the SOP in July 2005, the SOP would extend through August 2007; the ending date would change proportionately if a decision is made before or after July 2005. Granting the suspension would allow Samedan time to revise and submit an EP to MMS. No physical activities on the unit would occur during the suspension period.

2.1.1 Samedan's Suspension Request

In the current updated SOP request, dated April 20, 2004, Samedan requested a time period of 25 months to revise and submit an EP to MMS. These activities would be completed by Samedan and/or their consultant(s) in an office setting, and involve no physical activities on the offshore unit itself. The Samedan SOP request for the Sword Unit includes a reference to “begin EP Operations.” However, on November 1, 2004, MMS notified Samedan that should MMS grant a suspension, the suspension period will not include any drilling operations (see Appendix). Pursuant to 30 CFR 250.180, drilling is an activity that will hold the unit, and therefore, if drilling activity is occurring, a suspension is not needed. Of course, any such drilling can only occur pursuant to an approved plan and permit to drill, as provided in the regulations.

2.2 Alternative 2: Deny Suspension

Under the Deny Suspension alternative, MMS would deny the SOP for Samedan's Sword Unit in the southern Santa Maria Basin. Adoption of this alternative would result in the expiration of the leases in the Sword Unit. The need for the proposed action would not be achieved. However, this alternative is available only if the applicant fails to meet established requirements (30 CFR §250.172-175) for obtaining a lease suspension.

2.3 Alternative 3: No Action

Under the No Action alternative, MMS would take no action on the SOP application for Samedan's Sword Unit in the southern Santa Maria Basin. Such action would be inconsistent with the Court Order in *California v. Norton* to implement a plan to prepare a Consistency Determination in contemplation of adjudicating the suspension request. Such action would also be inconsistent with the MMS's obligation to act upon applications submitted by Lessees. The need for the proposed action would not be achieved.

3 Scope of Environmental Analysis and Consultation and Coordination

3.1 Scope of Environmental Analysis

MMS determined that the temporal scope of the environmental analysis of the proposed action would encompass the 25-month time period during which Samedan would conduct certain administrative activities leading to the submission of a revised EP to the MMS, pursuant to 30 CFR §250.203, for subsequent technical and environmental review and decision by the MMS during the suspension period. These activities are described above in Section 2.1.1. All of these activities would be completed by Samedan and/or their consultant(s) in an office setting and

involve no physical activities on the unit itself. The SOP does not involve any impact-producing activities.

MMS is proposing to grant ten suspensions. These actions are administrative in nature. During seven of the suspensions under MMS review, no physical activities would occur offshore, therefore, no environmental impacts would occur. During the remaining three suspensions, operators would conduct biological and/or shallow hazards surveys. Since there is no spatial or temporal overlap of these surveys, and since they have insignificant impacts, they would have no cumulative impacts on the environment. Therefore, the cumulative impact of granting the ten suspensions is not expected to add to existing impacts on the environment.

The OCSLA, as amended, provides a four-phase approach to accessing potential oil and gas operations on the Federal OCS: 1) program development, 2) lease sale, 3) exploration, and 4) development and production. At each phase, a NEPA document is prepared in accordance with NEPA, Council on Environmental Quality (CEQ) regulations, MMS regulations, and MMS NEPA compliance procedures. Subsequent to agency and public review and comment, the MMS must approve each phase before that activity may occur.

Previously, for the Sword Unit, Conoco received MMS approval and State CZMA consistency for EP's, drilled a number of exploratory wells, and received a Producibility Determination from MMS. The Sword Unit EP revision would be reviewed under 30 CFR §250.203 by the MMS during the suspension period.

Exploratory drilling occurs after Samedan's suspension period and could only occur if MMS and other appropriate agencies review and approve the revised EP, as necessary. If exploration results are favorable, development activity could only occur if a DPP were submitted by the operator, MMS conducts a review of the DPP under 30 CFR §250.204, and MMS approves the DPP. Both processes require a NEPA review by MMS. Reviews would also be conducted, as needed, by the State of California, the California Coastal Commission (CCC), Santa Barbara County Air Pollution Control District, Santa Barbara County Energy Division, NOAA Fisheries, Channel Islands National Marine Sanctuary, Channel Islands National Park, U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, and U. S. Environmental Protection Agency.

3.2 Scoping Process

As part of the NEPA review process, MMS involved the public and various private and government agencies in determining the scope of the EA's for the suspension decisions. On July 21, 2004, MMS sent a public announcement (see Appendix) concerning scoping for the EA's to 260 entities who previously expressed interest in the undeveloped leases. The mailing list included elected officials, Federal, State and local agencies, public interest groups and individuals. MMS also published the announcement at

<http://www.mms.gov/omm/pacific/index.htm>

and telephoned key public agencies. The public scoping period ended on August 26, 2004 (which provided about 36 days for comment). A total of 129 public scoping comments were received. The process also involved a review of past comments received on the undeveloped leases, including the CCC's August 5, 1999, letter.

A number of issues were raised by Federal, State, and local agencies and the public with respect to the scope of analysis for the suspension decisions. Primarily, the comments focused on:

- Environmental impacts associated with exploration and development activities that would occur after the suspension period ends;
- Reasonably foreseeable and connected actions;
- Requests for MMS to prepare an Environmental Impact Statement to address the exploration and development activities;
- Requests that all the resources of the Channel Islands National Park be considered;
- Questions concerning the suspension process including diligence in developing the leases, the length of the suspensions, unitization, and whether the suspensions were undertaken according to MMS regulations and the Court decision of June 20, 2001; and,
- Changed circumstances and new information should be considered in evaluating environmental impacts.

Additionally, several comments were received expressing support for the exploration, development, and production of oil and natural gas resources offshore southern California.

After MMS's review of the suspension request and the scoping comments received, MMS prepared this EA to determine if there would be any significant environmental impacts as a result of granting the SOP. Other activities, including potential exploration and development, were determined to be outside the scope of this analysis because these activities: 1) will not occur while the Unit is under suspension, and 2) require separate review and approval by MMS and other appropriate agencies before they can occur. Specifically, exploration or development activities cannot occur unless: 1) the operator submits revised or new EP('s) and/or DPP('s) to MMS; 2) MMS completes technical and environmental reviews of the EP('s) or DPP('s); and, 3) MMS and other appropriate State and Federal agencies review these activities and approve them as necessary. As stated previously, the need for granting the suspensions is to allow the operator time to prepare and submit the information needed by MMS and other agencies in order to conduct these reviews, and time for these reviews to occur.

3.3 Consultation and Coordination Process for Protected Species and Essential Fish Habitat

This section describes the consultation and coordination process that was conducted by MMS in preparing this EA. The process involved: (1) MMS initial coordination with Federal, State, and local agencies, and (2) MMS Endangered Species Act and Essential Fish Habitat consultation with NOAA Fisheries and U.S. Fish and Wildlife Service (FWS).

Endangered Species Act and Marine Mammal Protection Act Consultation

The MMS conducted a telephone conversation on August 5, 2004, with Ms. Monica DeAngelis of NOAA Fisheries' Southwest Regional Office, Division of Protected Species to describe the proposed action and to convey its determination that the action is expected to have no effects on marine mammal and sea turtle species listed as endangered or threatened under the U.S. Endangered Species Act and that no marine mammals would be 'taken,' as defined by the Marine Mammal Protection Act. Since the proposed action is administrative, and does not involve any offshore activities, NOAA Fisheries concurred with the MMS conclusion.

Also on August 2, 2004, MMS contacted Mr. Greg Sanders at the FWS's Ventura Field Office by telephone to describe the proposed action and to inform him of its determination that the action would not affect federally listed species under the purview of the FWS. Since the proposed action is administrative, and does not involve any offshore activities, FWS concurred with the MMS conclusion.

Essential Fish Habitat Consultation

On August 24, 2004, MMS contacted Mr. Bryant Chesney of NOAA Fisheries' Southwest Regional Office, Division of Habitat Conservation to describe the proposed action and to convey its determination that the action is expected to have no effects on species managed by the Pacific Fishery Management Council or on Essential Fish Habitat. Since the proposed action is administrative, and does not involve any offshore activities, NOAA Fisheries concurred with the MMS conclusion.

3.4 Consultation and Coordination Process for Federal Consistency

In compliance with CZMA §1456(c)(1) and its implementing regulations, and in compliance with the Court's Order of June 28, 2004, the MMS will provide the CCC with a Consistency Determination for the suspension decision for Samedan's Sword Unit by April 6, 2005. MMS has had ongoing discussions with Ms. Alison Dettmer and Mr. Mark Delaplaine of the CCC concerning consistency and the MMS suspension decisions.

3.5 Public Review of Draft Environmental Assessment

As part of the NEPA review process, on November 15, 2004, the MMS distributed for public review and comment, a draft of this EA, and five other draft EA's, to 352 interested parties. These six draft EA's addressed suspensions for a total of nine units and one non-unitized lease. The MMS also posted the six draft EA's on the internet and requested comments electronically. The review period lasted from November 17, 2004 to December 16, 2004. A total of 110 commenters provided both electronic and written input to the MMS. These comments were received from a broad cross-section of the public, including elected officials, State, Federal, and local agencies, environmental interest groups, oil industry, other interest groups, and the general public.

The draft of this EA was revised based on the comments received specifically on this EA, as well as comments which generally applied to all six of the draft EA's.

The primary issue raised in the comments for this EA concerned the approach MMS has taken in the NEPA process and included requests that an Environmental Impact Statement (EIS) be prepared. As stated in Section 3.2 of this EA, potential exploration and development were determined to be outside the scope of this analysis because these activities: 1) will not occur while the Units and the non-unitized lease are under suspension, and 2) require separate review and approval by MMS and other appropriate agencies before they may occur. Specifically, exploration or development activities cannot occur unless: 1) the operator submits revised or new EP('s) and/or DPP('s) to MMS; 2) MMS completes technical and environmental reviews of the EP('s) or DPP('s); and, 3) MMS and other appropriate Federal and State agencies review these activities and approve them as necessary. As stated in the EA's, the need for granting the suspensions is to allow the operator time to prepare and submit the information needed by MMS and other agencies in order to conduct these reviews, and time for these reviews to occur. Where there are separate, successive stages of regulatory review over a single project, agencies have the

discretion to “stage” their consideration of environmental factors to coincide with the development of sufficient definiteness to permit the environmental evaluation. MMS requested the operators to revise and submit information for their suspensions. And, it is premature to review, for the purposes of NEPA, exploration and development activities that are at this point hypothetical.

Specific issues are summarized below.

- An expansion of the Need for the Proposed Action is needed;
- A reasonable range of alternatives is needed, including energy conservation and efficiency, and renewables;
- The retention of the leases as active over many years was illegal due to the lack of due diligence in exploration and development;
- The current and previous administrations should have notified the current lessees that the tracts were not actually able to be developed;
- Insufficient scientific information exists to justify allowing exploration and development on these leases; MMS has collected little scientific information to meet the recommendations of the National Research Council report of 1991; and MMS has disregarded the 2004 recommendations of the President’s U.S. Commission on Ocean Policy; and,
- The implications of delineation drilling impacts on all West Coast OCS Planning Areas on which congressional moratoria have been placed.

Generally, in response to the comments, revisions were made to the draft of this EA to ensure that the proposed suspension activities were properly described, appropriate alternatives were considered, the affected environment was adequately described, and the impact analysis was complete. Other comments were considered to be outside the scope of the EA, and therefore not applicable.

4 Environmental Impacts of Alternative 1: Proposed Action—Grant Suspension

The proposed action is for MMS to grant an SOP for Samedan’s Sword Unit. In the current updated SOP request, dated April 20, 2004, Samedan requests a time period of 25 months to update, revise, and submit an EP to MMS. These administrative activities would be completed by Samedan and/or their consultant(s) in an office setting. Since there are no physical activities on the offshore unit itself from the granting of the SOP, there would be no environmental impacts. MMS would submit Samedan’s revised EP to a technical and environmental review and decision process during the suspension period. Drilling may only occur subsequent to the suspension period and if separate approval from MMS is received per the regulatory process governing EP’s (30 CFR §250.203).

Since there are no environmental impacts, there is no incremental impact of the proposed action when added to existing cumulative impacts.

5 Environmental Impacts of Alternative 2: Deny Suspension

Under the Deny Suspension alternative, MMS would deny the SOP for Samedan’s Sword Unit only if the applicant fails to meet established requirements (30 CFR §250.172-175) for obtaining

a lease suspension. Adoption of this alternative would result in the expiration of the leases in Samedan's Sword Unit in the southern Santa Maria Basin. No environmental impacts would result from the denial of the suspension.

6 Environmental Impacts of Alternative 3: No Action

Under the No Action alternative, MMS would take no action on the SOP for Samedan's Sword Unit in the southern Santa Maria Basin. Such action would be inconsistent with the Court Order in *California v. Norton* to implement a plan to prepare Consistency Determinations in contemplation of adjudicating the suspension requests. Such action would also be inconsistent with the MMS's obligation to act upon applications submitted by Lessees. No environmental impacts would occur under this alternative.

7 List of Preparers (in alphabetical order)

Joan Barminski	Chief, Office of Reservoir Evaluation and Production
Nollie Gildow-Owens	Program Analyst, Office of the Regional Manager
Maurice Hill	Environmental Coordinator, Office of Environmental Evaluation
John Lane	Chief, Environmental Analysis Section, Office of Environmental Evaluation
Drew Mayerson	Geophysicist, Office of Reservoir Evaluation and Production
David Panzer	Oceanographer, Office of Environmental Evaluation
Fred Piltz	Senior Environmental Scientist, Office of Environmental Evaluation
Allan Shareghi	Geologist, Office of Reservoir Evaluation and Production
John Smith	Physical Scientist, Office of Environmental Evaluation

8 References

- Minerals Management Service (MMS). 1999. California Offshore Oil and Gas Energy Resources Study. Prepared by Dames and Moore, OCS Report MMS No. 99-0043.
- MMS. 2005a. Environmental Assessment (Final)—Minerals Management Service to Grant Suspensions of Production for Aera Energy LLC's Lease OCS-P 0409, Lion Rock Unit, Purisima Point Unit, Point Sal Unit, and Santa Maria Unit, Central Santa Maria Basin, Offshore Northern Santa Barbara County and Southern San Luis Obispo County, California. Prepared by the Minerals Management Service, Pacific OCS Region.
- MMS. 2005b. Environmental Assessment (Final)—Minerals Management Service to Grant a Suspension of Production for Arguello Inc.'s Rocky Point Unit, Southern Santa Maria Basin, Offshore Santa Barbara County, California. Prepared by the Minerals Management Service, Pacific OCS Region.
- MMS. 2005c. Environmental Assessment (Final)—Minerals Management Service to Grant a Suspension of Production for Plains Exploration and Production Company's Bonito Unit, Southern Santa Maria Basin, Offshore Santa Barbara County, California. Prepared by the Minerals Management Service, Pacific OCS Region.

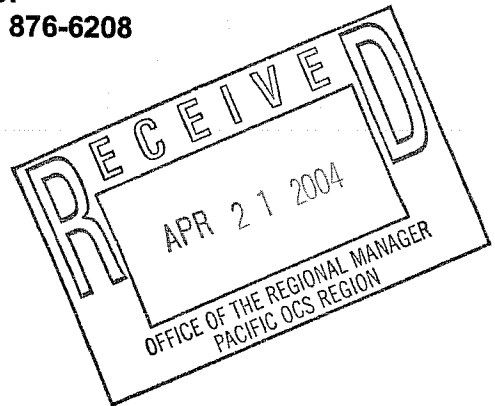
- MMS. 2005d. Environmental Assessment (Final)—Minerals Management Service to Grant a Suspension of Production for Samedan Oil Corporation’s Gato Canyon Unit, Western Santa Barbara Channel, Offshore Southern Santa Barbara County, California. Prepared by the Minerals Management Service, Pacific OCS Region.
- MMS. 2005e. Environmental Assessment (Final)—Minerals Management Service to Grant a Suspension of Production for Samedan Oil Corporation’s Sword Unit, Southern Santa Maria Basin, Offshore Santa Barbara County, California. Prepared by the Minerals Management Service, Pacific OCS Region.
- MMS. 2005f. Environmental Assessment (Final)—Minerals Management Service to Grant a Suspension of Operations for Venoco Inc.’s Cavern Point Unit, Eastern Santa Barbara Channel, Offshore Ventura County, California. Prepared by the Minerals Management Service, Pacific OCS Region.

APPENDIX

1. Samedan Oil Corporation letter to MMS requesting suspensions, dated April 20, 2004
2. MMS Public Announcement requesting scoping comments, dated July 21, 2004
3. MMS letter to Samedan Oil Corporation clarifying suspension action, dated November 1, 2004

SAMEDAN OIL CORPORATION
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(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.

Sword Unit, Update of Request for SOP, April 20, 2004

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

Sword Unit, Update of Request for SOP, April 20, 2004

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.

Sword Unit, Update of Request for SOP, April 20, 2004

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.

Sword Unit, Update of Request for SOP, April 20, 2004

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).

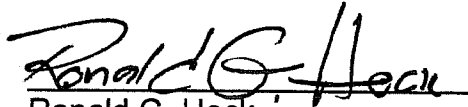
Although not an activity included in this Update of the Request for a Suspension of Production, Samedan intends to permanently abandon OCS-P 0320 #2. In preparation for the abandonment the geohazards multi-beam bathymetry survey will be completed over the anchor spread area for the OCS-P 0320 #2.

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.

Sword Unit, Update of Request for SOP, April 20, 2004

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

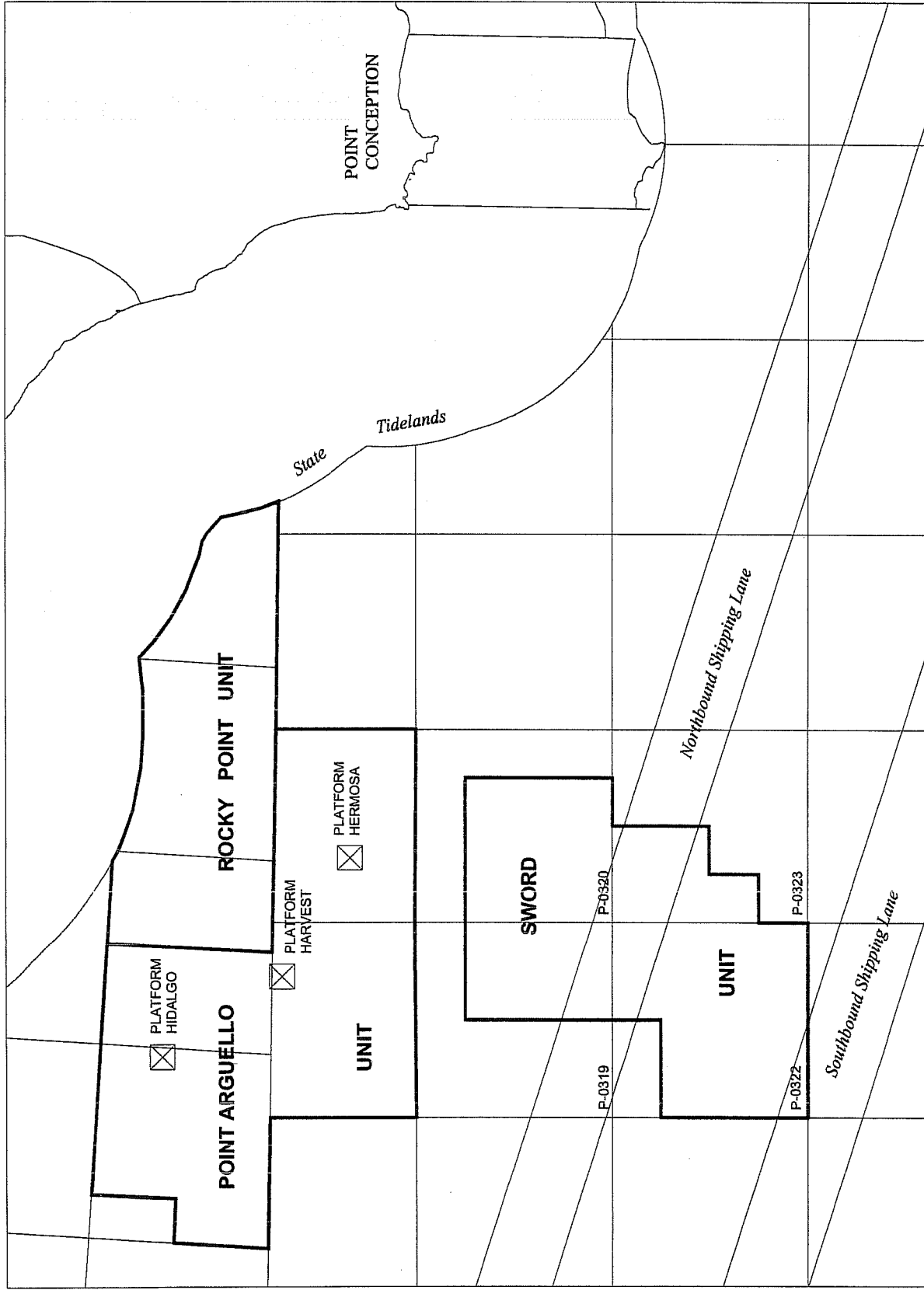


Figure 1: Location map for Sword Unit. Sword Unit lies in Federal waters west-southwest of Point Conception, directly south of Point Arguello Unit. Unit includes portions of Federal Leases P-0319, P-0320, P-0322 and P-0323.

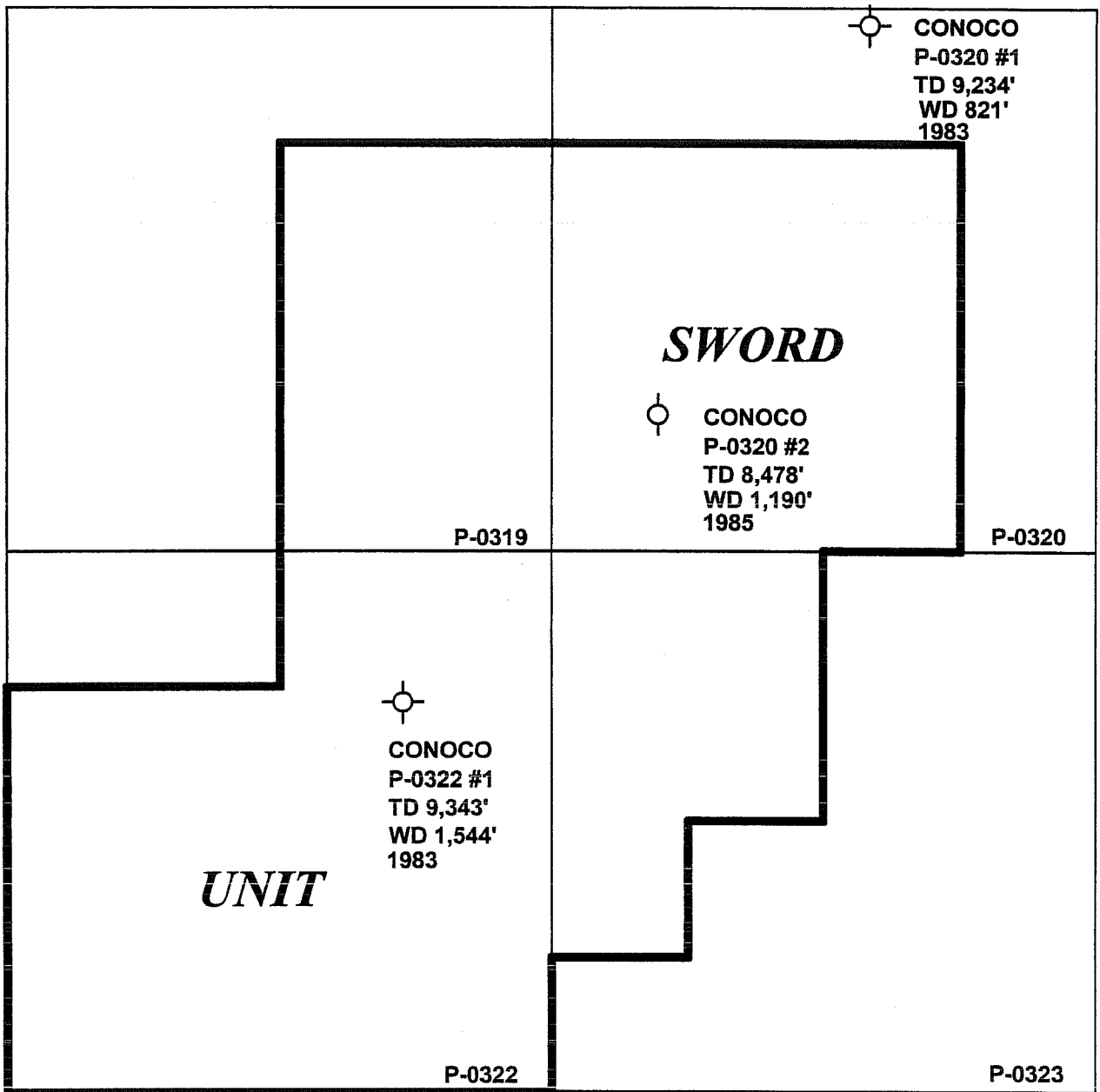


Figure 2: Sword Leases Well Locations

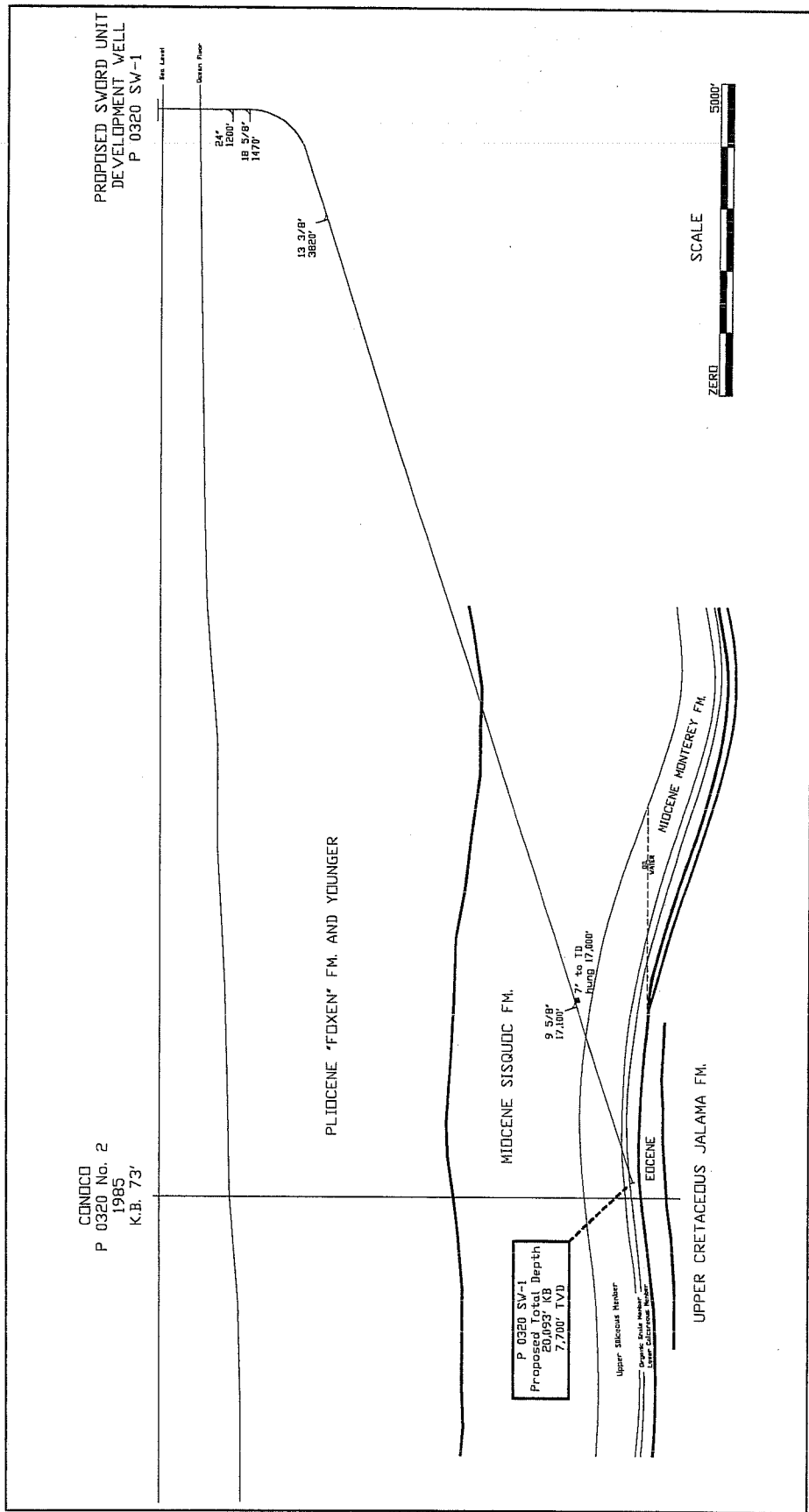
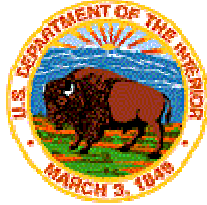


Fig 3. Proposed Sword Unit ERD Well Course from Platform Hermosa



**U. S. Department of the Interior
Minerals Management Service**



PUBLIC ANNOUNCEMENT

**Request for Scoping Comments
For Preparation of Environmental Assessments
For Granting Lease Suspensions on 36 Undeveloped OCS Leases
July 21, 2004**

Agency Action

On February 26, 2004, the Court in *California v. Norton*, No. 99-4964 (CW) N.D. Cal. ordered the Federal Defendants to propose a timetable for completing their analyses of applications for lease suspensions filed by the operators of 36 undeveloped leases offshore California, and submitting consistency determinations to the State of California under the Coastal Zone Management Act (CZMA). On June 28, 2004, the Court adopted the proposed timeline which included the time to prepare six environmental assessments to analyze the environmental impacts of granting the lease suspension requests.

The MMS action is to grant, deny, or take no action on each of the operator's suspension requests. A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct lease holding operations [Suspension of Operations (SOO)]." A suspension provides an extension of a lease in certain circumstances (see 30 CFR 250.172-175). In certain instances, operators have proposed to conduct geohazards or other surveys to assist in the preparation of their revised Exploration Plans. These surveys will be addressed in the EAs that MMS is preparing and would be conducted after the suspension is granted. The granting of a suspension will not authorize any exploration or development and production operations.

Description of the Suspension Requests and Location of the 36 Undeveloped Leases

Refer to the table and maps on the following pages.

NEPA Process and Public Scoping

Under the National Environmental Policy Act (NEPA) (42 U.S.C. 4321 *et seq.*) an Environmental Assessment (EA) serves as an information document for government decision makers and the public. The purpose of an EA is to: help decision makers base their decision on an understanding of environmental consequences; identify ways that environmental effects can be mitigated or avoided; identify alternatives that would avoid or reduce effects to the environment by requiring changes in the proposal when feasible; and to disclose to the public the environmental information and analyses upon which Federal decisions will be based.

Scoping is the process used to help determine the appropriate content of an EA. Public input is an important part of the scoping process. The purpose of soliciting input is to properly identify as many relevant issues, alternatives, mitigation measures, and analytical tools as possible so they may be incorporated into the EA. The scoping comments assist in determining the breadth and depth of the analysis.

Based on the information received during the initial scoping effort and other information, such as the location of sensitive natural resources, time of year, projected oil and gas activity, alternatives to the proposal are identified that might reduce possible impacts. In addition, reasonable mitigation measures that could reduce or eliminate possible impacts are considered for analysis in the EA.

Detailed information concerning NEPA may be found at <http://ceq.eh.doe.gov/nepa/nepanet.htm>. Frequently asked questions about compliance with the National Environmental Policy Act (NEPA) are provided at <http://www.epa.gov/compliance/resources/faqs/nepa/index.html>.

MMS's Environmental Assessment (EA) Preparation Schedule

1. Public Scoping Comments Due: 8/26/2004
2. Draft EAs Available for Public Comment: 11/17/2004
3. Draft EAs' Public Comment Period Closes: 12/16/2004
4. MMS Finalizes EAs: 2/13/2005

Submittal of Scoping Comments

Comments may be sent to MMS by email or by mail and must be received by MMS no later than **August 26, 2004**. All comments should include the name and mailing address of the person commenting. It is the practice of MMS to make comments, including names and home addresses of respondents, part of the public record. Individual respondents may request that we withhold their home address and/or identity from the record. We will honor such requests to the extent allowable by law. If you wish for us to withhold your name and/or address, you must state this prominently at the beginning of your comments. We will not consider any anonymous comments.

All interested persons, organizations and agencies wishing to provide scoping comments on the proposed actions may do so by sending them in time to reach MMS by **August 26, 2004** to the appropriate address below:

By Email: Suspension-EA@mms.gov

By Mail: **Minerals Management Service**
 Attn: Suspension – EA Comments
 Office of Environmental Evaluation
 770 Paseo Camarillo
 Camarillo, CA 93010-6064

The Draft EAs will be available for public review starting **November 17, 2004**. Draft EAs will be mailed to government agencies and elected officials. A digital copy will be posted on the MMS, Pacific Region homepage (<http://www.mms.gov/omm/pacific/>). Members of the public, who are not able to access the Region's website, and want to receive the Draft EAs, need to submit a written request to MMS at the mailing address given above. Requests for copies of the Draft EAs should specify whether "paper" or "CD" copy is preferred.

FOR FURTHER INFORMATION: Questions concerning the Draft EAs should be directed to Mr. Maurice Hill, Office of Environmental Evaluation, Pacific OCS Region, Minerals Management Service, 770 Paseo Camarillo, Camarillo, California 93010-6064; phone 805.389.7815.

Questions concerning the operators' suspension requests should be directed to Ms. Joan Barminski, Office Reservoir Evaluation and Production, Pacific OCS Region, Minerals Management Service, 770 Paseo Camarillo, Camarillo, California 93010-6064; phone 805.389.7707.

Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
LEASE 409 – Not unitized. Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . No activities, during the suspension period, on Lease OCS-P 0409, would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
LION ROCK UNIT / LEASES OCS-P 0396, 0397, 0402, 0403, 0408, 0414 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . No activities, during the suspension period, on the Lion Rock Unit, would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
PURISIMA POINT UNIT / LEASES OCS-P 0426, 0427, 0432, 0435 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . During the suspension period, Aera would conduct high resolution geophysical surveys to look for archaeological resources and geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. Aera would plan the surveys for the Fall of the year following approval of their suspension request ² . Aera is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Aera would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The archaeological remote sensing survey could involve the use of side scan sonar, sub-bottom profilers, magnetometer, and recording fathometer. The surveys for the Purisima Point and Pt. Sal Units would be done together. The estimated time to collect the shallow hazards and archaeological data will be approximately 13 days with good weather. Additionally, the ROV biological survey is estimated to take approximately 5 days with good weather. During the suspension period, Aera would submit revisions to their previously approved Exploration Plan for the leases in the Purisima Point Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Aera's offices.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit

¹ Aera provided a range of suspension lengths because the actual approval date for their request is unknown at this time and because preliminary activities on the Pt. Sal and Purisima Pt. Units require offshore surveys that need to be scheduled to avoid conflicts with marine mammal migration, fishing seasons, and rough weather. If MMS grants their suspension, it would not be for a range of dates; it would be for a finite length.

² Aera would plan the surveys for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.

Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
POINT SAL UNIT / LEASES OCS-P 0415, 0416, 0421, and 0422 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 20 to 31 months, depending on the date of approval ¹ . During the suspension period, Aera would conduct high resolution geophysical surveys to look for archaeological resources and geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. Aera would plan the surveys for the Fall of the year following approval of their suspension application ² . Aera is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Aera would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The archaeological remote sensing survey could involve the use of side scan sonar, sub-bottom profilers, magnetometer, and recording fathometer. The surveys for the Pt. Sal and Purisima Point Units would be done together. The estimated time to collect the shallow hazards and archaeological data will be approximately 13 days with good weather. Additionally, the estimated time for the ROV biological survey will be approximately 5 days with good weather. During the suspension period, Aera would submit revisions to their previously approved Exploration Plan for leases in the Point Sal Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Aera's offices.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
SANTA MARIA UNIT / LEASES OCS-P 0425, 0430, 0431, 0433, and 0434 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date of approval ¹ . No activities, during the suspension period, on the Santa Maria Unit would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
BONITO UNIT / LEASES OCS-P 0443, 0445, 0446, 0449, 0499 and 0500 Operator: NUEVO ENERGY CO.	Nuevo has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Nuevo has requested a suspension of 10 or 17 months ³ . Nuevo may propose to drill delineation wells from an existing platform in the Point Arguello Field. However, if Nuevo decides to conduct delineation drilling from a Mobile Offshore Drilling Unit, then they would be required to conduct high resolution geophysical surveys to look for geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. These surveys would occur during the suspension period. Nuevo is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Nuevo would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The estimated time to collect the data will be approximately 7 days with good weather. Additionally, the ROV biological survey is estimated to take about 5	MMS will prepare an Environmental Assessment for the Bonito Unit.

1 Aera provided a range of suspension lengths because the actual approval date for their request is unknown at this time and because preliminary activities on the Pt. Sal and Purisima Pt. Units require offshore surveys that need to be scheduled to avoid conflicts with marine mammal migration, fishing seasons, and rough weather. If MMS approves their suspension, it would not be for a range of dates; it would be for a finite length.

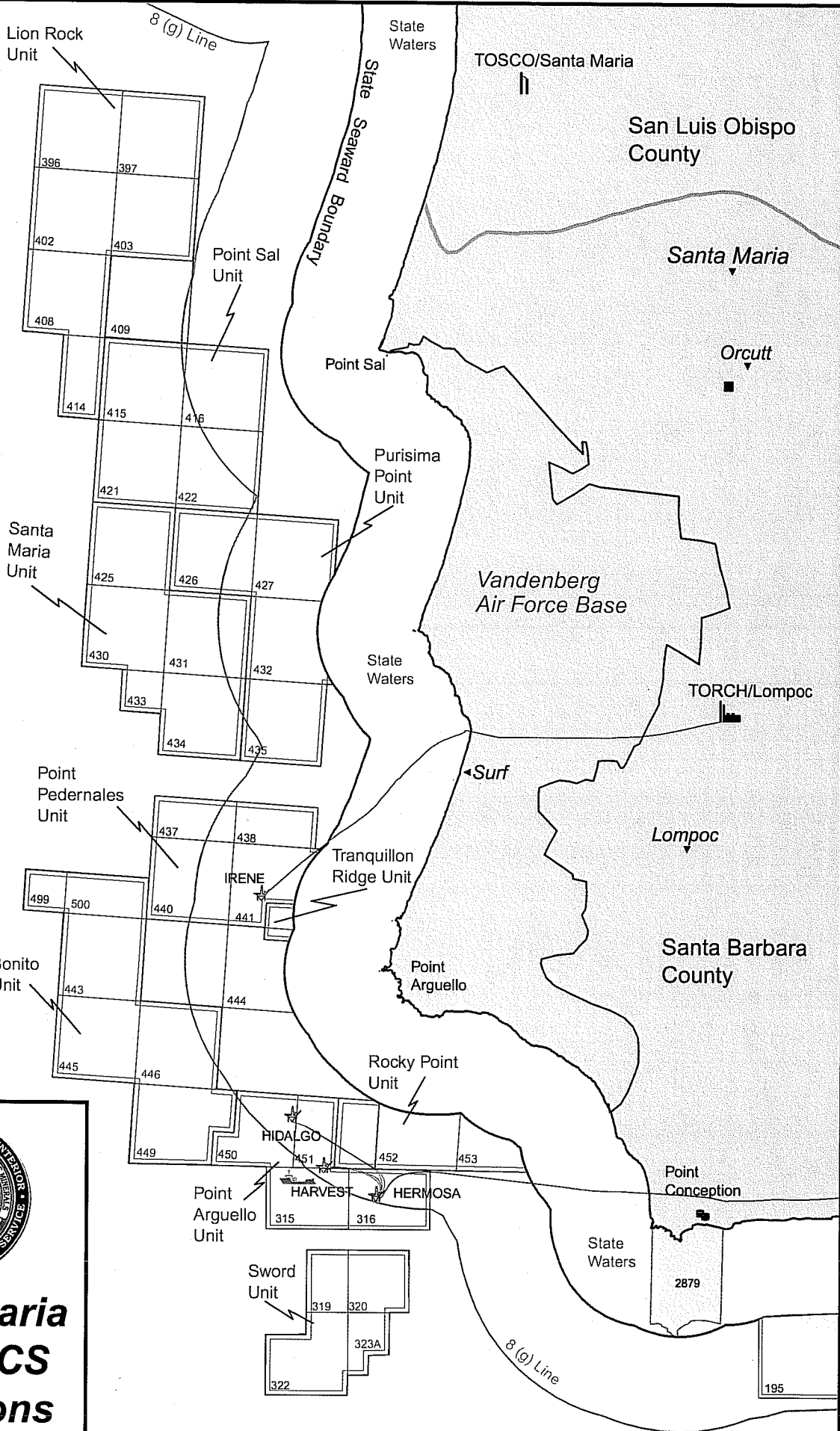
2 Aera would plan the surveys for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.

3 At the present time, Nuevo is undecided as to whether to bring in a Mobile Offshore Drilling Unit (MODU) to drill delineation wells after the suspension period ends, necessitating a 17 month suspension, or to proceed to development from the existing facilities at the Point Arguello Field, necessitating a 10 month suspension. Therefore, their proposed activities during the suspension period differ, depending upon the alternative eventually decided upon.

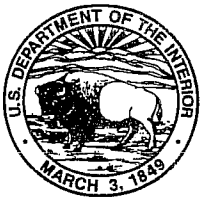
Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
		<p>days with good weather. If Nuevo decides to drill from the existing facilities in the Point Arguello Field, then geophysical and biological surveys are not required.</p> <p>Nuevo would also submit revisions to their previously approved Exploration Plan. Preparation of revisions to the Exploration Plan for leases in this Unit is an administrative activity that would be completed at Nuevo's offices.</p>	
<p>ROCKY POINT UNIT / LEASES OCS-P 0452 and 0453 Operator: ARGUELLO INC.</p>	<p>Arguello Inc. has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).</p>	<p>Arguello Inc. has requested a suspension of 30 months. During the suspension period, Arguello Inc. would submit revisions to their previously approved Development and Production Plan for the Point Arguello Unit. Preparation of revisions to the Development and Production Plan for this Unit is an administrative activity that would be completed at Arguello Inc's offices. No activities, during the suspension period, on the Rocky Point Unit, would be conducted in the offshore area.</p>	<p>MMS will prepare an Environmental Assessment for the Rocky Point Unit.</p>
<p>SWORD UNIT / LEASES OCS-P 0319, P 0320, P 0322, P 0323A Operator: SAMEDAN OIL CORP.</p>	<p>Samedan. has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).</p>	<p>Samedan has requested a suspension of 25 months. During the suspension period, Samedan would submit revisions to their previously approved Exploration Plan for the Sword Unit. Preparation of a revised Exploration Plan for this Unit is an administrative activity that would be completed at Samedan's offices. No activities, during the suspension period, on the Sword Unit, would be conducted in the offshore area.</p>	<p>MMS will prepare an Environmental Assessment for the Sword Unit.</p>
<p>GATO CANYON UNIT / LEASES OCS-P 0460 and 0464 Operator: SAMEDAN OIL CORP.</p>	<p>Samedan has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).</p>	<p>Samedan has requested a suspension of 31 months. During the suspension period, Samedan would conduct high resolution geophysical surveys to look for geohazards on the Unit. Samedan would plan the surveys for the Fall of the year following approval of their suspension application¹. Samedan is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Samedan would use a multi-spectral suite of acoustic reflection profiling systems, which may include a sub-bottom profiler, boomer system, and small air gun array. The estimated time to collect the data will be approximately 7 days with good weather. During the suspension period, Samedan would submit revisions to their previously approved Exploration Plan for the Gato Canyon Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Samedan's offices.</p>	<p>MMS will prepare an Environmental Assessment Gato Canyon Unit.</p>
<p>CAVERN POINT UNIT / LEASES OCS-P 0210 and 0527 Operator: VENOCO INC.</p>	<p>Venoco. has requested a Suspension of Operations pursuant to 30 CFR 250.171. A Suspension of Operations is defined as a deferral of the requirement to conduct leaseholding operations. (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).</p>	<p>Venoco has requested a suspension of 13 months. During the suspension period, Venoco Inc. would submit an Exploration Plan for the Cavern Point Unit. Preparation of an Exploration Plan for this Unit is an administrative activity that would be completed at Venoco's offices. No activities, during the suspension period, on the Cavern Point Unit, would be conducted in the offshore area.</p>	<p>MMS will prepare an Environmental Assessment for the Cavern Point Unit.</p>

¹ Geophysical surveys would be planned for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.



**Santa Maria
Basin OCS
Operations**



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Pacific OCS Region
770 Paseo Camarillo
Camarillo, California 93010-6064

7100

November 1, 2004

CERTIFIED MAIL
Return Receipt Requested

Mr. Ron Heck
Samedan Oil Corporation
100 Glenborough Drive
Suite 100
Houston, Texas 77067

Re: Updated Suspension of Production Request
Sword Unit
Offshore California

Dear Mr. Heck:

In your updated suspension request letter of April 20, 2004, you indicated that Samedan would drill one delineation well in the Sword Unit during the suspension period. We are writing to clarify that, should a suspension of production be granted, the suspension period will not include any drilling operations. Pursuant to 30 CFR 250.180, drilling is an activity that will hold the unit, and therefore, if drilling activity is occurring, a suspension is not needed. Of course, any such drilling can only occur pursuant to an approved plan and permit to drill, as provided for in the regulations.

If you have any questions in this regard, please contact Joan Barminski at (805) 389-7707 or Allan Shareghi at (805) 389-7704.

Sincerely,

Peter Tweedt
Regional Manager

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